



Introduction to Mexican Bond Markets and IPC Futures



MexDer & CME Group Partnership Benefits

- With the CME Group – MexDer order routing **agreement** MexDer products will be available in more than **100,000 CME Globex®** screens.
- No Withholding Taxes when trading in MexDer.
- No local presence required in Mexico.
- Omnibus Accounts: **Rule 30.7 (CFTC)** segregation
 - One for **Proprietary** trading.
 - One for **Customer** trading.
- Remote Membership.
- CFTC approved products
- Co-location
- DMA
- Collaterals accepted in the US.
- Give Ups.
 - FIA standard agreement.

MexDer Product Overview

Futures:

TIIE
2 Yr. Centrally Cleared SWAP
10 Yr. Centrally Cleared SWAP
CETE 91
M3 Bond
M5 Bond
M10 Bond
M20 Bond
M30 Bond
MXN/USD
MXN/EURO
IPC
ILCTRAC
BRTRAC 10

Options:

IPC/FUT
MXN/USD
AMX L
BRTRAC 10
CEMEX CPO
GMEXICO B
NAFTRAC
TELMEX L
TLEVISA CPO
WALMEX V



Let's take a closer look:

- ✓ **IPC Futures**
- ✓ **MXN/USD Futures**
- ✓ **Bond Futures**

IPC Futures

- **Underlying**, IPC - Mexican Exchange Index.
- Capitalization Index

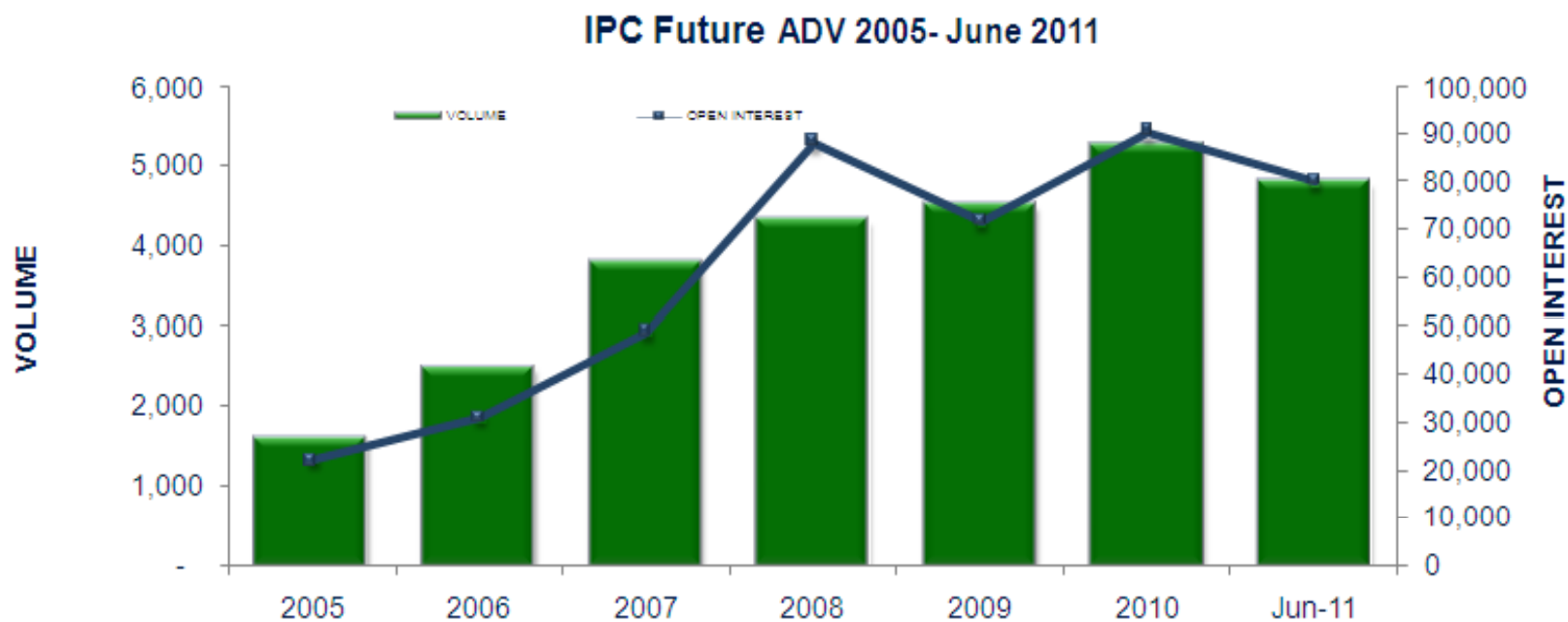
Ticker Symbol:	IPC
Quotation:	Index Points
Size:	IPC x \$ 10 MXN
Tick:	5 points
Tick Size:	\$ 50 MXN // \$ 4.16 USD *
Notional Size:	\$370, 000 MXN ***// \$30, 833 USD***
Maturity Months:	Quarterly, up to one year
Settlement:	Cash
Trading Hours:	07:30 - 15:00 hrs. (GMT -06:00)
Bloomberg < MMDD >	ISA <INDEX> CT
Reuters MXN/FUTEX1	0#IPC:

*Exchange Rate : \$ 12 MXN

*** IPC@ 37000 points

IPC Futures

- **Leading indicator** of the Mexican Stock market.
- **Highly correlated** with the S&P.
- **2010 return USD 26.83%**



Options on the IPC Future

- **Underlying**, IPC Future
- 2010 Implied Volatility: 20.8%

Ticker Symbol:

IP

Quotation:

Index Points

Style:

European

Tick:

1 point

Size:

IPC x \$10 MXN

Maturity Months:

Quarterly, up to one year

Settlement:

Cash

Trading Hours:

07:30 - 15:00 hrs. (GMT -06:00)

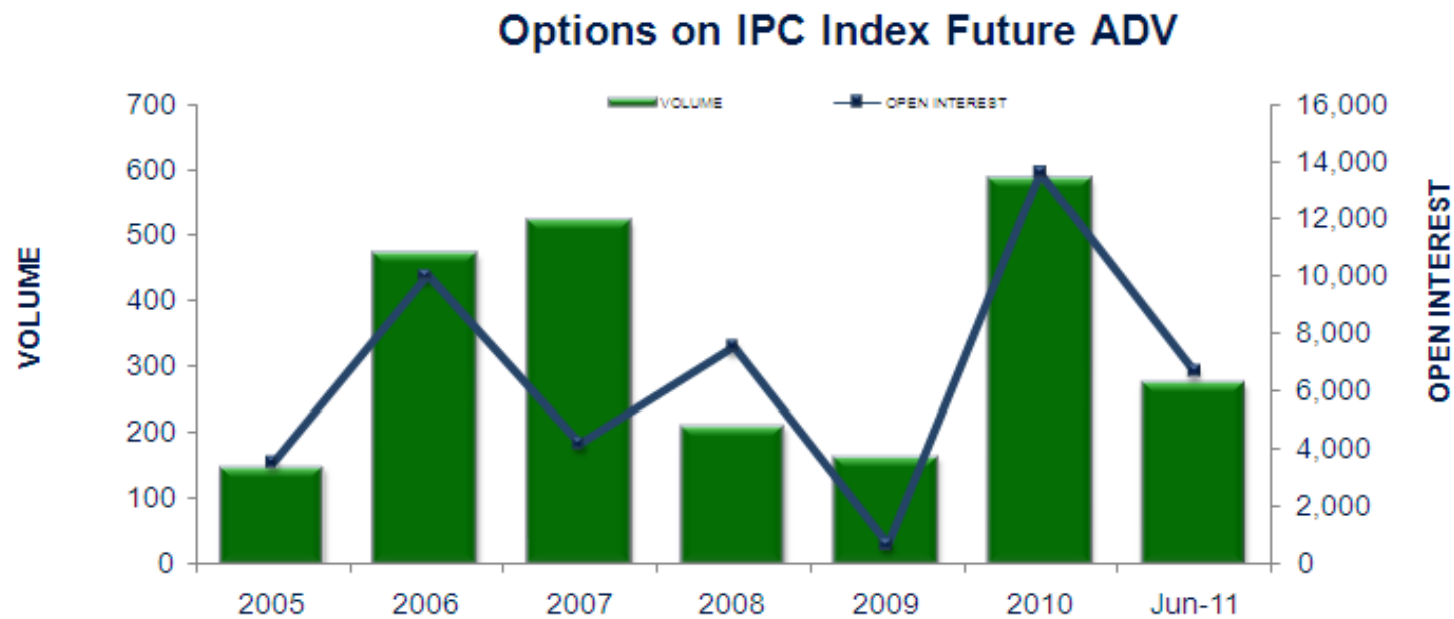
Bloomberg < MMDD >

ISA <INDEX> OMON

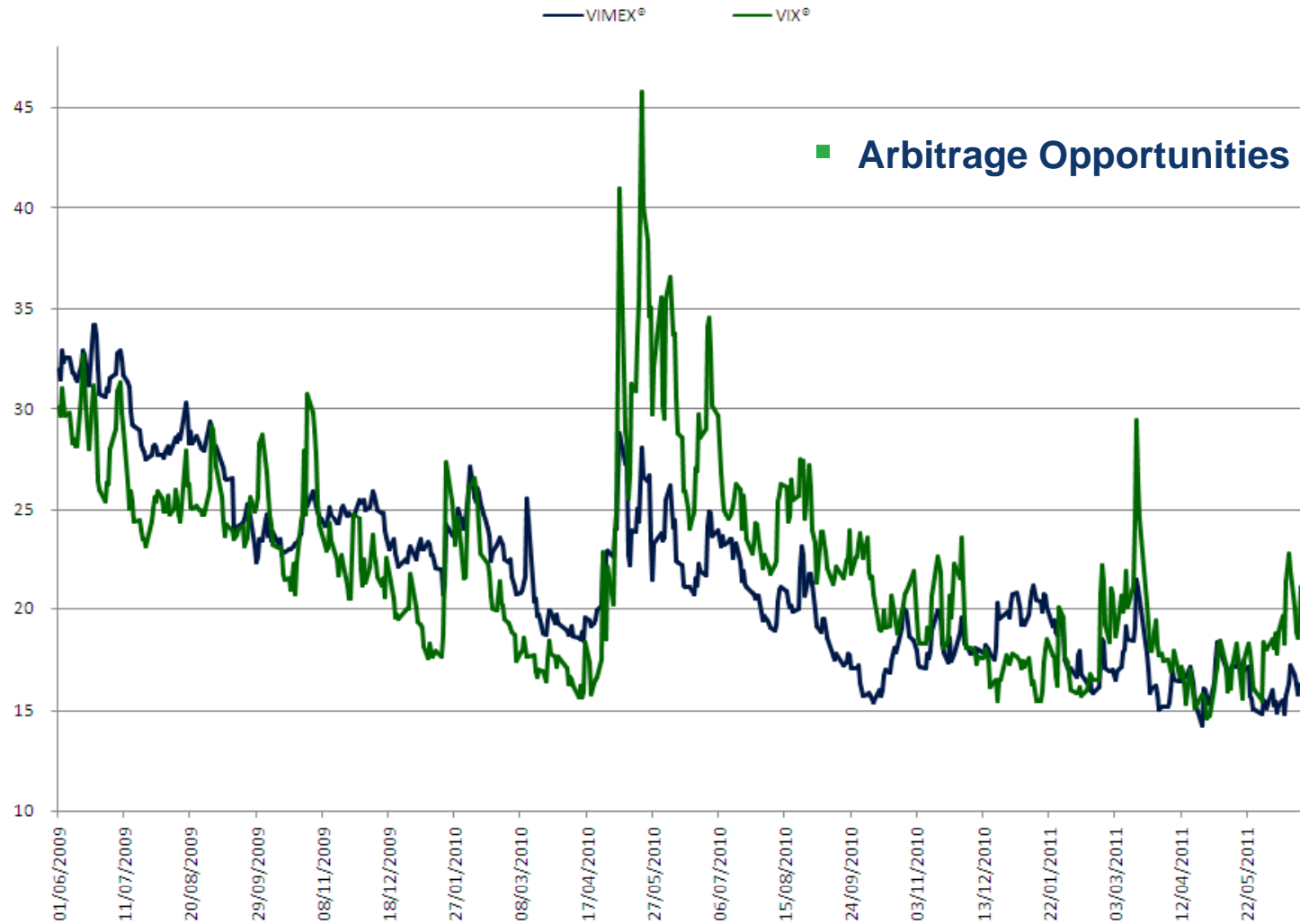
Reuters MXN/FUTEX1

0#IPC*.XD:

Options on the IPC Future



Volatility Index Mexico (VIMEX) vs VIX®



VIX[®] is a registered trademark of Chicago Board of Options Exchange, Incorporated.



