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# **Government Securities Auction Calendar for the Second Quarter of 2012**

# Government Securities Auction Calendar

## *Important Aspects*

- ❑ The Ministry of Finance and Public Credit (the “Ministry”) announces the government securities auction calendar for the second quarter of 2012, which will be valid beginning April 2<sup>nd</sup>, 2012. The government securities auction calendar is consistent with the Economic Program approved by Congress for the 2012 fiscal year.
- ❑ Moreover, the issuance strategy is coherent with the [2012 Annual Borrowing Program](#) released on December 12<sup>th</sup>, 2011.



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# Government Securities Auction Calendar

## *Important Aspects*

The most important aspects of the government's securities issuance strategy for the second quarter of 2012 are:

- ❑ The Federal Government will continue using the mechanism, implemented during the first quarter of the year, to determine the amount to be issued of the 28-day and 91-day Cetes. This mechanism consists on announcing each quarter the average weekly amount to be issued; in this way, the amount to be issued each week of these instruments may be more or less than the average amount announced; with the restriction that the minimum amount to be issued will be 50% of the average weekly amount announced. Even though the weekly amounts to be issued could change, the total amount to auction during the quarter will be fixed and equal to the average weekly amount announced times the total number of weeks in the quarter.
- ❑ The issuance pattern of the 10-year Nominal Fixed Rate Bond will be restored after the syndicated debt issuance of the first quarter to issue an amount of 7,500 million pesos every six weeks.
- ❑ The 30-year Nominal Fixed Rate Bond will be issued through the Debt Syndication Scheme.
- ❑ The amounts of other securities to be issued during the second quarter of 2012 will remain unchanged. Likewise, the frequencies for all the instruments will also be maintained from the previous quarter.



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# Government Securities Auction Calendar



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## Government Securities Auction during the Second Quarter of 2012 Offered Amounts for each Auction (million pesos)

Instrument	Auction 1 <sup>st</sup> quarter 2012	Frequency	New auction 2 <sup>nd</sup> quarter 2012	Frequency
<b>Cetes</b>				
28-day Cetes	7,000 <sup>1/</sup>	Weekly average	7,000 <sup>1/</sup>	Weekly average
91-day Cetes	8,000 <sup>1/</sup>	Weekly average	8,000 <sup>1/</sup>	Weekly average
182-day Cetes	8,500	Weekly	8,500	Weekly
364-day Cetes	9,500	Every 4 weeks	9,500	Every 4 weeks
<b>Nominal Fixed Rate Bonds</b>				
3-year Bond	7,500	Every 4 weeks	7,500	Every 4 weeks
5-year Bond	6,500	Every 4 weeks	6,500	Every 4 weeks
10-year Bond	25,000 <sup>2/</sup>	One issuance	<b>7,500</b>	<b>Every 6 weeks</b>
20-year Bond	4,500	Every 6 weeks	4,500	Every 6 weeks
30-year Bond <sup>3/</sup>	4,000	Every 6 weeks	<b>To be defined</b>	<b>One issuance</b>
<b>Udibonos (Million Udis)</b>				
3-year Udibono	750	Every 4 weeks	750	Every 4 weeks
10-year Udibono	700	Every 4 weeks	700	Every 4 weeks
30-year Udibono	600	Every 4 weeks	600	Every 4 weeks
<b>Bondes D</b>				
5-year Bondes D	1,500	Every 2 weeks	1,500	Every 2 weeks

