



## Minutes

June 7, 2022

### Sixteenth meeting of the Mexican Foreign Exchange Committee

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Mexico City, Tuesday, June 7, 2022

Location: The meeting was held by videoconference at 4:00 p.m., Mexico City time.

Host: Bank of Mexico.

Attendees:

#### **Members**

**Gerardo Israel García López** – President, Bank of Mexico.

**Juan Rafael García Padilla**, Bank of Mexico.

**Mayte Rico Fernández**, Bank of Mexico.

**Alejandro Aguilar Ceballos**, Operadora de Fondos Banorte, S.A. de C.V.

**Alejandro Faesi Puente**, Grupo Financiero Banorte, S.A.B. de C.V.

**Alfredo Puig Franco**, Vector Casa de Bolsa, S.A. de C.V.

**Andrés de Oteyza**, CitiBank NY.

**Fidel Martínez San Martín**, Grupo Financiero Citibanamex, S.A de C.V.

**Gerardo Vargas Pérez**, J.P. Morgan Grupo Financiero, S.A. de C.V.

**Gilberto Romero Galindo**, Banco Ve por Más, S.A., Institución de Banca Múltiple, Grupo Financiero Ve Por Más.

**Juan Carlos Escalera Amigo**, Refinitiv.

**Leonardo Franco Villa Reynolds**, Afore XXI-Banorte, S.A. de C.V.

**Luis Antonio Betancourt Barrios**, Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México.

**Manuel Meza Piza**, BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México.

**Pedro Oscar Arroyo Espinoza**, Monex Grupo Financiero, S.A. de C.V.

**Rafael Buerba Gómez**, Santander Asset Management.

**Sergio Méndez Centeno**, BlackRock México.

**Stine Moller-Hansen Secher**, Nacional Financiera, S.N.C., Institución de Banca de Desarrollo.

**Tomás Acosta Álvarez**, CitiBanamex Afore, S.A. de C.V., Integrante del Grupo Financiero CitiBanamex.



**Xavier Ormaechea Jaureguí**, Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat.

### Guests

**Ximena Alfarache Morales**, Bank of Mexico.

**Pilar María Figueredo Díaz**, Bank of Mexico.

**Luis Murray Arriaga**, Bank of Mexico.

**Carlos Miguel Vélez Martínez**, Bank of Mexico.

**Diego Rafael Toledo Polis**, Bank of Mexico.

**Laura Odilia Rojas Barrera**, Bank of Mexico.

**Izamar Andreina Sistos Juárez**, Bank of Mexico.

### AGENDA

#### 1. Welcome

The President of the Committee welcomed all attendees of the sixteenth meeting of the Mexican Foreign Exchange Committee (MFXC).

#### 2. Developments in global and local FX markets

Developments in global and local foreign exchange markets were discussed. It was highlighted that emerging market currencies continue to trade in line with the global context and, particularly, along with the dynamics of the US dollar. In particular, some relevant drivers of the former trend that were mentioned in the discussion were: the publication of global inflation figures and their close relationship with the expectations regarding the adoption of a more restrictive monetary policy stance by central banks, as well as the restrictions imposed in China due to the increase in COVID-19 cases.

Moreover, it was mentioned that most of the emerging market currencies depreciated against the US dollar, highlighting the behavior of the currencies in the European and Asian regions. In this regard, some factors mentioned were the proximity and economic links with the geopolitical conflict between Russia and Ukraine and the adoption of a less restrictive monetary policy by the central banks of the emerging countries in Asia. Furthermore, it was mentioned that in the future, emerging market assets are expected to continue to trade in line with the global context.



In addition, the performance of the Mexican peso in this period was discussed, specially noting that said performance followed the positive dynamics of the other Latin American currencies. In particular, Members of the Committee emphasized that trading conditions of the Mexican Peso have remained stable, even showing recently a slight improvement. In this respect, other financial metrics, such as the implied volatility of one-month foreign exchange options, continued to show a stable behavior.

To close this section, the members further discussed the drivers that have supported the performance of the Mexican Peso in the past few weeks, highlighting among others: carry strategies, positioning, remittances flows, as well as Mexico's solid macroeconomic fundamentals and metrics (relative to other emerging market peers). In this sense, it was further reaffirmed that the current context of high interest rates will continue to support the exchange rate MXN/USD in the upcoming weeks, however, it was also underlined that risks persist so future volatility episodes cannot be ruled out.

Finally, members of the Committee highlighted the Mexican peso's recent resilience and commented on the Mexican currency's trading conditions and in general, on global trading conditions, particularly with respect to previous stress periods.

### 3. Developments and progress of the Global Foreign Exchange Committee (GFXC)

In the first place, it was reported that since the last Committee meeting, no other GFXC meeting had taken place; therefore, the agenda of the GFXC's next meeting was further detailed.

Subsequently, the results of the survey carried out by the GFXC were mentioned. The survey was focused on the relevance and priorities of the different projects on the GFXC's work program.

Finally, the importance of participation from the Committee members in the different GFXC working groups was emphasized. In addition, it was further stressed the the importancethat possible mitigation mechanisms for the settlement risk in the FX market have to the GFXC.

### 4. The FX Global Code in Mexico and around the world, Update

It was reaffirmed that the GFXC expects foreign exchange market participants to endorse their Statements of Commitment no later than July 2022. The former, will



also be implemented by the MFXC; therefore so members of the Committee were invited to follow this recommendation.

Going back to the topic of settlement risk, the importance of diminishing the latter was once again emphasized. In this regard, several members shared their opinion on the matter and further suggested the possibility of creating a discussion forum with the Association of Mexican Banks (Asociación de Bancos de México).

Finally, the relevance of the Bank for International Settlements (BIS) Triennial Survey on volumes traded in the foreign exchange and derivatives markets for 2022 was mentioned. In this sense, the aggregate results of the first phase of the survey are expected to be published in September.

#### 5. Any other business

It was suggested to discuss the dynamics of forward implied rates in the next Committee sessions.

Finally, it was proposed that the next meeting of the Committee be held on Tuesday November 22, 2022.