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Mexican bonds - Is there an opportunity out there?

People say that a picture is worth a thousand words. Well, this image is not an exception.

It comes to pick up the idea that the Mexican monetary authorities (in a clear example of total autonomy, which is to be welcomed) want to contain the political risks arising from an AMLO's administration that is not yet perceived abroad as a reassuring administration.

As long as Mr. AMLO signals responsible execution of the budget and fiscal decisions, the Mexican bond, currently trading at 540 bp on the UST, could easily reach our short-term target of 475bp spreads, which means that Mexican bonds can be a good investment opportunity, though given the few clues about AMLO's fiscal ideology, I would prefer to wait and see how the budget execution develops until June. For the USD denominated bond we also expect a reduction in spread (some 25bps).

Our target for the MXN is 20 vs the USD and 22.5 vs the EUR.

Best