Let's take a closer look:

✓ IPC Futures

✓ **MXN/USD Futures**

✓ Bond Futures

MXN/USD Futures

- **Underlying**, United States of America - Dollar.
- Arbitrage opportunity with the MXN/USD Futures of the CME Group.

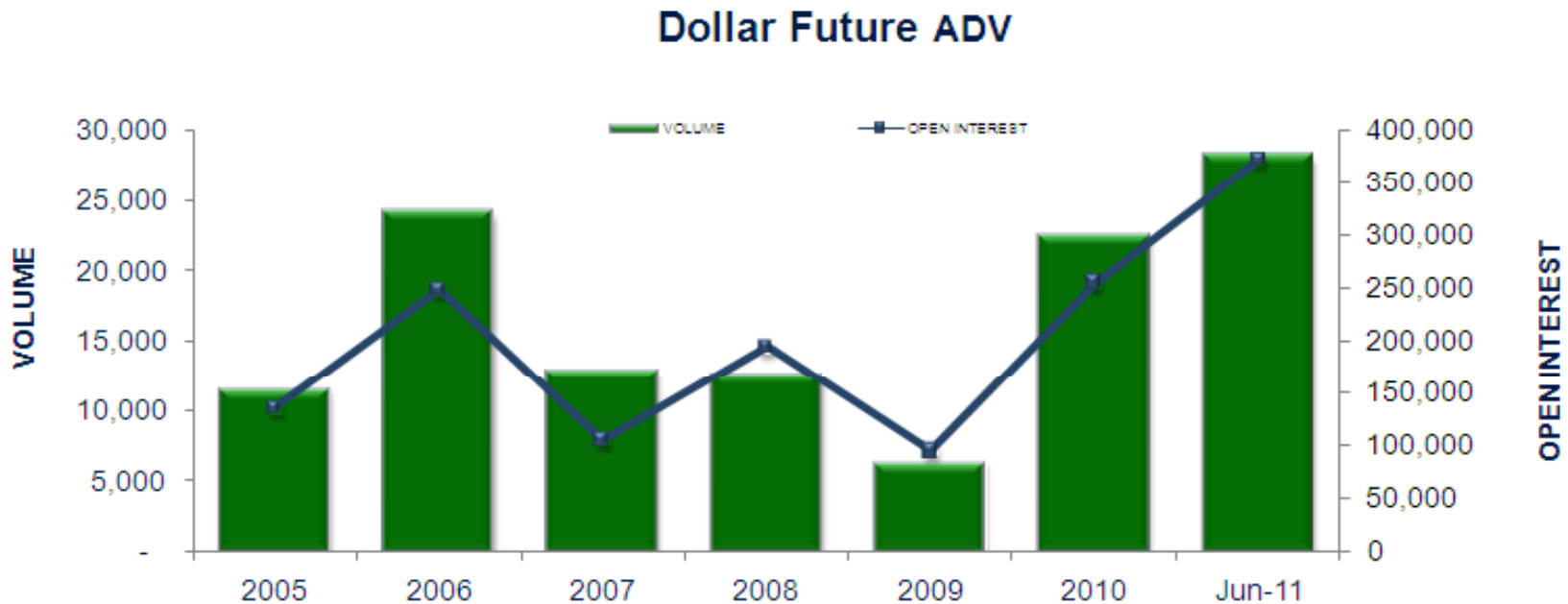
Ticker Symbol:	DA MR11 **
Quotation:	Price
Size:	\$ 10,000 USD
Tick:	\$ 0.0001 MXN
Tick Size:	\$ 1 MXN // \$ 0.0833 USD *
Notional Value:	\$10,000 USD
Maturity Months:	Quarterly, up to 3 years
Settlement:	Physical delivery
Trading Hours:	07:30 - 14:00 hrs. (GMT -06:00)
Bloomberg < MMDD >	DWA <CMDTY> CT
Reuters MXN/FUTEX1	0#B10:

** DA + the month of the year of maturity

*Exchange Rate : \$ 12 MXN

MXN/USD Futures

- Volume increased 255% in 2010 vs 2009.
- Opportunities for HFT quoting on a screen



** DA + the month of the year of maturity

*Exchange Rate : \$ 12 MXN

Let's take a closer look:

- ✓ IPC Futures
- ✓ MXN/USD Futures
- ✓ **Bond Futures**

Bond Futures

- **Underlying**, Bonds issued by the Mexican government (BBB+).
- The most actively traded securities in Mexico
- A benchmark for Mexican domestic interest rates.

