June 28, 2024

3Q24 Auction Calendar: More issuance in floating rates, with a reduction in fixed rates

- **Today, the Ministry of Finance (MoF) released the 3Q24 government securities auction calendar.** Once again, there will be higher debt issuance at floating vs fixed rates, although at a slower pace vs. 2Q24. On the former, the amount of Bondes F will be MXN 192.5 billion, equivalent to +11.3% q/q. In addition, short-term tenors (1 to 3 years) will be prioritized again, representing 90% of the total (+15.7% q/q). On the latter, although the average amounts for the 10- and 30-year Mbonos increased, the quarterly supply of the 10-year benchmark rose MXN +20 billion vs. 2Q24; meanwhile, the 30-year tenor declined MXN -11.1 billion due to a lower frequency of placements. As such, total issuance of Mbonos will be MXN 184.4 billion (+3.3% q/q, the smallest upward adjustment since 2Q19). In addition, Udibonos will be at UDIS 11.45 billion (-14.2% q/q) as the supply of short-term securities was reduced. All in all, debt issuance for fixed rates decreased as the lower supply of Udibonos more than offsets the adjustment in Mbonos
- **The MoF noted these adjustments consider current economic and financial conditions.** Specifically, they pointed to: (1) Mixed employment, consumption, and growth data in the US and Mexico; (2) higher liquidity in 3Q23; (3) monetary policy for the remainder of 2024 and next year that will remain highly data dependent, mainly on inflationary dynamics; and (4) high volatility due to geopolitical risks
- **Positive market reaction, with Mbonos extending the week's gains by appreciating 4bps on average.** Today's session has been characterized by pressures on DM sovereign bonds. After the latest local sell-off, and despite the recent breather, Mbonos still show further room for a correction. We still suggest taking advantage of wide ranges for trading purposes. Following Banxico's decision yesterday, we reiterate our view of a 25bps cut in September and another of equal magnitude in December to finish the year with a benchmark rate of 10.50%. In the same sense, the market is pricing-in an adjustment of -58bps for the remainder of the year. However, it incorporates a more optimistic scenario for the Fed (-46bps, with the first 25bps cut in November) relative to our estimates (only -25bps in December). As such, we believe the nominal yield curve could bear steepen, with lingering risks of upward pressures in rates as Fed expectations and considering Mexico's high correlation with US peers


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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 offered every two weeks
- **Mbonos:** The average amount decreased for 3-year securities to MXN 13.5 billion (-1.0 billion). Meanwhile, it remained unchanged for 5- and 20-year benchmarks at MXN 16.5 billion and MXN 7 billion, in the same order. On the contrary, the average amount for 10- and 30-year tenors rose to MXN 18 billion (+1 billion) and MXN 13.2 billion (+700 million), respectively
- **Udibonos:** The average for the 3- and 10-year declined to UDIS 900 million (-50 million) and UDIS 900 million (-200 million), respectively. Meanwhile, for 20-, and 30-year securities, they stood at 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 10.2 billion (+900 million), 2-year to MXN 10.7 billion (+1.2 billion), 3-year to MXN 5.3 billion (+800 million), 5-year to MXN 2.5 billion (unchanged), 7-year to MXN 800 million (-100 million), and 10-year to MXN 800 million (-50 million). 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. 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 3Q24. 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 100 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 third 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 3Q24*

