

# Financial Markets Daily

April 17, 2023

## Main drivers for the financial markets today...

- Stock markets, government bond yields, and USD up. Markets adjust their expectations about the possibility of additional rate hikes from the Fed, along with some caution on the US corporate earnings season, which started at the end of last week
- Today's agenda includes the Empire Manufacturing (Apr) in the US, along with 1Q23 GDP in China (along with other data for March)
- This week, attention will be on the pulse of the global economy on the back of preliminary PMI releases for April in the US, Eurozone, and United Kingdom. In addition, March inflation in the latter country and April's ZEW expectations survey in Germany
- In monetary policy, more comments from members of the Fed and ECB, with the former publishing the *Beige Book*, and the minutes by the latter. Decisions in Indonesia, and 1- and 5-year interest rates for prime loan in China
- Events include a meeting of G-7 energy, climate, and environment ministers in Japan to discuss phasing out coal-fired power. Geopolitically, focus on China's plan to impose a 'no-fly zone' north of Taiwan
- The US data agenda also includes housing starts, existing home sales, building permits (Mar) and the Philly Fed indicator (Apr). In other regions, trade balance (Feb) and consumer confidence (Apr) in the Eurozone; as well as industrial production (Feb) in Brazil
- In Mexico we only highlight retail sales (Feb), the Timely Indicator of Economic Activity (mar), and the banking sector survey

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## The most relevant economic data...

|               | Event/Period                                  | Unit  | Banorte | Survey | Previous |
|---------------|---|-------|---------|--------|----------|
| Eurozone      |   |       |         |        |          |
|               | European Commission economic growth forecasts |       |         |        |          |
| United States |   |       |         |        |          |
| 8:30          | Empire manufacturing* - Apr                   | index | -18.0   | -18.0  | -24.6    |
| China         |   |       |         |        |          |
| 22:00         | Gross domestic product - 1Q23                 | % y/y | --      | 3.9    | 2.9      |
| 22:00         | Industrial production - Mar                   | % y/y | --      | 4.7    | --       |
| 22:00         | Retail sales - Mar                            | % y/y | --      | 8.0    | --       |
| 22:00         | Gross fixed investment (YTD) - Mar            | % y/y | --      | 5.8    | 5.5      |

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. |
|------------------------|-----------|------------|
| <b>Equity indices</b>  |           |            |
| S&P 500 Futures        | 4,169.00  | 0.1%       |
| Euro Stoxx 50          | 4,376.93  | -0.3%      |
| Nikkei 225             | 28,514.78 | 0.1%       |
| Shanghai Composite     | 3,385.61  | 1.4%       |
| <b>Currencies</b>      |           |            |
| USD/MXN                | 18.00     | -0.1%      |
| EUR/USD                | 1.10      | -0.1%      |
| DXY                    | 101.64    | 0.1%       |
| <b>Commodities</b>     |           |            |
| WTI                    | 82.03     | -0.6%      |
| Brent                  | 85.84     | -0.5%      |
| Gold                   | 2,008.98  | 0.2%       |
| Copper                 | 409.60    | -0.3%      |
| <b>Sovereign bonds</b> |           |            |
| 10-year Treasury       | 3.55      | 3pb        |

Source: Bloomberg

## Equities

- Mixed movements in equity markets, with investors focused on a greater flow of corporate reports while they continue evaluating the monetary outlook. This week, 60 S&P500 companies are expected to report their results, four of them today, including Charles Schwab with better-than-expected earnings
- In Asia, most markets closed positive. European stocks are mixed, although the Eurostoxx falls 0.3%. Shares from consumer staples and energy lead gains, while those from technology and financials superhead losses. In turn, US futures of main indices are mixed and show little changes
- In Mexico, Gap will publish results after the market closes. Following the Mexbol's closing at 54,460pts last Friday, we expect this week a trading range between 53,600 - 55,500pts

## Sovereign fixed income, currencies and commodities

- This week began with widespread losses in sovereign bonds. European rates increase 4bps on average, while Treasuries register a flattening bias with a sell-off of up to 7bps at the short-end. Last week, Mbonos flattened as a result of losses of about 20bps at the short-end
- USD slightly positive amid a mixed performance in both developed and emerging currencies. In the former group, NOK (+0.3%) and NZD (-0.3%) stand at the extremes. In EM, RUB (+0.8%) leads gains and MXN trades at 18.00 per dollar (+0.1%), after a 0.6% weekly appreciation
- Crude-oil futures dip after previously posting the longest run of weekly increases since June. In metals, performance is mixed. Copper losses 0.2% while nickel advances 2.8%

## Previous closing levels

|                        | Last       | Daily chg. |
|------------------------|------------|------------|
| <b>Equity indices</b>  |            |            |
| Dow Jones              | 33,886.47  | -0.4%      |
| S&P 500                | 4,137.64   | -0.2%      |
| Nasdaq                 | 12,123.47  | -0.4%      |
| IPC                    | 54,460.05  | -0.4%      |
| Ibovespa               | 106,279.37 | -0.2%      |
| Euro Stoxx 50          | 4,390.75   | 0.6%       |
| FTSE 100               | 7,871.91   | 0.4%       |
| CAC 40                 | 7,519.61   | 0.5%       |
| DAX                    | 15,807.50  | 0.5%       |
| Nikkei 225             | 28,493.47  | 1.2%       |
| Hang Seng              | 20,438.81  | 0.5%       |
| Shanghai Composite     | 3,338.15   | 0.6%       |
| <b>Sovereign bonds</b> |            |            |
| 2-year Treasuries      | 4.10       | 13pb       |
| 10-year Treasuries     | 3.51       | 7pb        |
| 28-day Cetes           | 11.22      | 0pb        |
| 28-day TIIE            | 11.54      | 0pb        |
| 2-year Mbono           | 10.59      | 8pb        |
| 10-year Mbono          | 8.87       | 3pb        |
| <b>Currencies</b>      |            |            |
| USD/MXN                | 18.02      | 0.0%       |
| EUR/USD                | 1.10       | -0.5%      |
| GBP/USD                | 1.24       | -0.9%      |
| DX                     | 101.55     | 0.5%       |
| <b>Commodities</b>     |            |            |
| WTI                    | 82.52      | 0.4%       |
| Brent                  | 86.31      | 0.3%       |
| Mexican mix            | 73.23      | 0.1%       |
| Gold                   | 2,004.17   | -1.8%      |
| Copper                 | 410.60     | -0.4%      |

Source: Bloomberg

## Corporate Debt

- We expect the return of auction activity in the corporate debt market this week, with two long-term issues. We expect the auction of a MXN 1.1 billion unsecured bond by Genomma Lab, LAB 23-2 (tap issue), as well as a MXN 600 million structured bond backed by a portfolio of leasing contracts originated by Vanrenta, VRTCB 23
- Moody's Local MX announced that it concluded the annual review of the MBS portfolio from Metrofinanciera, Hipotecaria Crédito y Casa, Proyectos Adamantine and Hito, and affirmed the rating of 16 issues. The analysis considered the performance of the main metrics of each issue, as well as compliance with the different eligibility criteria and triggers

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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, Paola Soto Leal, Daniel Sebastián Sosa Aguilar 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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|             | Reference  |
|-------------|--|
| <b>BUY</b>  | <i>When the share expected performance is greater than the MEXBOL estimated performance.</i> |
| <b>HOLD</b> | <i>When the share expected performance is similar to the MEXBOL estimated performance.</i>   |
| <b>SELL</b> | <i>When the share expected performance is lower than the MEXBOL estimated performance.</i>   |

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