*1/ Average weekly amount to be issued during the quarter.*

*2/ Instrument issued through the Debt Syndication Scheme.*

*3/ Instrument to be issued through the Debt Syndication Scheme.*

# Government Securities Auction Calendar

## Auction's Calendar for April-June 2012

Date	Fixed Short Term	Fixed Long Term	Inflation Index	Floating
<b>Apr 2<sup>nd</sup>, 2012</b>	28, 91, 182 and 364-day Cetes	20-year Bond Code: M 310529	30-year Udibono Code: S 401115	5-year Bondes D
Apr 10 <sup>th</sup> , 2012	28, 91 and 182-day Cetes	3-year Bond Code: M 150618	3-year Udibono Code: S 141218	
Apr 17 <sup>th</sup> , 2012	28, 91 and 182-day Cetes			5-year Bondes D
Apr 24 <sup>th</sup> , 2012	28, 91 and 182-day Cetes	5-year Bond Code: M 160616	10-year Udibono Code: S 201210	
<b>Apr 30<sup>th</sup>, 2012</b>	28, 91, 182 and 364-day Cetes	10-year Bond Code: M 220609	30-year Udibono Code: S 401115	5-year Bondes D
May 8 <sup>th</sup> , 2012	28, 91 and 182-day Cetes	3-year Bond Code: M 150618	3-year Udibono Code: S 141218	
May 15 <sup>th</sup> , 2012	28, 91 and 182-day Cetes	20-year Bond Code: M 310529		5-year Bondes D
May 22 <sup>nd</sup> , 2012	28, 91 and 182-day Cetes	5-year Bond Code: M 160616	10-year Udibono Code: S 201210	
May 29 <sup>th</sup> , 2012	28, 91, 182 and 364-day Cetes		30-year Udibono Code: S 401115	5-year Bondes D
Jun 5 <sup>th</sup> , 2012	28, 91 and 182-day Cetes	3-year Bond Code: M 150618	3-year Udibono Code: S 141218	
Jun 12 <sup>th</sup> , 2012	28, 91 and 182-day Cetes	10-year Bond Code: M 220609		5-year Bondes D
Jun 19 <sup>th</sup> , 2012	28, 91 and 182-day Cetes	5-year Bond Code: M 160616	10-year Udibono Code: S 201210	
Jun 26 <sup>th</sup> , 2012	28, 91, 182 and 364-day Cetes	20-year Bond Code: M 310529	30-year Udibono Code: S 401115	5-year Bondes D



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# Government Securities Auction Calendar

## *Exchange and repurchase transactions*

- ❑ The Ministry of Finance may execute exchange and repurchase transactions during the second quarter of 2012. These transactions may involve Fixed Rate Bonds, Udibonos and Cetes.
- ❑ In case one of these transactions is executed, the SHCP will specify two days prior to the transaction, through the Central Bank, the instruments and the amounts involved.



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# Government Securities Auction Calendar

## *Banco de México auction calendar*

Banco de México will reduce the weekly amount of Bondes D auctions from 6,000 million to 5,000 million pesos. Maturities and amounts to be offered during the second quarter of 2012 will be as follows:

- ❑ For the 3-year maturity the offered amount will be reduced from 3,000 million to 2,500 million pesos.
- ❑ For the 5-year maturity the weekly offered amount will be reduced from 2,000 to 1,500 million pesos.
- ❑ For the 7-year the offered amount remains at 1,000 million pesos on a weekly basis.

In addition, Banco de México will conduct three extraordinary auctions of Cetes during the second quarter of 2012. The auctions will be similar to those held since December of 2010.

- ❑ The first two auctions to be held on May 2 and June 13, 2012 will rollover the maturing amount of previous placements. The first auction will be for 60,500 million pesos and the second for 50,000 million pesos. More details will be provided on the official announcement dates.



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# Government Securities Auction Calendar

## *Banco de México auction calendar*

- The third auction will take place on June 20 to partially withdraw the liquidity generated on June 21 by coupons and maturity payments of government securities.

These actions are neutral from the point of view of Banco de México's monetary policy stance since the overnight interbank rate will not change as a result of them.



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# Government Securities Auction Calendar



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## *Petróleos Mexicanos' Issuances*

- ❑ Throughout the second quarter of 2012, PEMEX could raise funds in the local market as part of its financing program.
- ❑ In this sense, PEMEX could issue Certificados Bursátiles in the local markets for up to \$15,000 million pesos.
- ❑ Specific amounts and issuance dates shall be released when the public offering takes place.
- ❑ As it is customary, issuances would take place in accordance to internal market conditions.



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# **Savings Protection Bonds with additional interest reference rate (BPAG28 and BPAG91)**

# IPAB's Auction Program

## *Background*

- ❑ IPAB's **debt management strategy** requires the Institute to refinance its obligations at the least possible cost in a sustainable way in the long run, in line with an adequate risk management.
- ❑ To fulfill this objective, IPAB has maintained a refinancing strategy that includes the auction of Savings Protection Bonds (**BPAS or Bonds**) in the domestic market. This strategy has improved the terms and conditions of IPAB's financial obligations.
- ❑ Additionally, IPAB has performed a sound and stable debt management strategy in line with international best practices, which has allowed the Institute to be known as a **recognized bond issuer in the Mexican stock market**.
- ❑ In the bond market, IPAB has been able to maintain attractive and widely demanded debt instruments for investors.



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# IPAB's Auction Program

## Market Performance

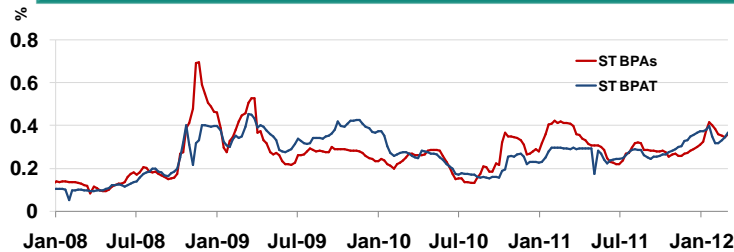
### Current Conditions

- ✓ T-Bill yield is close to zero.
- ✓ Cetes (Mexican treasury bonds) offer an attractive return to foreign investors increasing its demand.