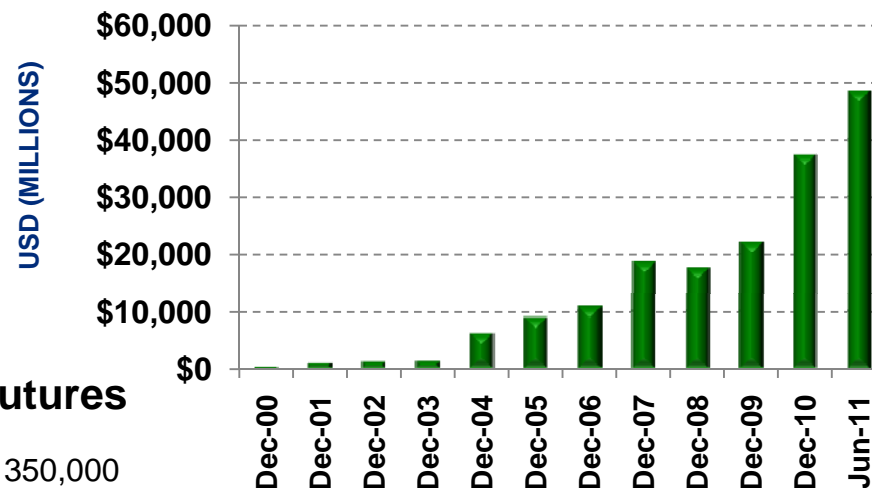
Ticker Symbol:	M3/M5/M10/M20/M30
Quotation:	Price
Size:	\$100,000 MXN
Tick:	\$ 0.025 MXN // \$ 0.00208 USD *
Tick Size:	\$ 25 MXN // 2.08 USD *
Notional Value:	\$100,000 MXN//\$8,333 USD *
Maturity Months:	Quarterly, up to 3 years
Settlement:	Physical delivery
Trading Hours:	07:30 - 14:00 hrs. (GMT -06:00)
Bloomberg < MMDD >	DWA <CMDTY> CT
Reuters MXN/FUTEX1	0#B10:

*Exchange Rate : \$ 12 MXN

Bonds Futures

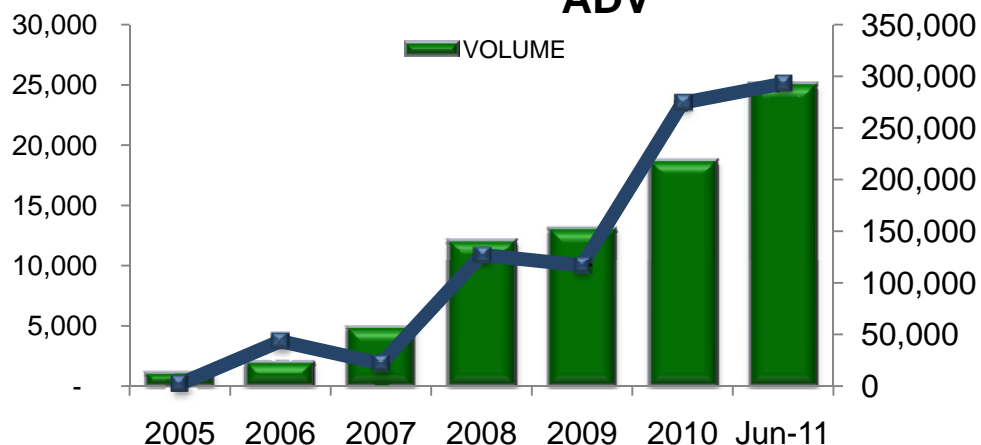
- M Bonds included in the WGBI Index.
- Very **important** foreign participation
- Most efficient way to hedge or short the Mexican yield curve.

