

# Financial Markets Daily

April 21, 2023

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

- **Stock markets negative, with government bond yields and the USD with small changes as investors assimilate mixed corporate results, comments from Fed members, and softer economic data in the US, looking for clues about the end of the tightening cycle**
- **April PMIs in the Eurozone –as well as in the UK and Germany–were mixed, with losses in manufacturing, but gains in services, resulting in advances in the composite indicators. Later in the day, we await the release of these indicators in the US**
- **On the monetary policy front, comments from Fed members yesterday mostly suggested additional hikes. Today's focus will be on comments from Lisa Cook (Fed's Board). Meanwhile, in China the PBoC mentioned that it will begin to phase out some of the stimulus measures implemented during the pandemic**
- **Tensions between the U.S. and China continue to rise, with expectations that Joe Biden will sign an executive order limiting investment in technology sectors in the Asian country by U.S. companies. For the time being, the U.S. would seek to get other G-7 countries to join the motion. This comes on top of Taiwan's concerns that U.S. rhetoric –particularly on semiconductors– may already have become too aggressive**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone and UK</i>					
3:30	GER Manufacturing PMI* - Apr (P)	index	--	45.6	44.7
3:30	GER Services PMI* - Apr (P)	index	--	53.2	53.7
3:30	GER Composite PMI* - Apr (P)	index	--	52.7	52.6
4:00	EZ Manufacturing PMI* - Apr (P)	index	--	48.0	47.3
4:00	EZ Services PMI* - Apr (P)	index	--	54.5	55.0
4:00	EZ Composite PMI* - Apr (P)	index	--	53.7	53.7
4:30	UK Manufacturing PMI* - Apr (P)	index	--	48.5	47.9
4:30	UK Services PMI* - Apr (P)	index	--	53.0	52.9
<i>United States</i>					
9:45	Manufacturing PMI* - Apr (P)	index	48.5	49.0	49.2
9:45	Services PMI* - Apr (P)	index	--	51.5	52.6
9:45	Composite PMI* - Apr (P)	index	--	51.2	52.3

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	4,148.50	-0.1%
Euro Stoxx 50	4,377.53	-0.2%
Nikkei 225	28,564.37	-0.3%
Shanghai Composite	3,301.26	-2.0%
<b>Currencies</b>		
USD/MXN	17.99	0.0%
EUR/USD	1.10	0.1%
DXY	101.79	-0.1%
<b>Commodities</b>		
WTI	77.55	0.3%
Brent	81.26	0.2%
Gold	1,983.37	-1.1%
Copper	400.40	-0.5%
<b>Sovereign bonds</b>		
10-year Treasury	3.53	0pb

Source: Bloomberg

## Equities

- Widespread losses in major stock indices as investors continue to react to mixed corporate earnings and with caution about economic growth
- Futures in the US anticipate a negative opening with the S&P500 trading 0.1% below its theoretical value. Today we have figures from Procter & Gamble, Freeport-McMoRan, HCA Healthcare, Regions Financial and Schlumberger NV. With ~16% of the results a drop in profits of -1.7% vs -8.0%e has been accumulated, with a positive surprises rate at 75.6%
- In Europe we see moderate declines as mixed PMIs figures are assimilated, while mining stocks are leading the adjustments. In Asia we observed negative closures highlighting the falls close to 2% in the Shanghai Index and 1.6% in the Hang Seng. In Mexico the Mexbol may continue consolidating around 54,200pts

## Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds. European assets trade with losses of up to 3bps, except for GILTS which post gains of 3bps. The Treasuries yield curve shows a slight steepening, resulting from 2bps gains on the short-end and few changes on the long-end. Yesterday, the Mbonos curve appreciated 3bps on average
- The dollar trades with a slight negative bias (DXY -0.1%) while developed and emerging currencies post mixed changes. Trading is capped in the first group by JPY (+0.3%) and NZD (-0.7%), while in the second group RUB (0.3%) and ZAR (-0.5%) are at the ends of the spectrum. The Mexican peso trades with few changes at 18.01 per dollar
- Crude-oil futures are up 0.2% with investors cautious about global growth and energy demand. Metals are negative, gold falls 0.9% to 1,987 \$/oz t on a hawkish tone from Fed members

## Corporate Debt

- HR Ratings assigned the 'HR AAA' rating with a stable outlook for the GCARSO 23 issuance. According to the agency, the rating assignment is based on the constant generation of Free Cash Flow (FCF), which was MXN 15.2 billion in 2022, compared to MXN 1.8 billion in 2021 and MXN 11.6 billion estimated in its base scenario for 2022. The above growth was due to the increase in EBITDA, which allowed to offset the growth in working capital requirements, taxes paid and the Maintenance CAPEX
- HR Ratings ratified the ratings of 'HR AA' with Stable Outlook and 'HR1' for Fibra HD. According to the agency, the ratification is based on the increase in operating margins expected for the following years. The foregoing would be the result of the strategies for efficiencies in operating expenses, as well as the strategy for disinvestment of non-strategic assets that began in 2022

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	33,786.62	-0.3%
S&P 500	4,129.79	-0.6%
Nasdaq	12,059.56	-0.8%
IPC	54,293.71	0.0%
Ibovespa	104,366.82	0.4%
Euro Stoxx 50	4,384.86	-0.2%
FTSE 100	7,902.61	0.0%
CAC 40	7,538.71	-0.1%
DAX	15,795.97	-0.6%
Nikkei 225	28,657.57	0.2%
Hang Seng	20,396.97	0.1%
Shanghai Composite	3,367.03	-0.1%
<b>Sovereign bonds</b>		
2-year Treasuries	4.14	-10pb
10-year Treasuries	3.53	-6pb
28-day Cetes	11.22	0pb
28-day TIE	11.53	0pb
2-year Mbono	10.70	-4pb
10-year Mbono	8.95	-2pb
<b>Currencies</b>		
USD/MXN	18.00	-0.3%
EUR/USD	1.10	0.1%
GBP/USD	1.24	0.0%
DXY	101.84	-0.1%
<b>Commodities</b>		
WTI	77.29	-2.4%
Brent	81.10	-2.4%
Mexican mix	68.20	-2.8%
Gold	2,004.80	0.5%
Copper	403.25	-1.2%

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, Daniela Olea Suárez, 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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