

Financial Markets Daily

June 5, 2023

Main drivers for the financial markets today...

- **Stock markets slightly higher, with government bond yields and the US up. Markets seem cautious due to the possibility that the Fed keeps the reference rate unchanged next week, but only to resume hikes afterwards if inflation and the economy do not decelerate more strongly than currently observed**
- **In addition, oil benchmarks gain close to 2%. This happens after yesterday's tense meeting between OPEC+ and allies, in which Saudi Arabia pledged to cut oil production by 1 million barrels a day in June, taking it to its lowest in several years in a bid to stabilize the market**
- **For the rest of the trading day, watching May's ISM services and April's factory orders in the US. Comments from the Fed's Mester and Lagarde of the ECB. On Wednesday, speeches from Fed members will be halted due to the silence period ahead of the decision on June 14th**
- **On the other hand, market attention this week on several economic indicators. Especially, inflation (May) in Brazil, Mexico, and China. Moreover, the latter will release May's trade balance, important in an environment of increasing fears of a slowdown in said country. Monetary policy decisions in Australia, Poland, Canada, India, Peru, and Russia**
- **In Mexico, gross fixed investment picked up 0.5% m/m and private consumption by +0.3% in March. Publications include industrial production (Apr), wage negotiations (May), and the banking sector survey**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Consumer confidence* - May	index	44.5	--	44.1
8:00	Gross fixed investment - Mar	% y/y	9.5	--	12.7
8:00	Gross fixed investment* - Mar	% m/m	0.4	--	1.9
8:00	Private consumption - Mar	% y/y	2.2	--	3.6
8:00	Private consumption* - Mar	% m/m	-0.4	--	-0.4
<i>United States</i>					
10:00	ISM services* - May	index	52.2	52.4	51.9
10:00	Factory orders* - Apr	% m/m	--	0.8	0.4
10:00	Ex transportation* - Apr	% m/m	--	0.2	-1.0
10:00	Durable goods orders* - Apr (F)	% m/m	--	1.1	1.1
10:00	Ex transportation* - Apr (F)	% m/m	--	-0.2	-0.2

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

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A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,289.75	0.0%
Euro Stoxx 50	4,322.76	0.0%
Nikkei 225	32,217.43	2.2%
Shanghai Composite	3,232.44	0.1%
<i>Currencies</i>		
USD/MXN	17.55	0.0%
EUR/USD	1.07	-0.1%
DXY	104.33	0.3%
<i>Commodities</i>		
WTI	73.41	2.3%
Brent	77.75	2.1%
Gold	1,942.08	-0.3%
Copper	373.30	0.1%
<i>Sovereign bonds</i>		
10-year Treasury	3.75	6pb

Source: Bloomberg

Equities

- **Positive bias in equity markets, following last week's almost widespread gains, as investors digest the US debt ceiling agreement, while weighing the outlook for monetary policy and global economic growth**
- **In Asia most markets ended positive. In Europe advances predominate, although the Eurostoxx remains stable. Shares from communication services and energy sectors lead, while those from consumer discretionary and consumer staples superhead losses. In turn, US futures of main indices are mixed and show little changes. After posting its best week since last March, the S&P500 is very close to technically entering in a bull market**
- **In Mexico, following the Mexbol's closing at 53,233pts last Friday, we expect this week a trading range between 52,500 - 54,000pts**

Sovereign fixed income, currencies and commodities

- **Losses in sovereign bonds, led by Treasuries given the view of higher interest rates in the US. Fed swaps show the possibility of a pause in June and a 25bps hike in July, taking the Fed funds rate to 5.25%-5.50%. The 2-year Treasury trades above 4.50% (+5bps). Under this backdrop, we expect a negative session in local rates as well**
- **The dollar advances against all developed currencies, with SEK (-1.2%) as the weakest. In EM, the bias is mixed, limited by ZAR (+0.8%) and TRY (-1.5%). Meanwhile, MXN trades virtually unchanged at 17.55 per dollar, after two positive week in a row**
- **Crude-oil started the week higher, offsetting last week's losses of 1.3%, boosted by Saudi Arabia's pledge to cut an extra 1 million barrels-a-day from its output in July**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,762.76	2.1%
S&P 500	4,282.37	1.5%
Nasdaq	13,240.77	1.1%
IPC	53,232.71	1.0%
Ibovespa	112,558.15	1.8%
Euro Stoxx 50	4,323.52	1.5%
FTSE 100	7,607.28	1.6%
CAC 40	7,270.69	1.9%
DAX	16,051.23	1.2%
Nikkei 225	31,524.22	1.2%
Hang Seng	18,949.94	4.0%
Shanghai Composite	3,230.07	0.8%
<i>Sovereign bonds</i>		
2-year Treasuries	4.50	16pb
10-year Treasuries	3.69	10pb
28-day Cetes	11.31	0pb
28-day TIE	11.50	0pb
2-year Mbono	10.43	5pb
10-year Mbono	8.87	7pb
<i>Currencies</i>		
USD/MXN	17.56	0.0%
EUR/USD	1.07	-0.5%
GBP/USD	1.25	-0.6%
DXY	104.02	0.4%
<i>Commodities</i>		
WTI	71.74	2.3%
Brent	76.13	2.5%
Mexican mix	63.80	0.0%
Gold	1,947.97	-1.5%
Copper	372.75	0.4%

Source: Bloomberg

Corporate Debt

- **S&P Global Ratings revised Naturgy México's (NM) outlook to Stable from Negative; they also confirmed its 'BBB / mxAA+' ratings. According to the agency, the stable outlook reflects their expectation that NM will maintain debt to EBITDA close to current levels, between 2.0x and 2.4x in the next 12 to 24 months**
- **HR Ratings ratified CSBCB 17 (Consubanco' ABS) rating at 'HR AAA (E)' with a Stable outlook. According to the agency, the ratification is based on the maximum default that supports the issuance in the stress scenario of 53.3%**
- **Crédito Real reported that they consummated the sale of its indirect stake in the capital of Instacredit, which has operations in Central America**

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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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