

2Q24 Auction Calendar: Higher issuance at floating rate on Banxico's upcoming easing cycle

- Today, the Ministry of Finance (MoF) published the 2Q24 government securities auction calendar. We highlight higher debt issuance at floating vs fixed rates. On the former, the amount of Bondes F will be at MXN 172.9 billion, up +17.0% q/q, with the largest adjustment in the 2-year tenor (+18.5 billion, +38.5% q/q). On the latter, placements of Mbonos and CPI-linked bonds (Udibonos) will be MXN 178.5 billion (+6.0% q/q) and UDIS 13.35 billion (+0.4% q/q), respectively. It is worth noting that preference was given to longer duration securities in the nominal curve. In real yields, the short-end was privileged. The MoF noted that these adjustments consider current economic and financial conditions, pointing to: (1) A less hawkish monetary policy stance by the main central banks, albeit highly data dependent; (2) mixed economic figures and stronger GDP growth prospects; (3) persistent inflation with a slow convergence to target; (4) appetite from both foreign and domestic investors; and (5) geopolitical risks
- The local fixed income has been largely heavily influenced this quarter by expectations about rate cuts from major central banks, including Banxico. Local bonds have been impacted by dynamics in US Treasuries, in turn reflecting more modest calls for Fed cuts in 2024. In January, the market was pricing-in about -150bps for the Fed Funds during the year. Currently, this figure is only at around -80bps. In this backdrop, Mbonos have been pressured ~40bps across the yield curve this quarter, while US Treasuries up around 35bps. In both cases, the sell-off has been slightly more for longer tenors, consistent with a steeper curve reflecting a possible start of the monetary easing cycle
- For Banxico, the market even incorporated up to 200bps of cuts in full-year 2024. Now, it stands at -125bps. This is equivalent to a 9.75% reference rate in December, in line with our view. In this regard, [Banxico cut by 25bps](#) last week, before the Fed
- In our view, the market will consolidate in coming weeks, with low momentum and mostly range bound. Upside risks stem mainly from stronger-than-expected US economic activity data, which remains resilient. In addition, any negative inflation surprise, especially in energy, with the price of crude-oil (and gasoline in the US, close to 4.00 \$/gallon) picking up lately. In fact, US inflation breakevens have increased at the belly and long-ends, validating the Fed's cautiousness about the need for more evidence of a sustained inflation decline towards the target. Notwithstanding, we expect the first Fed rate cut in June, with the market assigning a 63% probability to this scenario. Coupled with a reasonable and fair discount for Banxico, we see current valuations in Mexico's nominal rates as relatively tight. Hence, we are waiting better market conditions for directional longs in Mbonos. For now, we prefer short-term tactical and relative value strategies

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Government securities

- **Cetes:** The issuance range remained unchanged, with a minimum of MXN 5 billion and maximum at MXN 25 billion. In addition, 28-, 91-, and 182-day nodes will be auctioned weekly, while 364- and 728-day tenors will be held every two weeks
- **Mbonos:** The average amount increased for 5-, 10-, and 20-year benchmarks to MXN 16.5 billion (+3.0 billion), MXN 17.0 billion (+0.5 billion), and MXN 7.0 billion (+1.0 billion), in the same order. Meanwhile, for 3- and 30-year tenors remained unchanged at MXN 14.5 billion and MXN 12.5 billion, respectively
- **Udibonos:** Average amount for the 10-year declined to UDIS 1.1 billion (-100 million). Meanwhile, for 3-, 20-, and 30-year securities, they stayed at UDIS 950 million, UDIS 850 million, and UDIS 1.15 billion, in the same order
- **Bondes F:** Average amounts adjusted in the following way: 1-year to MXN 9.3 billion (+1.3 billion), 2-year to MXN 9.5 billion (+1.5 billion), 3-year to MXN 4.5 billion (+1.0 billion), 5-year to MXN 2.5 billion (+300 million), 7-year to MXN 900 million (unchanged), and 10-year to MXN 850 million (unchanged). As in the previous quarter, each node will be auctioned on a bi-weekly basis, except for the 7- and 10-year maturities (monthly)
- The MoF reaffirmed that it may use the tools at its disposal to preserve proper market functioning, smooth the maturity profile, improve the portfolio's efficiency, and strengthen liquidity in specific securities. In addition, special operations will be carried out in the period, if market conditions are favorable, including the placement of floating rate (Bondes G) and fixed rate (Sbonos) ASG securities. Moreover, it will evaluate the emission of a new 30-year benchmark on the real yield curve. Finally, the MoF highlighted its commitment to preserve economic stability and in the local debt market

