

# Financial Markets Daily

May 2, 2023

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

- Stock markets with a negative bias, government bond yields mixed and the USD with small changes. Investors await tomorrow's Fed decision and remain on the look on the debt ceiling in the US
- Yesterday, JP Morgan announced the acquisition of First Republic Bank –after having being seized by the FDIC. We must remember the latter institution had faced problems with its deposits since March. Tensions over the debt ceiling in the US continue, with President Biden calling for a meeting with Congress representatives on May 9<sup>th</sup>. This is happening in a context in which Secretary Yellen commented that the space to keep implementing special accounting measures could run out in June
- Local markets were closed yesterday. April's ISM manufacturing indicator in the US stood at 47.1pts from 46.3pts in the previous month. Moreover, April's inflation in the Eurozone was released today, noting the core at 5.6% y/y from 5.7% in March. Today's agenda includes factory orders (Mar) in the US, along with remittances (Mar) and IMEF PMIs (Apr) in Mexico
- Market attention this week on the Fed's decision, anticipating a 25bps rate hike. Nonetheless, it will be important to assess the tone of the communications. In addition, April's nonfarm payrolls in the US, seeing them at +195k and a 3.6% unemployment rate. In monetary policy, we highlight the ECB's decision, also seeing +25bps

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>Eurozone</b>					
5:00	Consumer prices - Apr (P)	% y/y	--	7.0	6.9
5:00	Core - Apr (P)	% y/y	--	5.6	5.7
<b>United States</b>					
10:00	Factory orders* - Mar	% m/m	--	1.3	-0.7
10:00	Ex transportation* - Mar	% m/m	--	--	-0.3
10:00	Durable goods orders* - Mar (F)	% m/m	--	--	3.2
10:00	Ex transportation* - Mar (F)	% m/m	--	--	0.3
0:00	Total vehicle sales** - Apr	millions	--	15.0	14.8
<b>Mexico</b>					
11:00	Family remittances - Mar	US\$bn	5,261.3	--	4,348.4
11:00	Survey of expectations (Banxico)				
13:30	Government weekly auction: 1-, 3-, 6-, and 12- month CETES; 30-year Mbono (Jul'53); 20-year Udibono (Nov'35) and 2-, and 5-year Bondes F				
14:00	PMI manufacturing (IMEF)* - Apr	index	50.5	--	49.2
14:00	PMI non-manufacturing (IMEF)* - Apr	index	53.2	--	54.0

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	4,176.00	-0.2%
Euro Stoxx 50	4,331.40	-0.6%
Nikkei 225	29,157.95	0.1%
Shanghai Composite	3,323.28	0.0%
<b>Currencies</b>		
USD/MXN	17.94	0.0%
EUR/USD	1.10	-0.2%
DX	102.30	0.1%
<b>Commodities</b>		
WTI	74.57	-1.4%
Brent	78.24	-1.3%
Gold	1,989.16	0.3%
Copper	386.40	-1.4%
<b>Sovereign bonds</b>		
10-year Treasury	3.55	-2pb

Source: Bloomberg

## Equities

- Mixed equity markets, with investors assessing the relatively close end of central banks' tightening cycle. The above, in the midst of earnings season, which on balance has been positive. US futures trade lower, following yesterday's news of JP Morgan's acquisition of First Republic Bank, which has triggered fears that lending could tighten and affect economic growth. Europe trades mixed and Asia closed with positive bias. In Mexico, for the week, we estimate a range for the Mexbol Index between 53,500 and 55,700pts
- On the corporate front, figures from 40 S&P 500 companies are expected today, with better-than-expected results from Pfizer. While in Mexico, Cemex has published its 1Q23 report which registered an advance in profitability that exceeded expectations and should be well received by the market. Cash flow was less negative y/y and leverage ratio improved. Despite maintaining its 2023e EBITDA guidance (low single-digit growth), there is a possibility of upward modification in the future

## Sovereign fixed income, currencies and commodities

- Mixed balance in sovereign bonds. European rates increase 8bps, on average, while the Treasuries print gains of 3bps. Last week, the Mbonos' curve registered a steepening bias as a result of a 20bps rally at the short-end
- USD trades with few changes amid mixed performance in G10 and EM currencies. In the former group, AUD (+0.9%) is the strongest while the weakest is CAD (-0.4%). In EM, PLN (+0.7%) and BRL (-0.7%) stand at the extremes. The MXN trades with few changes at 17.94 per dollar, after gaining 0.3% yesterday
- Crude-oil futures drop as concerns over short-term demand rise. Moreover, metals advance with gold and nickel gaining 0.2% and 0.4%, respectively

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	34,051.70	-0.1%
S&P 500	4,167.87	0.0%
Nasdaq	12,212.60	-0.1%
IPC	55,121.22	0.0%
Ibovespa	104,431.63	0.0%
Euro Stoxx 50	4,359.31	0.0%
FTSE 100	7,870.57	0.0%
CAC 40	7,491.50	0.0%
DAX	15,922.38	0.0%
Nikkei 225	29,123.18	0.9%
Hang Seng	19,894.57	0.0%
Shanghai Composite	3,323.28	0.0%
<b>Sovereign bonds</b>		
2-year Treasuries	4.14	13pb
10-year Treasuries	3.57	15pb
28-day Cetes	11.22	0pb
28-day TIE	11.55	0pb
2-year Mbono	10.41	0pb
10-year Mbono	8.79	0pb
<b>Currencies</b>		
USD/MXN	17.94	-0.3%
EUR/USD	1.10	-0.4%
GBP/USD	1.25	-0.6%
DX	102.15	0.5%
<b>Commodities</b>		
WTI	75.66	-1.5%
Brent	79.31	-0.3%
Mexican mix	67.03	0.0%
Gold	1,982.56	-0.4%
Copper	393.40	1.1%

Source: Bloomberg

## Corporate Debt

- HR Ratings affirmed Pemex's ratings at 'HR AAA' with Stable outlook and at 'HR+1' for the short-term. Also, the agency ratified the international ratings at 'HR BBB+ (G)'. The ratings' affirmation was based on the action of Mexico's sovereign rating, due to the de facto sovereign status that the agency considers Pemex holds
- Moody's Local Mexico assigned a 'AA-mx' rating to Elementia Materiales with Stable outlook. The ratings reflect the good positioning of its brands, its geographic diversification, and its extensive marketing network
- FIBRA Prologis amended and restructured its MXN 400 million unsecured, sustainability-linked revolving line of credit with a syndicate of nine banks. The new credit facility is scheduled to mature in April 2026

## 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, 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
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<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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