Foreign Investment in MXN Debt Government Securities



Source: Banxico

Bonds (M3/M5/M10/M20/M30) Futures ADV



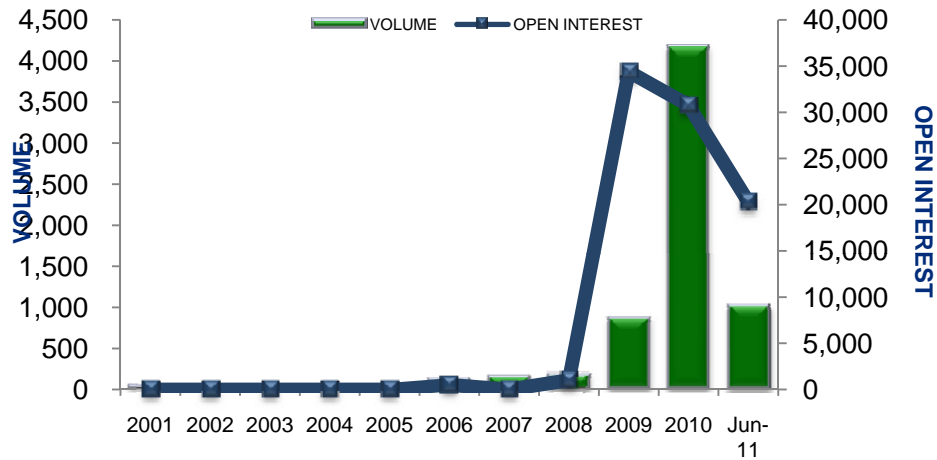
The **whole yield curve** of the **Mexican Sovereign** is **available:**

- 3 Year Bond (M3)
- 5 Year Bond (M5)
- 10 Year Bond (M10)
- 20 Year Bond (M20)
- + 30 Year Bond (M30)
- + 91 Day Treasury CETE

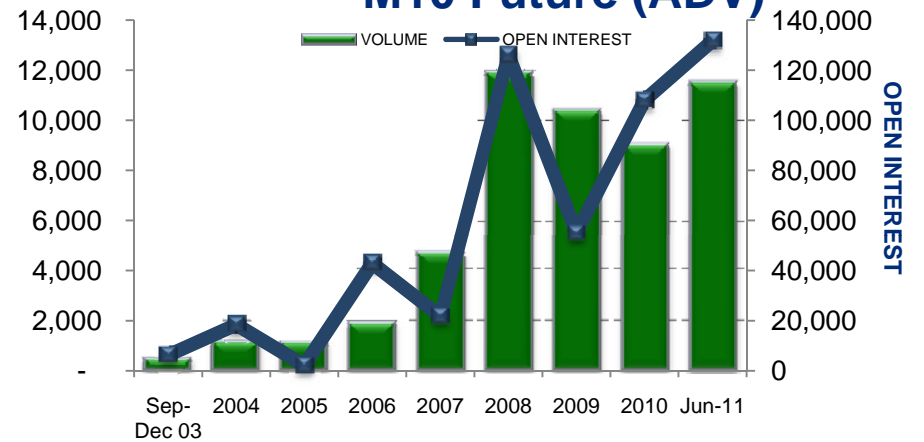


Bonds Futures Contracts

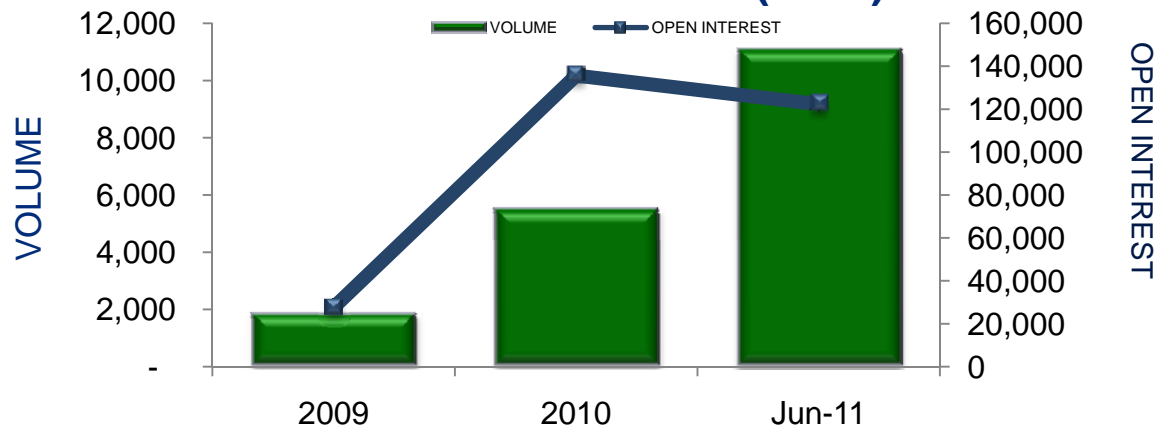
M3 Future (ADV)



M10 Future (ADV)