Banxico operations

- As in the previous quarter, Banxico will issue Bondes F on a weekly basis for monetary regulation purposes for up to MXN 3 billion, distributed equally between 1-, 3-, and 5-year Bondes F. That is, MXN 1 billion at each maturity
- The central bank will carry out extraordinary transactions to sterilize the expected liquidity expansion in the financial system during 2Q24. Therefore, Banxico may call extraordinary auctions of Cetes and/or Bondes F. Finally, debt exchange auctions could be executed to smooth the impact of the maturity profile on liquidity conditions. These transactions will be held for a total amount of up to MXN 75 billion
- It is worth noting that these operations are neutral from the standpoint of Banxico's monetary policy stance, so they do not impact the Overnight Interbank Interest Rate

IPAB Bonds

- Total weekly amounts stayed at MXN 4.9 billion, as follows:
 - 3-year (BPAG28): MXN 1.7 billion
 - 5-year (BPAG91): MXN 1.7 billion
 - 7-year (BPAG182): MXN 1.5 billion

PEMEX Bonds

- For 2024, Petróleos Mexicanos' financing program allows an amount of net internal indebtedness of up to MXN 138.12 billion and will remain flexible to adapt to the company's needs and the prevailing conditions in the financial markets
- For the second quarter of 2024, Pemex will evaluate carrying out new issuances, reopening outstanding bonds or execute liability management transactions to improve the company's liquidity and the price discovery process. Pemex will be sensitive to market volatility and investor appetite

- In addition to the issuance of bonds in the debt markets, the financing strategy will contemplate credit lines, both syndicated and bilateral, revolving credit facilities, as well as structured financing alternatives. The company may refinance this type of financing sources during the year to strengthen Pemex's financial position
- If any issuances in the local market were to take place, this will be carried out through the communicating vessels mechanism in different formats, such as variable rate, nominal fixed rate, and real fixed rate. The corresponding amounts and dates will be disclosed through proper public offering announcements

Auction Calendar for 2Q24*

Date	Fixed Short Term	Fixed Long Term	Inflation Linked	Floating
2-Apr	1-, 3-, 6-, and 12-month Cetes	30-year Mbono (Jul'53)	10-year Udibono (Aug'34)	2-, 5-, and 10-year Bondes F
9-Apr	1-, 3-, 6-, and 24-month Cetes	3-year Mbono (Sep'26)	30-year Udibono (Nov'50)	1-, and 3-year Bondes F
16-Apr	1-, 3-, 6-, and 12-month Cetes	20-year Mbono (Nov'42)	3-year Udibono (Dec'26)	2-, and 5-year Bondes F
23-Apr	1-, 3-, 6-, and 24-month Cetes	10-year Mbono (Nov'34)	10-year Udibono (Aug'34)	1-, 3-, and 7-year Bondes F
29-Apr	1-, 3-, 6-, and 12-month Cetes	5-year Mbono (Mar'29)	30-year Udibono (Nov'50)	2-, 5-, and 10-year Bondes F
7-May	1-, 3-, 6-, and 24-month Cetes	30-year Mbono (Jul'53)	3-year Udibono (Dec'26)	1-, and 3-year Bondes F
14-May	1-, 3-, 6-, and 12-month Cetes	3-year Mbono (Sep'26)	20-year Udibono (Nov'43)	2-, and 5-year Bondes F
21-May	1-, 3-, 6-, and 24-month Cetes	10-year Mbono (Nov'34)	10-year Udibono (Aug'34)	1-, 3-, and 7-year Bondes F
28-May	1-, 3-, 6-, and 12-month Cetes	5-year Mbono (Mar'29)	30-year Udibono (Nov'50)	2-, 5-, and 10-year Bondes F
4-Jun	1-, 3-, 6-, and 24-month Cetes	20-year Mbono (Nov'42)	3-year Udibono (Dec'26)	1-, and 3-year Bondes F
11-Jun	1-, 3-, 6-, and 12-month Cetes	3-year Mbono (Sep'26)	20-year Udibono (Nov'43)	2-, and 5-year Bondes F
18-Jun	1-, 3-, 6-, and 24-month Cetes	30-year Mbono (Jul'53)	10-year Udibono (Aug'34)	1-, 3-, and 7-year Bondes F
25-Jun	1-, 3-, 6-, and 12-month Cetes	5-year Mbono (Mar'29)	3-year Udibono (Dec'26)	2-, 5-, and 10-year Bondes F

