

## 4Q23 Auction Calendar: Reshuffling in favor of floating vs. fixed rates

- Today, the Ministry of Finance (MoF) published the 4Q23 government securities auction calendar, increasing the amount offered in Bondes F by 16% q/q. On the other hand, supply of fixed-rate securities fell 7% t/t. In greater detail, the amount offered in 3- and 5-year Mbonos was reduced by MXN 20.5 billion, equivalent to a 22% q/q drop
- The ministry noted that these adjustments factor-in current economic and financial conditions, pointing to: (1) High volatility due to monetary policy divergence between developed vs. emerging economies; (2) strong economic data and better GDP growth expectations; as well as (3) a correction in interest rates and a wider spread vs. Treasuries
- Sovereign bonds ended the quarter with a global sell-off, led by Treasuries. Investors assimilated an outlook in which interest rates could be 'higher-for-longer'. In Mexico, the Mbonos' curve experienced a "bear steepening" as long-term rates (+114bps) rose more than the short-end (+54bps). Yields on Mbonos with maturities of 10 years or more temporarily sold off above 10.00%, highs not seen since the 2008 financial crisis. In a similar fashion, CPI-linked bonds (Udibonos) lost 60bps, on average
- [After Banxico's decision yesterday](#), we modified our monetary policy call. We now see the first 25bps rate cut in May 2024, three months later than our previous view. We also anticipate the level at the end of next year at 9.25%, 100bps higher than before. For its part, the market also recalibrated its expectations. It now estimates the first rate cut in May 2024 and expect a rate at the end of December around 9.50% (vs. 8.50% a month ago). Thus, the curve already prices-in a slightly more restrictive scenario compared to our vision

### Government securities

- Cetes:** Issuance ranges remained unchanged compared with the previous quarter, with a minimum of MXN 5 billion and maximum at MXN 20 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 decreased for the 3- and 5-year benchmarks to MXN 12.0 billion in both cases, which is -1.5 billion and -1.0 billion, respectively. Amounts for 10- and 30-year tenors were raised to MXN 15.0 billion (+500 million) and MXN 10.0 billion (+500 million), in the same order. Meanwhile, the 20-year tenor remained at MXN 4.5 billion
- Udibonos:** Average amounts for 3- and 30-year securities stayed at UDIS 700 million and UDIS 900 million, respectively. The 10- and 20-year benchmarks moved to UDIS 1,200 million (-100 million) and UDIS 700 million (+100 million), in the same order
- Bondes F:** Average amounts increased for all tenors, as follows: 1-year to MXN 6.0 billion (+500 million), 2-years to MXN 5.8 billion (+800 million), 3-years to MXN 2.2 billion (+700 million), 5-years to MXN 1.4 billion (+400 million), 7-years to MXN 850 million (+50 million), and 10-years 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 tenors (monthly)



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- The MoF stated that it may use 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. Furthermore, the institution said that this quarter Mbonos and Udibonos' syndicated auctions will not be held and the issuance of ASG securities will be evaluated. Finally, the MoF highlighted its commitment to preserve economic stability and of the local debt market

### **Banxico operations**

- As in 3Q23, 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 expansions in the financial system during 4Q23. Therefore, Banxico may call extraordinary auctions of Cetes and/or Bondes F. Finally, debt exchange auctions could be executed to smooth the impact on liquidity due to the maturity profile. These transactions will be held for a total amount of up to MXN 80 billion
- It is worth mentioning that these operations are neutral from the standpoint of Banxico's monetary policy stance and 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 2023, Petróleos Mexicanos' financing program allows an amount of net internal indebtedness of up to MXN 27.07 billion and will remain flexible to adapt to the company's needs and prevailing financial market conditions
- For the fourth quarter, 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 its financial position
- If any issuances in the local market were to take place, they 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 4Q23\*

