

Financial Markets Daily

May 8, 2023

Main drivers for the financial markets today...

- Stk mkt's slightly higher on banking sector gains, government bond yields up, and USD lower. Investors are assessing the probability of a recession, the tightening of financial conditions, and its potential effect on monetary policy cycles in various regions. In addition, we had March's industrial production in Germany, standing at -3.4% m/m, below expectations
- Today, US data includes only wholesale inventories (Mar). Moreover, the Senior Loan Officer Survey from the Fed, with heightened importance on fears of stricter lending standards due to banking sector problems. Tonight, trade balance (Apr) in China
- Market attention in US consumer and producer prices for April, given uncertainty about whether the Fed's hiking cycle has ended or not. In addition, inflation for the same month in Mexico, Brazil, and China
- In monetary policy, we highlight the BoE decision (consensus: +25bps), along with Peru, Chile, Poland, and Romania, apart from comments by members of the Fed and ECB
- Events include the meeting between President Biden with Congressional leaders to negotiate about the debt limit. Moreover, meetings between NATO leaders in Brussels, and among G-7 finance ministers and central bankers in Japan
- In the US, U. of Michigan consumer confidence (May). Going to other regions, industrial production (Mar) in Brazil, and the minutes of BCB; lastly, 1Q23 GDP in the United Kingdom
- In Mexico, industrial production (Mar), wage negotiations, and ANTAD's sales (Apr)

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Germany					
2:00	Industrial production* - Mar	% m/m	--	-1.5	2.0
China					
23:00	Trade balance - Apr	USDbn	--	70.3	88.2
23:00	Exports - Apr	% y/y	--	--	23.4
23:00	Imports - Apr	% y/y	--	--	6.1

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	4,158.50	0.2%
Euro Stoxx 50	4,352.94	0.3%
Nikkei 225	28,949.88	-0.7%
Shanghai Composite	3,395.00	1.8%
Currencies		
USD/MXN	17.80	0.2%
EUR/USD	1.10	0.1%
DXY	101.15	-0.1%
Commodities		
WTI	73.37	2.8%
Brent	77.18	2.5%
Gold	2,022.19	0.3%
Copper	388.65	0.4%
Sovereign bonds		
10-year Treasury	3.48	5pb

Source: Bloomberg

Equities

- The week kicks off with a positive bias in stock markets, supported by stronger-than-expected corporate reports that offset concerns about an economic slowdown, as well as the health of US regional banks'
- US futures anticipate a positive opening, with the S&P500 trading 0.2% above its theoretical value. In particular, PacWest Corp is up 42% ahead of the open, leading regional banks' gains as they recover from their massive sell-off. Europe trades higher, with the Eurostoxx at 0.3%, and Asia closed with a positive bias, highlighting the Hang Seng's 1.2% advance. In Mexico, we anticipate a weekly range for the Mexbol Index between 54,000 and 55,600 pts
- On the corporate front, 33 S&P500 companies will release earnings this week. Today, 11 will publish, 3 of which have already released their figures being worse than expected, while highlighting PayPal at the market's close

Sovereign fixed income, currencies and commodities

- Widespread losses in sovereign bonds. European rates increase 5bps on average, while the Treasuries' curve registers a sell off of up to 7bps at the short-end. Last week, Mbonos recorded a slightly positive balance and the 10-year reference closed at 8.76% (-2bps)
- The dollar retreats amid a favorable backdrop for most developed currencies, except for JPY (-0.3%). In EM, the bias is mixed with RUB (+1.1%) leading and MXN as the weakest, trading at 17.80 per dollar (-0.2%), after reaching its best intraday level since 2017 last week at 17.75
- Widespread gains in commodities. Crude-oil futures advance after reaching its lowest intraday level since late 2021, equivalent to losses of 6.0% w/w, driven by fears of a US recession

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,674.38	1.7%
S&P 500	4,136.25	1.8%
Nasdaq	12,235.41	2.2%
IPC	54,937.39	0.5%
Ibovespa	105,148.48	2.9%
Euro Stoxx 50	4,340.43	1.2%
FTSE 100	7,778.38	1.0%
CAC 40	7,432.93	1.3%
DAX	15,961.02	1.4%
Nikkei 225	29,157.95	0.0%
Hang Seng	20,049.31	0.5%
Shanghai Composite	3,334.50	-0.5%
Sovereign bonds		
2-year Treasuries	3.91	12pb
10-year Treasuries	3.44	6pb
28-day Cetes	11.44	0pb
28-day TIE	11.56	0pb
2-year Mbono	10.37	-1pb
10-year Mbono	8.76	1pb
Currencies		
USD/MXN	17.76	-0.8%
EUR/USD	1.10	0.1%
GBP/USD	1.26	0.5%
DX	101.21	-0.2%
Commodities		
WTI	71.34	4.1%
Brent	75.30	3.9%
Mexican mix	60.72	0.0%
Gold	2,016.79	-1.6%
Copper	388.30	0.5%

Source: Bloomberg

Corporate Debt

- This week, we expect the participation of Grupo Carso (GCARSO 23, MXN 3.0 billion), as well as two reopenings of AB&C Leasing securitizations (AB&CCB 22 / 22-2, MXN 1.5 billion). Also, in the banking sector, we look for the auction of two sustainable issues by Nacional Financiera (NAFF 23S, NAFF 23S, MXN 5.0 billion)
- S&P Global Ratings affirmed GF Mega's long-term global scale rating at 'B'. The rating outlook remained Negative. According to the agency, the lessor is focusing on refinancing the maturity of its 2025 bond. This is 21 months ahead of the maturity date, which reflects the company's timely approach to the more stringent financing conditions facing Mexican non-bank financial institutions

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