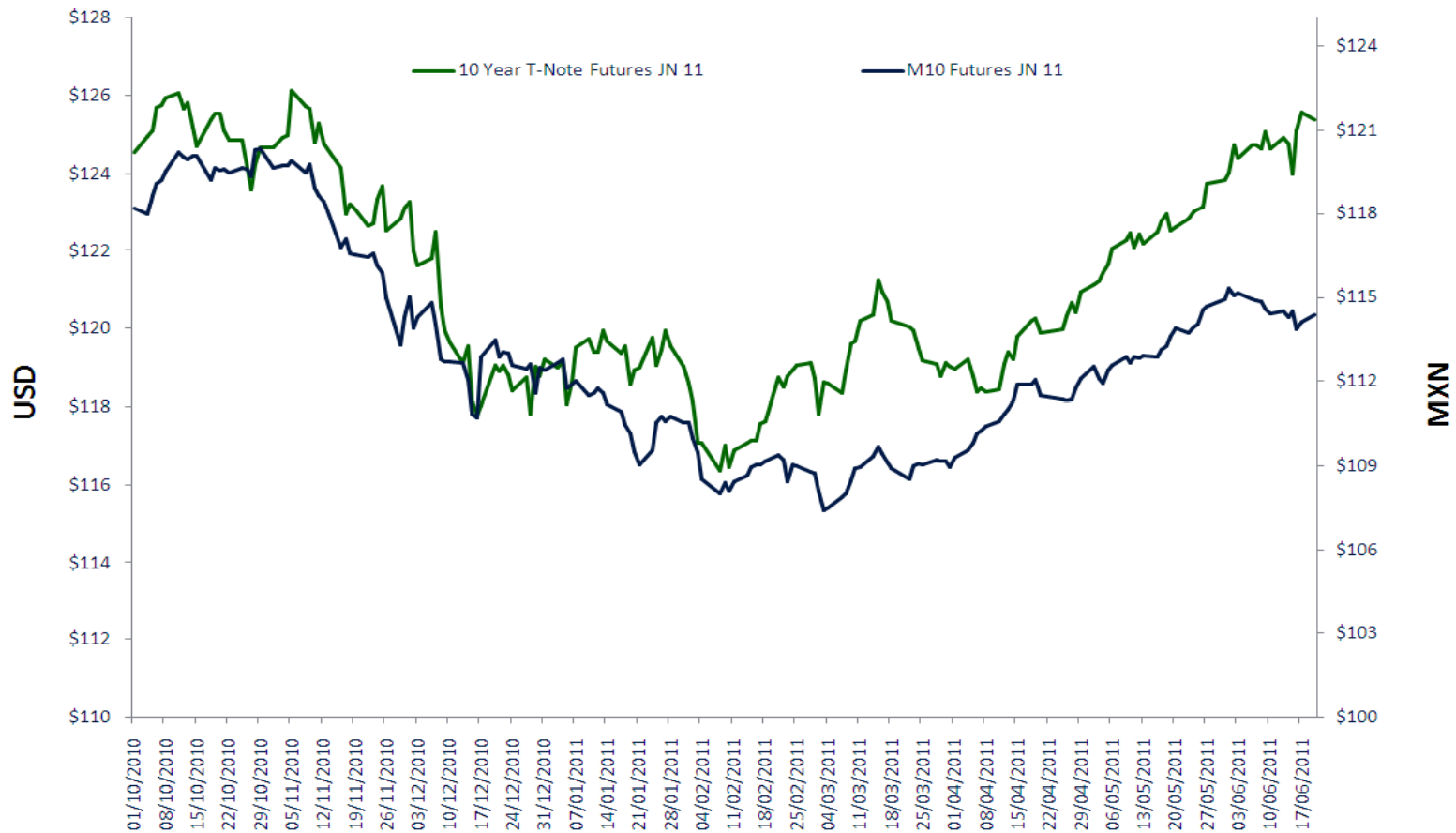


M20 Future (ADV)



Bond Futures: Arbitrage Opportunities

10 Year Bond Future (MXN) vs. 10 Year T-Note Future (USD)



Final remarks

- **Opportunity to participate in a developing market .**
- **End customers, FCMs, prop traders, high frequency traders.**
- **Easy access**
- **Market Making incentive program.**
- **Liquidity and depth in the underlying securities; development in their derivatives contracts to follow.**
- **Be part of the development of this new and exciting market!**