Date	Fixed Short Term	Fixed Long Term	Inflation Linked	Floating
Oct-03	1-, 3-, 6-, and 12-month Cetes	20-year Mbono (Nov'42)	3-year Udibono (Dec'26)	2-, 5-, and 10-year Bondes F
Oct-10	1-, 3-, 6-, and 24-month Cetes	3-year Mbono (Sep'26)	20-year Udibono (Nov'43)	1-, and 3-year Bondes F
Oct-17	1-, 3-, 6-, and 12-month Cetes	30-year Mbono (Jul'53)	10-year Udibono (Nov'31)	2-, and 5-year Bondes F
Oct-24	1-, 3-, 6-, and 24-month Cetes	5-year Mbono (Mar'29)	30-year Udibono (Nov'50)	1-, 3-, and 7-year Bondes F
Oct-30	1-, 3-, 6-, and 12-month Cetes	10-year Mbono (May'33)	3-year Udibono (Dec'26)	2-, 5-, and 10-year Bondes F
Nov-07	1-, 3-, 6-, and 24-month Cetes	3-year Mbono (Sep'26)	20-year Udibono (Nov'43)	1-, and 3-year Bondes F
Nov-14	1-, 3-, 6-, and 12-month Cetes	20-year Mbono (Nov'42)	10-year Udibono (Nov'31)	2-, and 5-year Bondes F
Nov-21	1-, 3-, 6-, and 24-month Cetes	5-year Mbono (Mar'29)	30-year Udibono (Nov'50)	1-, 3-, and 7-year Bondes F
Nov-28	1-, 3-, 6-, and 12-month Cetes	30-year Mbono (Jul'53)	3-year Udibono (Dec'26)	2-, 5-, and 10-year Bondes F
Dec-05	1-, 3-, 6-, and 24-month Cetes	3-year Mbono (Sep'26)	20-year Udibono (Nov'43)	1-, and 3-year Bondes F
Dec-11	1-, 3-, 6-, and 12-month Cetes	10-year Mbono (May'33)	10-year Udibono (Nov'31)	2-, and 5-year Bondes F
Dec-19	1-, 3-, 6-, and 24-month Cetes	5-year Mbono (Mar'29)	30-year Udibono (Nov'50)	1-, 3-, and 7-year Bondes F
Dec-26	1-, 3-, 6-, and 12-month Cetes	20-year Mbono (Nov'42)	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 4Q23

Security	Auction Date	Auction Amount (MXN million)	vs 3Q23
3Y Mbono (Sep'26)	Oct-10-23	12,000	-1,500
	Nov-07-23	12,000	
	Dec-05-23	12,000	
	<b>Average Amount</b>	<b>12,000</b>	
5Y Mbono (Mar'29)	Oct-24-23	12,000	-1,000
	Nov-21-23	12,000	
	Dec-19-23	12,000	
	<b>Average Amount</b>	<b>12,000</b>	
10Y Mbono (May'33)	Oct-30-23	15,000	+500
	Dec-11-23	15,000	
	<b>Average Amount</b>	<b>15,000</b>	
20Y Mbono (Nov'42)	Oct-03-23	4,500	--
	Nov-14-23	4,500	
	Dec-26-23	4,500	
	<b>Average Amount</b>	<b>4,500</b>	
30Y Mbono (Jul'53)	Oct-17-23	10,000	+500
	Nov-28-23	10,000	
	<b>Average Amount</b>	<b>10,000</b>	

Source: Ministry of Finance

## Udibonos auction calendar for 4Q23

Security	Auction Date	Auction Amount (UDIS million)	vs 3Q23
3Y Udibono (Dec'26)	Oct-03-23	700	--
	Oct-30-23	700	
	Nov-28-23	700	
	Dec-26-23	700	
	<b>Average Amount</b>	<b>700</b>	
10Y Udibono (Nov'31)	Oct-17-23	1,200	-100
	Nov-14-23	1,200	
	Dec-11-23	1,200	
	<b>Average Amount</b>	<b>1,200</b>	
20Y Udibono (Nov'43)	Oct-10-23	700	+100
	Nov-07-23	700	
	Dec-05-23	700	
	<b>Average Amount</b>	<b>700</b>	
30Y Udibono (Nov'50)	Oct-24-23	900	--
	Nov-21-23	900	
	Dec-19-23	900	
	<b>Average Amount</b>	<b>900</b>	

Source: Ministry of Finance

## Bondes F auction calendar for 4Q23

Security	Periodicity	Auction Amount (MXN million)	vs 3Q23
1-year Bondes F	Bi-weekly	6,000	+500
2-year Bondes F	Bi-weekly	5,800	+800
3-year Bondes F	Bi-weekly	2,200	+700
5-year Bondes F	Bi-weekly	1,400	+400
7-year Bondes F	Monthly	850	+50
10-year Bondes F	Monthly	800	+50

Source: Ministry of Finance

## Cetes auction calendar for 4Q23

Security	Periodicity	4Q23 Range (MXN million)	vs 3Q23
28-day Cetes	Weekly	mIn 5,000	-
		max 20,000	-
91-day Cetes	Weekly	mIn 5,000	-
		max 20,000	-
182-day Cetes	Weekly	mIn 5,000	-
		max 20,000	-
364-day Cetes	Bi-weekly	mIn 5,000	-
		max 20,000	-
728-day Cetes	Bi-weekly	mIn 5,000	-
		max 20,000	-

Source: Ministry of Finance

Recent trade ideas				
Trade idea	P/L	Initial date	End date	
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 <sup>2</sup>	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% <sup>1</sup>	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, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora and Andrea Muñoz Sánchez, 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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Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

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## 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.

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