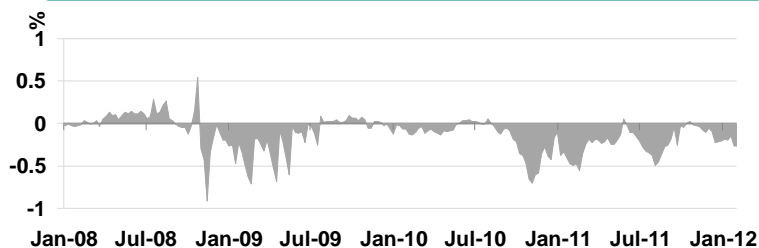
### Effect

Time periods in which the Cetes and Government Funding Rate's (TPFG) spread widens.

### BPA's and BPAT spreads



### Cetes28 vs TPFG\*



\* Government Funding Rate defined on the Technical Information Report of the new instruments.

The fluctuation of the BPA's coupon payments has generated greater volatility in their spreads and thus offering additional premium to bond holders, producing the following effects:

1. BPA's price reduction and increased volatility.
2. Volatility in debt instruments' demand.
3. Negative impact on BPA's liquidity in the secondary market.



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# IPAB's Auction Program

## *Issuance of New Bonds*

- ❑ As a result and as part of IPAB's debt management mandate, the Institute has strengthened its bond market, in order to provide better alternatives to investors and **to allow IPAB to refinance its debt with better terms and conditions.**
- ❑ In order to encourage BPAs and BPAT in the current market, in line with financial authorities' objective to keep a **proper operation of IPAB's debt instruments in the financial market**, IPAB's Governing Board approved the following:

***“The issuance of Savings Protection Bonds with 28-day coupon payments and Savings Protection Bonds with 91-day coupon payments that include as an additional interest reference rate for coupon payments, the Government Funding Rate (BPAGs), thus, the new coupon rate for BPAGs instruments will be the highest between the 28 day or the 91 day CETES, if appropriate, and the Government Funding Rate”.***



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# IPAB's Auction Program

## New Bonds' Features

	BPAG28	BPAG91
<b>Issuer / Financial Agent</b>	IPAB / Banco de México	
<b>Name</b>	Savings Protection Bonds with monthly coupon payments and additional interest reference rate	Savings Protection Bonds with quarterly coupon payments and additional interest reference rate
<b>Principal</b>	MXP \$100.00	
<b>Maturity</b>	Up to 3 years (1,092 days)	Up to 5 years (1,820 days)
<b>Coupon</b>	28 days	91 days
<b>Interest rate</b>	Max[CETES28, TPGF] at the beginning of interest period	Max[CETES91, TPGF] at the beginning of interest period
<b>Interest payment</b>	Based on the face value	
<b>Redemption provisions</b>	At maturity	
<b>Date of first issuance</b>	April 2012	April 2012
<b>Code</b>	IMyyymmdd	IQyyymmdd

- Specific details regarding these bonds can be found in the Technical Information Report for each bond, which will be published today at: [www.ipab.org.mx](http://www.ipab.org.mx).



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# IPAB's Auction Program

## *General considerations of new bonds issuance*

- With the inclusion of the additional interest reference rate, the new debt instruments will have more advantages compared to the current bonds, such as:

- ✓ The new bonds' spread levels will show the liquidity premium.
- ✓ Reduction in spreads' volatility and a better price dynamics.

- The auction of the new **BPAG28** and **BPAG91** will replace permanently the current auctions of BPAs y BPAT.
- Due to the adjustments to be performed on the risk, operation and assessment systems, during the next **3 weeks** (from April 3rd to April 18th) the weekly auction of debt instruments with monthly and quarterly coupons will be suspended.