Source: Ministry of Finance

*In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

Mbonos auction calendar for 2Q24

Security	Auction Date	Auction Amount (MXN million)	vs 1Q24
3Y Mbono (Sep'26)	09-Apr-24	14,500	0
	14-May-24	14,500	
	11-Jun-24	14,500	
	Average	14,500	
5Y Mbono (Mar'29)	29-Apr-24	16,500	+3,000
	28-May-24	16,500	
	25-Jun-24	16,500	
	Average	16,500	
10Y Mbono (Nov'34)	23-Apr-24	17,000	+500
	21-May-24	17,000	
	Average	17,000	
	Average	17,000	
20Y Mbono (Nov'42)	16-Apr-24	7,000	+1,000
	04-Jun-24	7,000	
	Average	7,000	
	Average	7,000	
30Y Mbono (Jul'53)	02-Apr-24	12,500	0
	07-May-24	12,500	
	18-Jun-24	12,500	
	Average	12,500	

Source: Ministry of Finance

Udibonos auction calendar for 2Q24

Security	Auction Date	Auction Amount (UDIS million)	vs 1Q24
3Y Udibono (Dec'26)	16-Apr-24	950	0
	07-May-24	950	
	04-Jun-24	950	
	25-Jun-24	950	
10Y Udibono (Aug'34)	Average	950	-100
	02-Apr-24	1,100	
	23-Apr-24	1,100	
	21-May-24	1,100	
20Y Udibono (Nov'43)	18-Jun-24	1,100	0
	Average	1,100	
	14-May-24	850	
	11-Jun-24	850	
30Y Udibono (Nov'50)	Average	850	0
	09-Apr-24	1,150	
	29-Apr-24	1,150	
	28-May-24	1,150	
	Average	1,150	

Source: Ministry of Finance

Bondes F auction calendar for 2Q24

Security	Periodicity	Auction Amount (MXN million)	vs 1Q24
Bondes F 1Y	Biweekly	9,300	+1,300
Bondes F 2Y	Biweekly	9,500	+1,500
Bondes F 3Y	Biweekly	4,500	+1,000
Bondes F 5Y	Biweekly	2,500	+300
Bondes F 7Y	Monthly	900	0
Bondes F 10Y	Monthly	850	0

Source: Ministry of Finance

Cetes auction calendar for 2Q24

Security	Periodicity	2Q24 Range (MXN million)	vs 1Q24
28-day Cetes	Weekly	mIn 5,000 max 25,000	-
91-day Cetes	Weekly	mIn 5,000 max 25,000	-
182-day Cetes	Weekly	mIn 5,000 max 25,000	-
364-day Cetes	Biweekly	mIn 5,000 max 25,000	-
728-day Cetes	Biweekly	mIn 5,000 max 25,000	-

Source: Ministry of Finance

Recent trade ideas				
Trade idea	P/L	Initial date	End date	
Tactical longs in Udibono Dec'26	P	Feb-16-24	Mar-08-24	
Pay 1-year TIIE-IRS (13x1)	P	Jan-12-24	Jan-19-24	
2y10y TIIE-IRS steepener	L	Oct-13-23	Feb-23-24	
Long positions in Mbono Dec'24	P	Jun-16-23	Jun-22-23	
Pay TIIE-IRS (26x1), receive 2-year SOFR	L	Aug-18-22	Oct-28-22	
Pay 2-year TIIE-IRS (26x1)	P	Feb-4-22	Mar-4-22	
Tactical longs in Mbono Mar'26	P	May-14-21	Jun-7-21	
Receive 6-month TIIE-IRS (6x1)	P	Dec-17-20	Mar-3-21	
Long positions in Udibono Nov'23	L	Feb-11-21	Feb-26-21	
Long positions in Mbono May'29 & Nov'38	P	Sep-7-20	Sep-18-20	
Long positions in Udibono Dec'25	P	Jul-23-20	Aug-10-20	
Long positions in Udibono Nov'35	P	May-22-20	Jun-12-20	
Long positions in Mbono May'29	P	May-5-20	May-22-20	
Tactical longs in 1- & 2-year TIIE-28 IRS	P	Mar-20-20	Apr-24-20	
Long positions in Udibono Nov'28	P	Jan-31-20	Feb-12-20	
Long positions in Udibono Jun'22	P	Jan-9-20	Jan-22-20	
Long positions in Mbono Nov'47	L	Oct-25-19	Nov-20-19	
Long positions in Mbonos Nov'36 & Nov'42	P	Aug-16-19	Sep-24-19	
Long positions in the short-end of Mbonos curve	P	Jul-19-19	Aug-2-19	
Long positions in Mbonos Nov'42	L	Jul-5-19	Jul-12-19	
Long positions in Mbonos Nov'36 & Nov'38	P	Jun-10-19	Jun-14-19	
Long positions in Mbonos Jun'22 & Dec'23	P	Jan-9-19	Feb-12-19	
Long floating-rate Bondes D	P	Oct-31-18	Jan-3-19	
Long CPI-linkded Udibono Jun'22	L	Aug-7-18	Oct-31-18	
Long floating-rate Bondes D	P	Apr-30-18	Aug-3-18	
Long 20- to 30-year Mbonos	P	Jun-25-18	Jul-9-18	
Short Mbonos	P	Jun-11-18	Jun-25-18	
Long CPI-linkded Udibono Jun'19	P	May-7-18	May-14-18	
Long 7- to 10-year Mbonos	L	Mar-26-18	Apr-23-18	
Long CPI-linkded Udibono Jun'19	P	Mar-20-18	Mar-26-18	
Long 5- to 10-year Mbonos	P	Mar-5-18	Mar-20-18	
Long floating-rate Bondes D	P	Jan-15-18	Mar-12-18	
Long 10-year UMS Nov'28 (USD)	L	Jan-15-18	Feb-2-18	

