

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets mixed, government bond yields and USD up. Investors assimilate caution on possible rate cuts following latest comments from members of the Federal Reserve and if the sharp rally in tech stocks is still supported. USD/JPY breached 160, elevating risks of intervention by the BoJ
- On the monetary policy front, Kazaks of the European Central Bank's Governing Council said there is no need to rush monetary easing, so cuts will be made step by step depending on economic data. While Olli Rehn, also from the Council, commented that they could cut two more times this year
- In Brazil, the Copom published yesterday the minutes of its last meeting in which it decided to keep the reference rate unchanged. In the document it was clear that the central bank is in no hurry to resume the downward cycle soon
- Regarding economic figures, in the US today the sales of new homes for May will be published, where a slight improvement is expected compared to the previous month
- In Brazil, inflation for the first half of June was released below expectations at 0.39% m/m (consensus: 0.44% m/m). With this, the annual metric stood at 4.06%, above the previous figure of 3.70%, which reflects that inflationary pressures continue to put the anchoring of inflation expectations at risk

The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|------------------------|----------|---------|--------|----------|
| Brazil | | | | | |
| 8:00 | Consumer prices - Jun | % m/m | -- | 0.45 | 0.44 |
| 8:00 | Consumer prices - Jun | % y/y | -- | 4.12 | 3.70 |
| United States | | | | | |
| 10:00 | New home sales** - May | millions | -- | 649 | 634 |

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

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Winners of the awards as the best economic forecasters in Mexico by LSEG and Focus Economics in 2023



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A glimpse to the main financial assets

| | Last | Daily chg. |
|------------------------|-----------|------------|
| Equity indices | | |
| S&P 500 Futures | 5,525.50 | -0.2% |
| Euro Stoxx 50 | 4,898.48 | -0.8% |
| Nikkei 225 | 39,667.07 | 1.3% |
| Shanghai Composite | 2,972.53 | 0.8% |
| Currencies | | |
| USD/MXN | 18.25 | 0.9% |
| EUR/USD | 1.07 | -0.3% |
| DXY | 106.00 | 0.4% |
| Commodities | | |
| WTI | 81.11 | 0.3% |
| Brent | 85.26 | 0.3% |
| Gold | 2,311.08 | -0.4% |
| Copper | 438.20 | 0.3% |
| Sovereign bonds | | |
| 10-year Treasury | 4.28 | 4pb |

Source: Bloomberg

Equities

- Mixed equity markets with a negative bias in which investors are cautious as they await further catalysts. US futures show little change, while Nasdaq trades 0.1% above its theoretical value supported by the recovery of Nvidia which is up 2.0% pre-market
- In Europe, markets retreat. The Eurostoxx declines with shares of companies in the materials and utilities sectors leading losses, while technology stocks are the only ones in positive territory. Meanwhile, in Asia, stock markets closed with gains
- In corporate news, FedEx rises more than 14.6% pre-market after announcing a higher-than-expected revenue guidance. On the other hand, Volkswagen announced an investment of up to \$5 billion dollars in Rivian (+40.6%) to form a joint venture

Sovereign fixed income, currencies and commodities

- Pressure on sovereign bond yields, with Australia leading the movement following higher-than-expected inflation figures. In Europe, losses average 3bps, and the Treasury curve adjusts by a similar magnitude, resulting in a steeper slope
- The dollar strengthens for the second session on the DXY, advancing against all developed market currencies except for AUD (+0.2%). The performance in emerging markets also shows widespread losses, with the MXN leading the decline. The peso depreciates 0.9% to 18.25 per dollar
- Oil is positive as the market awaits the DOE inventory report today, following mixed figures from the API yesterday. Metals are mixed with a more negative tone for industrials. In precious metals, gold falls modestly while silver rises, both within narrow ranges

Corporate Debt

- KUO announced that it reached an agreement with Frasl Mobility for the sale of its auto parts business, subject to regulatory approvals. The auto parts business has a distribution center, as well as three production plants in Mexico, with an export presence in the region
- Fitch Ratings affirmed PACCAR Mexico's long-term and short-term ratings at 'AAA(mex)' and 'F1+(mex)', respectively. The outlook is stable. The ratings reflect the company's leading position in the domestic market, its solid financial profile, and the stable portfolio of its financial division

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| Equity indices | | |
| Dow Jones | 39,112.16 | -0.8% |
| S&P 500 | 5,469.30 | 0.4% |
| Nasdaq | 17,717.65 | 1.3% |
| IPC | 52,604.05 | 0.2% |
| Ibovespa | 122,331.39 | -0.2% |
| Euro Stoxx 50 | 4,935.97 | -0.3% |
| FTSE 100 | 8,247.79 | -0.4% |
| CAC 40 | 7,662.30 | -0.6% |
| DAX | 18,177.62 | -0.8% |
| Nikkei 225 | 39,173.15 | 0.9% |
| Hang Seng | 18,072.90 | 0.3% |
| Shanghai Composite | 2,950.00 | -0.4% |
| Sovereign bonds | | |
| 2-year Treasuries | 4.74 | 2pb |
| 10-year Treasuries | 4.25 | 2pb |
| 28-day Cetes | 10.88 | -7pb |
| 28-day TIIE | 11.25 | 0pb |
| 2-year Mbono | 10.77 | -13pb |
| 10-year Mbono | 9.92 | -7pb |
| Currencies | | |
| USD/MXN | 18.10 | 0.8% |
| EUR/USD | 1.07 | -0.2% |
| GBP/USD | 1.27 | 0.0% |
| DXY | 105.61 | 0.1% |
| Commodities | | |
| WTI | 80.83 | -1.0% |
| Brent | 85.01 | -1.2% |
| Mexican mix | 75.99 | -1.0% |
| Gold | 2,319.62 | -0.6% |
| Copper | 437.10 | -1.2% |

Source: Bloomberg

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|------|---|
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| HOLD | When the share expected performance is similar to the MEXBOL estimated performance. |
| SELL | When the share expected performance is lower than the MEXBOL estimated performance. |

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