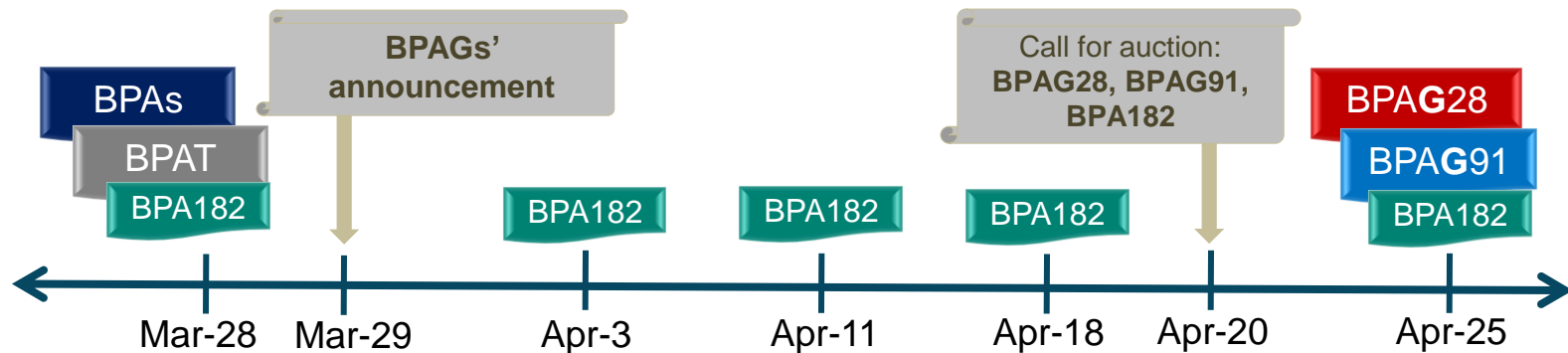


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# IPAB's Auction Program

## *Permanent suspension of BPAs' & BPAT's auction*



- According to the Annual Financing Program approved by IPAB's Governing Board for 2012, IPAB determines the weekly offer of Savings Protection Bonds for the 2Q2012 as follows:
  - Auction of 3-year **BPAG28** will offer a target amount of **MXP\$1.4 billion** starting the fourth week of the quarter;
  - Auction of 5-year **BPAG91** will offer a target amount of **MXP\$1.65 billion** starting the fourth week of the quarter;
  - Auction of 7-year **BPA182** will offer a target amount of **MXP\$1.35 billion** throughout the quarter.



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# IPAB's Auction Program

## Quarterly Auction Program

- The weekly target amount auctioned by IPAB will be **MXP\$1.35 billions** during the first three weeks, and **MXP\$4.40 billions** the remaining quarter. This program is consistent with IPAB's objective of keeping its liabilities from growing in real terms.
- IPAB's 2Q2012 Auction Program:



### TARGET AMOUNT PER AUCTION AND ISSUANCE CODE

1,350	1,350	1,350	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400	4,400
IS190103 1,350	IS190103 1,350	IS190411 1,350	IS190411 1,350	IS190411 1,350	IS190411 1,350	IS190411 1,350	IS190411 1,350	IS190411 1,350	IS190411 1,350	IS190411 1,350	IS190411 1,350	IS190411 1,350
Temporary suspension of the weekly bond auctions with monthly and quarterly coupons			IQ170420 1,650	IQ170420 1,650	IQ170420 1,650	IQ170420 1,650	IQ170420 1,650	IQ170420 1,650	IQ170420 1,650	IQ170420 1,650	IQ170420 1,650	IQ170420 1,650
			IM150423 1,400	IM150423 1,400	IM150423 1,400	IM150423 1,400	IM150423 1,400	IM150423 1,400	IM150423 1,400	IM150423 1,400	IM150423 1,400	IM150423 1,400
Apr-3	Apr-11	Apr-18	Apr-25	May-2	May-9	May-16	May-23	May-30	Jun-6	Jun-13	Jun-20	Jun-27

Figures in millions of mexican pesos

# IPAB's Auction Program

## *Advantages and Further Issues*

- ❑ Additionally, IPAB along with the Ministry of Finance and Mexico's Central Bank as its financial agent, will timely announce and establish the exchange mechanism of the current bonds, through **simultaneous operations to purchase previous bonds and the sale of the new ones**.
- ❑ There will not be any market segmentation that affect current bond holders, due to the fact that such bonds (BPAs and BPAT) will continue to trade in the secondary market (clearly identified by bond holders), which could be exchanged by the new bonds. It is worth mentioning that IPAB **will not simultaneously issue two kinds of debt instruments**.



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# IPAB's Auction Program

## *Advantages and Further Issues*

- IPAB's issuance of these new bonds will allow it to:
  - **Highlight IPAB's appropriate and adequate debt management strategy.**
  - Strengthen the range of debt instruments auctioned by IPAB, in order to deal with shocks caused by exogenous situations that may affect the Institute's role as bond issuer.
  - Increase the number of investors interested in IPAB's debt instruments.
  - Maintain a prudential debt management strategy.
- It is important to highlight that the issuance of the new BPAGs will not affect BPA's auctions approved by IPAB's Governing Board for 2012 on its Annual Financing Program.



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# IPAB's Auction Program

## *Advantages and Further Issues*

Finally, given the features of these debt instruments, they provide greater stability to investment portfolios, including a more stable interest reference rate, which will improve investors' portfolio management.



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