

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets slightly up, government bond yields biased lower, and USD mixed. After the Fed signaled a rate cut next month, investors are debating its likely pace and magnitude and what could it suggest about the state of the economy. Also, we perceive modest caution after Israel's strike at the south of Lebanon, inducing relatively strong gains on oil prices while also supporting the JPY, and to a lesser extent, the CHF
- No more data will be published in Mexico and the US today. Among Fed members, speeches only from Daly
- After last week's full agenda in terms of monetary policy, the market's attention in coming days will return to the evolution of the economy. The preliminary 2Q24 GDP report will be released in the US, with consensus expectations unchanged at 2.8% q/q saar
- In addition, July's PCE deflator. After a good report for consumer prices in the same month, analysts estimate 0.2% m/m, marginally above the 0.1% seen in the previous month. With this, the annual rate would climb 10bps to 2.7%
- In monetary policy, decisions in Hungary and Israel. Also, Banxico's Quarterly Report, focused on growth estimates and potential changes to the balance of risks. Speeches from Fed and ECB members
- On economic data, the rest of the US agenda includes housing prices (Jun), trade balance, personal income & spending (Jul), consumer confidence from the Conference Board and U. of Michigan (Aug)
- In other regions, inflation and economic confidence (Aug) in the Eurozone; unemployment rate (Jul) and consumer prices (Aug) in Brazil; and PMI manufacturing and services indicators in China
- In Mexico, trade balance, banking credit, and the public finance report (Jul). Lastly, the start of the 66th Ordinary Session period in Congress will be on September 1st

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Germany					
4:00	IFO Survey (business climate)* - Aug	index	--	86.0	87.0
United States					
8:30	Durable goods orders* - Jul (P)	% m/m	--	4.9	-6.7
8:30	Ex transportation* - Jul (P)	% m/m	--	0.0	0.4

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	5,656.50	0.1%
Euro Stoxx 50	4,907.71	0.0%
Nikkei 225	38,110.22	-0.7%
Shanghai Composite	2,855.52	0.0%
Currencies		
USD/MXN	19.23	0.6%
EUR/USD	1.12	-0.3%
DXY	100.83	0.1%
Commodities		
WTI	77.07	3.0%
Brent	81.28	2.9%
Gold	2,524.21	0.5%
Copper	421.65	0.4%
Sovereign bonds		
10-year Treasury	3.81	1pb

Source: Bloomberg

Equities

- Positive bias in main stock indices. However, we see volatility this week due to the rebalancing of MSCI indices, effective at the close of Friday, August 30th
- US futures anticipate a positive opening, with the S&P500 trading 0.1% above its theoretical value. Mixed changes in Europe. The Eurostoxx is little changed and trading volume is low due to the holiday in the United Kingdom. Asia closed mixed, with the Hang Seng up 1.1%, while the Nikkei fell 0.7%
- In Mexico, we expect a weekly trading range for the Mexbol between 52,300 and 54,400pts. S&P Dow Jones Indices confirmed the removal of Elektra from the Mexbol sample, effective prior to the September 2nd opening

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds. European 10-year yields loss 4bps on average, while the US Treasury curve fluctuates within a ± 1 bp range. Last week, Mbonos sold-off 3bps on average, with the long-end underperforming and reaching pressures of up to 16bps
- The USD strengthens against most G10 currencies, except for JPY (+0.2%) and CHF (+0.1%). In EM, performance is mixed, with THB (+0.9%) and HUF (-0.7%) at the extremes. The MXN ranks as the 4th weakest in the group, depreciating 0.6% to 19.23 per dollar
- Commodities on the upside. Oil futures rise about 3% driven by an Israeli attack on Hezbollah and threats from Libya to halt oil production. Metals also advance, with gold reaching record highs

Corporate Debt

- For the current week, we expect corporate activity to continue, with the auction of two FEFA issuances for a target amount of MXN 6 billion and a maximum of MXN 10 billion. In addition, the sustainable bond backed by the cash flows from the Cuchillo 2 Aqueduct construction project in the State of Nuevo Leon, for MXN 6.6 billion, is expected. In the bank bond market, two placements are expected from Banco Inbursa for MXN 5 billion and three from Scotiabank, also for MXN 5 billion
- HR Ratings ratified its 'HR AAA (E)' rating with a Stable outlook for TIPMXCB 23 and 23-2 (ABS of TIP Mexico) due to the maximum default rate of 22.0% in the stress scenario and the historical default rate of 1.4%

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	41,175.08	1.1%
S&P 500	5,634.61	1.1%
Nasdaq	17,877.79	1.5%
IPC	53,490.92	0.3%
Ibovespa	135,608.47	0.3%
Euro Stoxx 50	4,909.20	0.5%
FTSE 100	8,327.78	0.5%
CAC 40	7,577.04	0.7%
DAX	18,633.10	0.8%
Nikkei 225	38,364.27	0.4%
Hang Seng	17,612.10	-0.2%
Shanghai Composite	2,854.37	0.2%
Sovereign bonds		
2-year Treasuries	3.92	-9pb
10-year Treasuries	3.80	-5pb
28-day Cetes	10.76	0pb
28-day TIIE	11.00	0pb
2-year Mbono	10.14	-9pb
10-year Mbono	9.56	-19pb
Currencies		
USD/MXN	19.11	-2.1%
EUR/USD	1.12	0.7%
GBP/USD	1.32	0.9%
DXY	100.72	-0.8%
Commodities		
WTI	74.83	2.5%
Brent	79.02	2.3%
Mexican mix	70.69	2.5%
Gold	2,512.59	1.1%
Copper	424.50	1.4%

Source: Bloomberg

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