P = Profit, L = Loss

Short-term tactical trades					
Trade Idea	P/L*	Entry	Exit	Initial Date	End date
Long USD/MXN	P	19.30	19.50	Oct-11-19	Nov-20-19
Long USD/MXN	P	18.89	19.35	Mar-20-19	Mar-27-19
Long USD/MXN	P	18.99	19.28	Jan-15-19	Feb-11-19
Long USD/MXN	P	18.70	19.63	Oct-16-18	Jan-3-19
Short USD/MXN	P	20.00	18.85	Jul-2-18	Jul-24-18
Long USD/MXN	P	19.55	19.95	May-28-18	Jun-4-18
Long USD/MXN	P	18.70	19.40	Apr-23-18	May-14-18
Long USD/MXN	P	18.56	19.20	Nov-27-17	Dec-13-17
Long USD/MXN	L	19.20	18.91	Nov-6-17	Nov-17-17
Long USD/MXN	P	18.58	19.00	Oct-9-17	Oct-23-17
Short USD/MXN	L	17.80	18.24	Sep-4-17	Sep-25-17
Long USD/MXN	P	14.40	14.85	Dec-15-14	Jan-5-15
Long USD/MXN	P	13.62	14.11	Nov-21-14	Dec-3-14
Short EUR/MXN	P	17.20	17.03	Aug-27-14	Sep-4-14