Date	Fixed Short Term	Fixed Long Term	Inflation Linked	Floating
2-Jul	1-, 3-, 6-, and 24-month Cetes	10-year Mbono (Nov'34)	10-year Udibono (Aug'34)	1-, and 3-year Bondes F
9-Jul	1-, 3-, 6-, and 12-month Cetes	5-year Mbono (Mar'29)	30-year Udibono (Oct'54)	2-, and 5-year Bondes F
16-Jul	1-, 3-, 6-, and 24-month Cetes	30-year Mbono (Jul'53)	3-year Udibono (Dec'26)	1-, 3-, and 7-year Bondes F
23-Jul	1-, 3-, 6-, and 12-month Cetes	3-year Mbono (Sep'26)	10-year Udibono (Aug'34)	2-, 5-, and 10-year Bondes F
30-Jul	1-, 3-, 6-, and 24-month Cetes	20-year Mbono (Nov'42)	20-year Udibono (Nov'43)	1-, and 3-year Bondes F
6-Aug	1-, 3-, 6-, and 12-month Cetes	10-year Mbono (Nov'34)	3-year Udibono (Dec'26)	2-, and 5-year Bondes F
13-Aug	1-, 3-, 6-, and 24-month Cetes	5-year Mbono (Mar'29)	10-year Udibono (Aug'34)	1-, 3-, and 7-year Bondes F
20-Aug	1-, 3-, 6-, and 12-month Cetes	3-year Mbono (Sep'26)	30-year Udibono (Oct'54)	2-, 5-, and 10-year Bondes F
27-Aug	1-, 3-, 6-, and 24-month Cetes	20-year Mbono (Nov'42)	3-year Udibono (Dec'26)	1-, and 3-year Bondes F
3-Sep	1-, 3-, 6-, and 12-month Cetes	30-year Mbono (Jul'53)	10-year Udibono (Aug'34)	2-, and 5-year Bondes F
10-Sep	1-, 3-, 6-, and 24-month Cetes	5-year Mbono (Mar'29)	20-year Udibono (Nov'43)	1-, 3-, and 7-year Bondes F
17-Sep	1-, 3-, 6-, and 12-month Cetes	3-year Mbono (Sep'26)	3-year Udibono (Dec'26)	2-, 5-, and 10-year Bondes F
24-Sep	1-, 3-, 6-, and 24-month Cetes	10-year Mbono (Nov'34)	30-year Udibono (Oct'54)	1-, and 3-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 3Q24

Security	Auction Date	Auction Amount (MXN million)	vs 2Q24
3Y Mbono (Sep'26)	23-Jul-24	13,500	-1,000
	20-Aug-24	13,500	
	17-Sep-24	13,500	
	Average Amount	**13,500**	
5Y Mbono (Mar'29)	09-Jul-24	16,500	0
	13-Aug-24	16,500	
	10-Sep-24	16,500	
	Average Amount	**16,500**	
10Y Mbono (Nov'34)	02-Jul-24	18,000	+1,000
	06-Aug-24	18,000	
	24-Sep-24	18,000	
	Average Amount	**18,000**	
20Y Mbono (Nov'42)	30-Jul-24	7,000	0
	27-Aug-24	7,000	
	Average Amount	**7,000**	
30Y Mbono (Jul'53)	16-Jul-24	13,200	+700
	03-Sep-24	13,200	
	Average Amount	**13,200**	

Source: Ministry of Finance

Udibonos auction calendar for 3Q24

Security	Auction Date	Auction Amount (UDIS million)	vs 2Q24
3Y Udibono (Dec'26)	16-Jul-24	900	-50
	06-Aug-24	900	
	27-Aug-24	900	
	17-Sep-24	900	
	Average Amount	**900**	
10Y Udibono (Nov'31)	02-Jul-24	900	-200
	23-Jul-24	900	
	13-Aug-24	900	
	03-Sep-24	900	
	Average Amount	**900**	
20Y Udibono (Nov'43)	30-Jul-24	850	0
	10-Sep-24	850	
	Average Amount	**850**	
30Y Udibono (Oct'54)	09-Jul-24	1,150	0
	20-Aug-24	1,150	
	24-Sep-24	1,150	
	Average Amount	**1,150**	

Source: Ministry of Finance

Bondes F auction calendar for 3Q24

Security	Periodicity	Auction Amount (MXN million)	vs 2Q24
Bondes F 1Y	Biweekly	10,200	+900
Bondes F 2Y	Biweekly	10,700	+1,200
Bondes F 3Y	Biweekly	5,300	+800
Bondes F 5Y	Biweekly	2,500	0
Bondes F 7Y	Monthly	800	-100
Bondes F 10Y	Monthly	800	-50

Source: Ministry of Finance

Cetes auction calendar for 3Q24

Security	Periodicity	3Q24 Range (MXN million)	vs 2Q24
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, Marcos Saúl García Hernandez, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, 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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The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
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.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

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