

# Financial Markets Daily

May 4, 2023

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

- **Negative stock markets, government bond yields up and USD down, with investors still digesting yesterday's Fed message and today's ECB decision to raise benchmark rates by 25bp, as well as renewed concerns about the financial stability of the US banking system**
- **In line with the consensus estimate and ours, the ECB eased the pace of rate hikes to +25bp. With this, the deposit rate stands at 3.25%. In the forward guidance it became clear that there is more still to come. It was explained that in the next decisions they will ensure that the rates reach sufficiently restrictive levels to return inflation to the target. The next decisions will be dependent on economic data. We will be attentive to Lagarde's press conference**
- **In Mexico, INEGI released March's employment report. The unemployment rate fell to 2.39% (-33bps) –a new historical low–, with 668.9 thousand jobs created. With seasonally adjusted figures the rate was unchanged at 2.77%. INEGI also published consumer confidence for April, standing at 44.1pts. In addition, GFI for February was released at +1.9% m/m (previous: -0.2%), with construction (+0.6%) and machinery and equipment higher (+2.9%). In annual terms this implies +12.7%**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Unemployment rate - Mar	%	2.53	2.68	2.72
8:00	Gross fixed investment - Feb	% y/y	10.8	9.1	7.9
8:00	Gross fixed investment* - Feb	% m/m	1.5	1.1	-0.5
8:00	Private consumption - Feb	% y/y	4.5	--	7.1
8:00	Private consumption* - Feb	% m/m	0.1	--	1.6
8:00	Consumer confidence - Apr	index	44.7	45.0	44.5
<i>Eurozone</i>					
8:15	Monetary policy decision (ECB)	%	3.25	3.25	3.00
8:45	ECB President Christine Lagarde Holds Press	0.0			
<i>United States</i>					
8:30	Trade balance* - Mar	US\$bn	--	-63.5	-70.5
8:30	Initial jobless claims* - Apr 29	thousands	238	240	230
<i>China</i>					
21:45	Services PMI (Caixin)* - Apr	index	--	57.3	57.8
21:45	Composite PMI (Caixin)* - Apr	index	--	--	54.5

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.
<i>Equity indices</i>		
S&P 500 Futures	4,097.50	-0.2%
Euro Stoxx 50	4,281.20	-0.7%
Nikkei 225	29,157.95	0.0%
Shanghai Composite	3,350.46	0.8%
<i>Currencies</i>		
USD/MXN	17.89	-0.2%
EUR/USD	1.10	-0.5%
DX	101.47	0.1%
<i>Commodities</i>		
WTI	68.77	0.2%
Brent	72.72	0.5%
Gold	2,037.46	-0.1%
Copper	385.00	0.5%
<i>Sovereign bonds</i>		
10-year Treasury	3.40	6pb

Source: Bloomberg

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## Equities

- **Negative movements in most equity markets as investors continue to digest what appears to be the end of the Fed's tightening cycle, albeit with signs that there will be no interest rate cuts soon, while fears of financial turbulence return, now with PacWest Bancorp. evaluating strategic options including a possible sale. In Asia most markets closed positive. In Europe stocks drop, the Eurostoxx sheds 0.7% after ECB rate hike in line with expectations. In turn, in the US the futures of main indices point to a negative open by falling 0.3% on average**
- **In corporate news, out of the 52 S&P500 companies scheduled to report today, 30 have already updated investors with most outperforming estimates, including ConocoPhillips. Apple will publish its figures after the market closes. In Mexico, Gap's passengers in April slightly exceeded our estimate, reaffirming the expectation of continued growth**

## Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. European assets adjust up to +5bps. The Treasuries' curve trades with losses of 4bps on average. Yesterday, the Mbonos' curve posted mixed movements adjusting +/-4bps and the 10-year benchmark closed at 8.77% (-2bps)**
- **The dollar remains stable, while G10 currencies trade with mixed bias with NOK (+0.6%) and CHF (-0.5%) at the extremes. In EM, the performance is also mixed with KRW (+1.2%) as the strongest. The MXN appreciates 0.3% at 17.87 per dollar, after gaining 0.2% yesterday**
- **Crude-oil futures stabilize after reaching their lowest level since December 2021 at the opening. Metals trade with positive bias with gold trading close to historical highs at 2,040 \$/oz t, accumulating a 2.5% gain in the week on a possible pause by the Fed and recession fears**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,414.24	-0.8%
S&P 500	4,090.75	-0.7%
Nasdaq	12,025.33	-0.5%
IPC	54,947.01	-0.4%
Ibovespa	101,797.09	-0.1%
Euro Stoxx 50	4,310.18	0.4%
FTSE 100	7,788.37	0.2%
CAC 40	7,403.83	0.3%
DAX	15,815.06	0.6%
Nikkei 225	29,157.95	0.0%
Hang Seng	19,699.16	-1.2%
Shanghai Composite	3,323.28	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	3.80	-16pb
10-year Treasuries	3.34	-9pb
28-day Cetes	11.40	18pb
28-day TIIE	11.55	1pb
2-year Mbono	10.41	-1pb
10-year Mbono	8.76	-3pb
<i>Currencies</i>		
USD/MXN	17.93	-0.3%
EUR/USD	1.11	0.6%
GBP/USD	1.26	0.8%
DX	101.34	-0.6%
<i>Commodities</i>		
WTI	68.60	-4.3%
Brent	72.33	-4.0%
Mexican mix	60.71	-5.2%
Gold	2,038.97	1.1%
Copper	384.50	-0.5%

Source: Bloomberg

## Corporate Debt

- **Fitch Ratings maintained Crediclub's ratings at 'A-(mex)' and the short-term ratings at 'F2(mex)' on Positive CreditWatch. According to the statement, the Positive CreditWatch reflects the capital increase announced by the company in October 2022**
- **Crediclub and an investment fund disclosed the participation of additional investors in a capital round for US\$80 million. Crediclub's ratings reflect with high importance its active franchise focused mainly on the productive microcredit segment under the group methodology, and its stable deposit capture**
- **Currently, Crediclub has an issue in the short-term debt market, CREDICL 00223, with an outstanding amount of MXN 75 million. In addition to the Fitch Ratings rating, the issuer is rated at 'HR A+' and 'HR2' by HR Ratings**

## Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, 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>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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