* Total return does not consider carry gain/losses

P = Profit, L = Loss

Track of directional fixed-income trade recommendations								
Trade idea	Entry	Target	Stop-loss	Closed	P/L	Initial date	End date	
Long Udibono Dec'20	3.05%	2.90%	3.15%	3.15%	L	Aug-9-17	Oct-6-17	
5y10y TIIE-IRS steepener	28bps	43bps	18bps	31bps	P ²	Feb-15-17	Mar-15-17	
5y10y TIIE-IRS steepener	35bps	50bps	25bps	47bps	P	Oct-5-16	Oct-19-16	
Long Mbono Jun'21	5.60%	5.35%	5.80%	5.43%	P	Jul-13-16	Aug-16-16	
Long Udibono Jun'19	1.95%	1.65%	2.10%	2.10%	L	Jul-13-16	Aug-16-16	
Receive 1-year TIIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87% ¹	P	Nov-12-15	Feb-8-16	
Long spread 10-year TIIE-IRS vs US Libor	436bps	410bps	456bps	410bps	P	Sep-30-15	Oct-23-15	
Receive 9-month TIIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	Sep-3-15	Sep-18-15	
Spread TIIE 2/10 yrs (flattening)	230bps	200bps	250bps	200bps	P	Jun-26-15	Jul-29-15	
Long Mbono Dec'24	6.12%	5.89%	6.27%	5.83%	P	Mar-13-15	Mar-19-15	
Relative-value trade, long 10-year Mbono (Dec'24) / flattening of the curve					P	Dec-22-14	Feb-6-15	
Pay 3-month TIIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	Jan-29-15	Jan-29-15	
Pay 9-month TIIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	Jan-29-15	Jan-29-15	
Pay 5-year TIIE-IRS (65x1)	5.25%	5.39%	5.14%	5.14%	L	Nov-4-14	Nov-14-14	
Long Udibono Dec'17	0.66%	0.45%	0.82%	0.82%	L	Jul-4-14	Sep-26-14	
Relative-value trade, long Mbonos 5-to-10-year					P	May-5-14	Sep-26-14	
Receive 2-year TIIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	Jul-11-14	Sep-10-14	
Receive 1-year TIIE-IRS (13x1)	4.04%	3.85%	4.20%	3.85%	P	Feb-6-14	Apr-10-14	
Long Udibono Jun'16	0.70%	0.45%	0.90%	0.90%	L	Jan-6-14	Feb-4-14	
Long Mbono Jun'16	4.47%	3.90%	4.67%	4.06%	P	Jun-7-13	Nov-21-13	
Receive 6-month TIIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	Oct-10-13	Oct-25-13	
Receive 1-year TIIE-IRS (13x1)	3.85%	3.55%	4.00%	3.85%	--	Oct-10-13	Oct-25-13	
Long Udibono Dec'17	1.13%	0.95%	1.28%	1.35%	L	Aug-9-13	Sep-10-13	
Receive 9-month TIIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	Jun-21-13	Jul-12-13	
Spread TIIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	Jun-7-13	Jun-11-13	
Receive 1-year TIIE-IRS (13x1)	4.22%	4.00%	4.30%	4.30%	L	Apr-19-13	May-31-13	
Long Udibono Jun'22	1.40%	1.20%	1.55%	0.97%	P	Mar-15-13	May-3-13	
Receive 1-year TIIE-IRS (13x1)	4.60%	4.45%	4.70%	4.45%	P	Feb-1-13	Mar-7-13	
Long Mbono Nov'42	6.22%	5.97%	6.40%	5.89%	P	Feb-1-13	Mar-7-13	
Long Udibono Dec'13	1.21%	0.80%	1.40%	1.40%	L	Feb-1-13	Apr-15-13	
Receive 1-year TIIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	Jan-11-13	Jan-24-13	
Receive TIIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	Oct-19-12	Mar-8-13	
Spread TIIE-Libor (10-year)	410bps	385bps	430bps	342bps	P	Sep-21-13	Mar-8-13	
Long Udibono Dec'12	+0.97%	-1.50%	+1.20%	-6.50%	P	May-1-12	Nov-27-12	
Long Udibono Dec'13	+1.06%	0.90%	+1.35%	0.90%	P	May-1-12	Dec-14-12	

1. Carry + roll-down gains of 17bps

2. Closed below target and before the proposed horizon date due to changes in market conditions that have differed from our expectations.

P = Profit, L = Loss

Track of the directional FX trade recommendations								
Trade Idea	Entry	Target	Stop-loss	Closed	P/L*	Initial Date	End date	
Long USD/MXN	18.57	19.50	18.20	18.20	L	Jan-19-18	Apr-2-18	
Long USD/MXN	14.98	15.50	14.60	15.43	P	Mar-20-15	Apr-20-15	
Short EUR/MXN	17.70	n.a.	n.a.	16.90	P	Jan-5-15	Jan-15-15	
Short USD/MXN	13.21	n.a.	n.a.	13.64	L	Sep-10-14	Sep-26-14	
USD/MXN call spread**	12.99	13.30	n.a.	13.02	L	May-6-14	Jun-13-14	
Directional short USD/MXN	13.00	12.70	13.25	13.28	L	Oct-31-13	Nov-8-13	
Limit short USD/MXN	13.25	12.90	13.46	--	--	Oct-11-13	Oct-17-13	
Short EUR/MXN	16.05	15.70	16.40	15.69	P	Apr-29-13	May-9-13	
Long USD/MXN	12.60	12.90	12.40	12.40	L	Mar-11-13	Mar-13-13	
Long USD/MXN	12.60	12.90	12.40	12.85	P	Jan-11-13	Feb-27-13	
Tactical limit short USD/MXN	12.90	12.75	13.05	--	--	Dec-10-12	Dec-17-12	
Short EUR/MXN	16.64	16.10	16.90	16.94	L	Oct-3-12	Oct-30-12	

* Total return does not consider carry gain/losses

** Low strike (long call) at 13.00, high strike (short call) at 13.30 for a premium of 0.718% of notional amount

P = Profit, L = Loss

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Juan Carlos Mercado Garduño, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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Guide for investment recommendations.

	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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