

Financial Markets Daily

August 21, 2023

Main drivers for the financial markets today...

- Stock markets and government bond yields higher, with the USD biased to the downside. There is some relief after recent pressures, despite lingering doubts about the extent of the Fed's restrictive policy and China's sustainability
- The latter country is still announcing piecemeal stimulus measures. Specifically, the central bank cut the 1-year prime loan rate by 10bps to 3.45%, with the 5-year left unchanged at 4.20%. In addition, officials met with bank executives and told them to boost loans to support the recovery. There will not be relevant data for today's trading session
- Market attention this week on Jerome Powell's speech at Jackson Hole on Friday, with the event spanning from August 24 to 26. Moreover, on August's PMI indicators in the Eurozone, United Kingdom, Germany, and the US, along with the minutes from Banxico
- In monetary policy, decisions in Indonesia, Korea, and Turkey. Few comments by Fed members this week, among them Barkin, Goolsbee, and Harker
- Meanwhile, in events, the debate among Republican contenders to be the party's presidential candidate will be held on Wednesday, with ex-President Trump not expected to participate. In addition, the BRICS Summit will take place in South Africa
- US data includes new and existing home sales, durable goods orders (Jul), and the final U. of Michigan consumer confidence indicator (Aug)
- In other regions, the current account (Jun) and consumer confidence (Aug) in the Eurozone; final GDP for 2Q23 and IFO business confidence (Aug) in Germany; and consumer prices (1H-Aug) in Brazil
- Lastly, in Mexico, inflation (1H-Aug) and current account (2Q23)

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Winners of the 2023 award for best Mexico
economic forecasters, granted by Focus
Economics



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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,404.50	0.5%
Euro Stoxx 50	4,255.14	1.0%
Nikkei 225	31,565.64	0.4%
Shanghai Composite	3,092.98	-1.2%
Currencies		
USD/MXN	17.05	0.0%
EUR/USD	1.09	0.2%
DXY	103.21	-0.2%
Commodities		
WTI	82.33	1.3%
Brent	85.68	1.0%
Gold	1,893.41	0.2%
Copper	372.75	0.6%
Sovereign bonds		
10-year Treasury	4.29	4pb

Source: Bloomberg

The most relevant economic data...

Event/Period	Unit	Banorte	Survey	Previous
Without relevant economic data				

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

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Equities

- The week kicks off with positive sentiment, reflecting some dip-buying after adjustments seen in previous weeks
- US futures anticipate a bullish opening with the S&P500 up 0.5%. Notably, Palo Alto Networks, a cybersecurity company, rises more than 12.0% in the pre-market after reporting a stronger-than-expected growth outlook. Meanwhile, Europe trades mainly with gains and the Eurostoxx is climbing 1.0%, supported by the energy sector. In turn, Asia closed mixed
- In Mexico, this week we anticipate a trading range for the Mexbol index between 52,200 and 54,000 points

Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. European 10-year benchmarks adjust +5bps, on average while US Treasuries yields record a steepening bias with a sell-off of up to 6bps at the long-end. Last week, the yield on 10-year Mbonos (May'33) advanced 28bps, reaching a 6-month high of 9.35%, and the local risk premium rose to 509bps (+18bps)
- Negative dollar bias amid a favorable performance in G10 currencies, except for JPY (-0.4%). EM mixed, with THB (+0.6%) and RUB (-0.7%) at the extremes. Meanwhile, MXN trades with few changes at 17.05 per dollar, close to its 50-day MA (17.02) after a weekly depreciation of 0.3%
- Widespread gains in commodities. Crude-oil futures advance more than 1.0%, with curves trading in strong backwardation amid tight supplies driven by Saudi Arabia and Russia despite fears of lower demand after weak economic data from China

Corporate Debt

- S&P Global Ratings revised Cemex's outlook to 'Positive' from 'Stable' due to improved indicators; it also upgrade its national scale rating to 'mxAA' from 'mxAA-' and affirmed its global scale rating at 'BB+'. According to the agency, Cemex exceeded its base scenario assumptions in terms of growth and profitability, while the expected credit indicators could soon strengthening its credit profile
- HR Ratings affirmed Crediclub's ratings at 'HR A+' and short term at 'HR2', modifying the Positive outlook to In-Process Review. According to the agency, the change in outlook is based on the possible capital contributions it could be receiving in coming periods to offset the high growth shown in its operations

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,500.66	0.1%
S&P 500	4,369.71	0.0%
Nasdaq	13,290.78	-0.2%
IPC	53,194.39	0.0%
Ibovespa	115,408.52	0.4%
Euro Stoxx 50	4,212.95	-0.4%
FTSE 100	7,262.43	-0.7%
CAC 40	7,164.11	-0.4%
DAX	15,574.26	-0.7%
Nikkei 225	31,450.76	-0.6%
Hang Seng	17,950.85	-2.1%
Shanghai Composite	3,131.95	-1.0%
Sovereign bonds		
2-year Treasuries	4.94	1pb
10-year Treasuries	4.25	-2pb
28-day Cetes	11.31	0pb
28-day TIIE	11.49	0pb
2-year Mbono	10.37	-2pb
10-year Mbono	9.35	4pb
Currencies		
USD/MXN	17.06	-0.3%
EUR/USD	1.09	0.0%
GBP/USD	1.27	-0.1%
DEX	103.38	-0.2%
Commodities		
WTI	81.25	1.1%
Brent	84.80	0.8%
Mexican mix	77.74	0.8%
Gold	1,889.31	0.0%
Copper	374.05	0.3%

Source: Bloomberg

Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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