

Financial Markets Daily

May 3, 2023

Main drivers for the financial markets today...

- **Stock markets positive, government bond yields and USD down. Markets are awaiting a 25bps hike in the Fed's decision. Attention will focus on the tone of the statement and Powell's comments at the press conference to assess whether or not there will be an additional hike in June**
- **Turbulence in the US banking sector continues with PacWest Bancorp and Western Alliance Bancorp in the spotlight due to fears of significant losses in their investments, high uninsured deposits and their vulnerability to a run on the banks**
- **The economic agenda in the US includes the ADP private employment report, posting a solid creation of 296k jobs in April, above the consensus estimate of 150k. This contrasts with signs in other indicators that the labor market is losing steam. The ISM services indicator for April and the final PMI services and composite indicators for the fourth month of the year will be released later**
- **In the afternoon, the Copom in Brazil will announce its monetary policy decision in which we do not expect changes in the reference rate, remaining at 13.75%. Markets will look for signs in the statement of when to expect a rate cut**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
8:15	ADP employment* - Apr	thousands	140	150	145
9:45	Services PMI* - Apr (F)	index	53.7	53.7	53.7
10:00	ISM services* - Apr	index	51.5	51.8	51.2
14:00	FOMC Rate Decision (Upper Bound)	%	5.25	5.25	5.00
14:00	FOMC Rate Decision (Lower Bound)	%	5.00	5.00	4.75
14:00	Interest Rate on Excess Reserves (IOER)	%	--	5.15	4.90
14:30	Fed Chair Holds Press Conference Following FOMC Meeting				
Mexico					
11:00	International reserves - Apr 28	US\$bn	--	--	202.7
Brazil					
17:30	Monetary policy decision (Central bank of Brazil)	%	13.75	13.75	13.75
China					
21:45	Manufacturing PMI (Caixin)*-Apr	index	--	50.3	50.0

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.
Equity indices		
S&P 500 Futures	4,146.75	0.2%
Euro Stoxx 50	4,319.35	0.6%
Nikkei 225	29,157.95	0.0%
Shanghai Composite	3,323.28	0.0%
Currencies		
USD/MXN	17.96	-0.1%
EUR/USD	1.10	0.3%
DXY	101.61	-0.3%
Commodities		
WTI	69.64	-2.8%
Brent	73.46	-2.5%
Gold	2,012.75	-0.2%
Copper	383.60	-0.3%
Sovereign bonds		
10-year Treasury	3.41	-2pb

Source: Bloomberg

Equities

- Stock markets mixed, with a positive bias, reflecting dip buying's after recent adjustments, as investors are waiting for the Fed's monetary policy decision, assessing the latest batch of corporate reports, recession risks and the unstable situation that continues for some regional banks
- US futures anticipate a positive opening with the S&P500 trading 0.2% above its theoretical value. Europe trades higher, with the Eurostoxx rising 0.6%, driven by industrials and materials sectors'. Asia closed mixed
- On the international corporate front, in the US, Advanced Micro Devices falls more than 6.8% on pre-market after indicating a lower-than-expected outlook for the current quarter. In addition, of 41 companies in the S&P500 that will publish their results today, 17 have released their figures, most of them better than expected. In Mexico, the season ends today with reports from Peñoles and Pemex

Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds. European assets trade with gains of up to 4bps in the 10-year benchmarks while the Treasuries yield curve registers gains of 2bps. Yesterday, the Mbonos' curve closed with losses of 2bps on average, concentrated on the long-end while the 10-year benchmark ended the session at 8.79% (+1bp)
- The dollar weakens (DXY -0.3%) while G-10 and most emerging currencies trade in positive territory. In the former group, JPY (+0.7%) leads gains and in the latter ZAR (+1.2%) is the strongest. The Mexican peso appreciates 0.1% to 17.96 per dollar
- Crude-oil futures fall 2.6% on average as concerns remain about the impact that tight monetary policy will have on global growth. Industrial metals also register losses, except for copper, which trades marginally higher

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,684.53	-1.1%
S&P 500	4,119.58	-1.2%
Nasdaq	12,080.51	-1.1%
IPC	55,179.43	0.1%
Ibovespa	101,926.95	-2.4%
Euro Stoxx 50	4,294.85	-1.5%
FTSE 100	7,773.03	-1.2%
CAC 40	7,383.20	-1.4%
DAX	15,726.94	-1.2%
Nikkei 225	29,157.95	0.1%
Hang Seng	19,933.81	0.2%
Shanghai Composite	3,323.28	0.0%
Sovereign bonds		
2-year Treasuries	3.96	-18pb
10-year Treasuries	3.42	-14pb
28-day Cetes	11.22	0pb
28-day TIE	11.55	0pb
2-year Mbono	10.43	1pb
10-year Mbono	8.79	0pb
Currencies		
USD/MXN	17.98	0.2%
EUR/USD	1.10	0.2%
GBP/USD	1.25	-0.2%
DXY	101.96	-0.2%
Commodities		
WTI	71.66	-5.3%
Brent	75.32	-5.0%
Mexican mix	64.03	-4.5%
Gold	2,016.68	1.7%
Copper	386.25	-1.8%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings ratified Fovissste's 'Above Average' Rating as Primary Manager of Residential Mortgage Loans; outlook is stable
- According to the agency and with figures as of December 2022, Fovissste managed a total of 876,405 residential loans (602,772 on-balance and 273,633 off-balance). Fovissste's off-balance sheet portfolio represents securitized mortgages. The performance of the fund's managed on-balance sheet portfolio has improved, while the performance of the managed off-balance sheet portfolio continues to deteriorate since the previous review. The non-performing portfolio of the on-balance portfolio decreased to 9.61% from 10.78%, and said indicator for the off-balance portfolio increased to 6.35% from 4.94%, mainly due to defaults in the TFOVICB 13U, TFOVICB 13-3U and TFOVIS 14U issuances, which have significant concentrations in delinquent dependencies

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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
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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