

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets and government bond yields lower, with USD mixed albeit with gains in JPY and CHF. Strong moves and rebound in market volatility on greater concerns about a significant US economic slowdown, even with speculation of an emergency rate cut from the Fed. Moreover, positioning exacerbates strong declines in tech and Japanese stocks, along with popular currencies for carry trade longs (e.g. MXN, AUD, ZAR, among others). Commodities also with relevant losses, especially in energy
- In the US, releases today include July's ISM services and the Senior Loan Officer Opinion Survey on Bank Lending Practices. Moreover, a speech from Daly of the Fed
- Market attention this week on Mexico's inflation in July and Banxico's decision. On the former, we estimate 0.30% m/m, with the annual rate picking up to 5.66% from 4.98% in the previous month, with a strong increase driven by the non-core component
- On the monetary policy decision, we anticipate a 25bps rate cut to 10.75%, in line with consensus. Nevertheless, we believe it will be a majority decision due to recent inflation surprises to the upside, albeit with more signs of economic weakness
- Data releases in the US during the rest of the week include only the trade balance and consumer credit.
- In Mexico, industrial production (Jun), wage negotiations (Jul), and the banking sector survey

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone and UK					
3:55	GER Services PMI* - Jul (F)	index	--	53.0	52.0
3:55	GER Composite PMI* - Jul (F)	index	--	48.7	48.7
4:00	EUR Services PMI* - Jul (F)	index	--	51.9	51.9
4:00	EUR Composite PMI* - Jul (F)	index	--	50.1	50.1
4:30	UK Services PMI* - Jul (F)	index	--	52.4	52.4
United States					
	Last day for online voting to officially ratify Kamala Harris as the Democratic Party presidential nominee				
9:45	Services PMI* - Jul (F)	index	56.0	56.0	56.0
9:45	Composite PMI* - Jul (F)	index	--	--	55.0
10:00	ISM services* - Jul	index	--	51.0	48.8
14:00	Senior Loan Officer Opinion Survey on Bank Lending Practices				
17:00	Fed's Daly Speaks in Moderated Discussion				

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 award as the best economic forecasters in Mexico by LSEG in 2023



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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,126.75	-4.6%
Euro Stoxx 50	4,486.88	-3.3%
Nikkei 225	31,458.42	-12.4%
Shanghai Composite	2,860.70	-1.5%
Currencies		
USD/MXN	19.74	2.9%
EUR/USD	1.10	0.5%
DXY	102.43	-0.7%
Commodities		
WTI	72.03	-2.0%
Brent	75.51	-1.7%
Gold	2,365.34	-3.2%
Copper	393.95	-4.0%
Sovereign bonds		
10-year Treasury	3.68	-11pb

Source: Bloomberg

Equities

- Sharp and across the board stock market declines, with investors weighing higher risks. US futures anticipate a negative opening with the Nasdaq down 5.5%, shaping up for its worst opening in 4 years. Semiconductor companies such as Amd, Intel, and Nvidia are down over 5%
- Europe trades with relevant declines and the Eurostoxx falls 3.3%. Asia closed lower, with the Nikkei dropping 12.1%, its largest loss in at least a decade and entering bear market territory after accumulating a drawdown of more than 20% since its latest high
- Mexico's Cemex announced the sale of its operations in the Dominican Republic for a total of ~US\$950 million. On the other hand, 78 S&P500 companies are expected to report this week, highlighting: Walt Disney and CVS Health

Sovereign fixed income, currencies and commodities

- Rally in sovereign bonds. Ten-year European rates fall 5bps on average. The Treasuries' yield curve steepens due to higher gains at the short-end. The 2-year yield falls to two-year lows at 3.68% (-20bps) and the 2s30s spread hits its highest since June 2022 at 34bps from -18bps a month ago
- Dollar weakens while the yen jumps 3.1%, offsetting most of the YTD losses. In EM, the balance is mixed with Asian currencies leading. The MXN is the weakest, trading at 19.74 per dollar (-2.9%)
- Widespread losses in commodities on concerns around the economic outlook. Crude-oil futures fall more than 1.0% to seven-months low and copper collapses 4.0% to five-month lows

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	39,737.26	-1.5%
S&P 500	5,346.56	-1.8%
Nasdaq	16,776.16	-2.4%
IPC	52,242.38	-0.3%
Ibovespa	125,854.09	-1.2%
Euro Stoxx 50	4,638.70	-2.7%
FTSE 100	8,174.71	-1.3%
CAC 40	7,251.80	-1.6%
DAX	17,661.22	-2.3%
Nikkei 225	35,909.70	-5.8%
Hang Seng	16,945.51	-2.1%
Shanghai Composite	2,905.34	-0.9%
Sovereign bonds		
2-year Treasuries	3.88	-27pb
10-year Treasuries	3.79	-19pb
28-day Cetes	10.96	-3pb
28-day TIIE	11.25	0pb
2-year Mbono	10.33	-31pb
10-year Mbono	9.68	-16pb
Currencies		
USD/MXN	19.18	1.7%
EUR/USD	1.09	1.1%
GBP/USD	1.28	0.5%
DX	103.21	-1.2%
Commodities		
WTI	73.52	-3.7%
Brent	76.81	-3.4%
Mexican mix	68.97	-3.5%
Gold	2,443.24	-0.1%
Copper	410.30	0.5%

Source: Bloomberg

Corporate Debt

- We expect the first auctions of August to take place this week, with three Minera Frisco bonds for up to MXN 12 billion. Attention on auction results given the significant amount and lower-than-usual credit ratings ('mxBBB+' by S&P Global and 'HR A' by HR Ratings). In the banking market, Bancomext is expected to place three sustainable bonds for a target amount of MXN 7.5 billion (maximum MXN 15 billion)
- HR Ratings downgraded SIPYTCB 13 (ABS of Inversionistas en Autotransportes Mexicanos) rating to 'HR D (E)' from 'HR C (E)' and changed the Negative Watch to Ongoing Review. According to the agency, the downgrade is based on the default on the coupon payment for a total amount of MXN 81.4 million. Of the total due, only a partial payment of MXN 40.8 million was made, equivalent to 50.2% of the obligation

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