

Financial Markets Daily

May 11, 2023

Main drivers for the financial markets today...



- **Stock markets with small changes, with the USD strengthening, and government bond yields lower. Investors are betting that the Fed will pause rate hikes after the release of April's inflation yesterday, albeit with some concerns persisting given the impasse on the discussions over the debt ceiling**
- **The US government's efforts to re-engage with China continue, seeking a large number of calls and meetings with Chinese counterparts to reduce tensions. However, the Asian nation asserts that this sends mixed messages**
- **Meanwhile, the meeting of G7 finance ministers and central bankers in Japan is expected to send a signal to China against the "economic coercion" it is exerting on several emerging countries. However, uncertainty remains about other items on the agenda**
- **On the monetary policy front, the BoE increased its benchmark rate by 25bps to 4.50%, in line with expectations. Thus, market expectations are for tightening to continue. Meanwhile, in the US, we will be watching for comments from Kashkari (Minneapolis) and Waller (Fed Board)**
- **In terms of economic data the agenda is light. In the US, producer prices in April advanced 0.2% m/m, an inch below expectations. Meanwhile, weekly jobless claims showed an acceleration to 264 thousand. In China, inflation kept moderating, reaching 0.1% y/y in April, its lowest level in two years**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
UK					
7:00	Monetary policy decision (BoE) - May	%	--	4.50	4.25
United States					
8:30	Initial jobless claims* - May 6	thousands	245	245	242
8:30	Producer prices* - Apr	% m/m	--	0.3	-0.5
8:30	Ex. food & energy * - Apr	% m/m	--	0.2	-0.1
10:15	Fed's Waller Discusses Financial Stability and Climate change				
Peru					
19:00	Monetary policy decision (BCRP)	%	--	7.75	7.75

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	4,149.00	-0.1%
Euro Stoxx 50	4,306.04	0.0%
Nikkei 225	29,126.72	0.0%
Shanghai Composite	3,309.55	-0.3%
<i>Currencies</i>		
USD/MXN	17.64	0.5%
EUR/USD	1.09	-0.4%
DX	101.69	0.2%
<i>Commodities</i>		
WTI	72.05	-0.7%
Brent	75.92	-0.6%
Gold	2,037.77	0.4%
Copper	372.25	-2.8%
<i>Sovereign bonds</i>		
10-year Treasury	3.36	-9pb

Source: Bloomberg

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Equities

- Equity markets mixed, with investors weighing the relatively close end of the central banks' tightening cycle, as well as the results of the latest batch of corporate reports
- US futures anticipate a slightly lower opening with the S&P 500 trading 0.1% below its theoretical value. European stock markets are mixed, with the Eurostoxx unchanged following the BOE monetary policy decision. While Asia closed with a negative bias, albeit with slight changes, the Nikkei closed with a marginal gain and the Hang Seng with a 0.1% loss. In Mexico, the Mexbol Index could hover around 56,600pts.
- On the corporate front, Disney falls ~6.0% prior to the open after reporting a drop in its streaming subscribers and forecasting a larger loss for this quarter. Meanwhile, 5 S&P 500 companies will report results today, most of them have already published better than expected figures

Sovereign fixed income, currencies and commodities

- Positive balance in sovereign bonds. European assets adjust up to -9bps. The Treasuries' curve trades with gains of 8bps at the short-end and the belly. Yesterday, the Mbonos' curve posted gains of 3bps, on average, and the 10-year benchmark closed at 8.77% (-2bps)
- The dollar advances, while G10 currencies trade in negative territory with AUD (-0.6%) as the weakest. In EM, the performance is also negative with RUB (-0.9%) leading the losses. The MXN reached a new low since 2017 at 17.53 at the beginning of the session; however, it now trades at 17.58 (-0.2%), after gaining 1.3% yesterday
- Crude-oil futures lose 0.5%, on average, while the market assesses whether lower inflationary pressures will translate into lower economic activity. Metals trade with negative bias with copper falling 2.8%, although gold advances 0.3%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,531.33	-0.1%
S&P 500	4,137.64	0.4%
Nasdaq	12,306.44	1.0%
IPC	55,534.68	0.1%
Ibovespa	107,448.21	0.3%
Euro Stoxx 50	4,306.76	-0.4%
FTSE 100	7,741.33	-0.3%
CAC 40	7,361.20	-0.5%
DAX	15,896.23	-0.4%
Nikkei 225	29,122.18	-0.4%
Hang Seng	19,762.20	-0.5%
Shanghai Composite	3,319.15	-1.1%
<i>Sovereign bonds</i>		
2-year Treasuries	3.91	-11pb
10-year Treasuries	3.44	-8pb
28-day Cetes	11.52	0pb
28-day TIIE	11.55	-1pb
2-year Mbono	10.35	-3pb
10-year Mbono	8.76	-3pb
<i>Currencies</i>		
USD/MXN	17.55	-1.3%
EUR/USD	1.10	0.2%
GBP/USD	1.26	0.0%
DXY	101.48	-0.1%
<i>Commodities</i>		
WTI	72.56	-1.6%
Brent	76.41	-1.3%
Mexican mix	64.36	-1.6%
Gold	2,030.09	-0.2%
Copper	384.10	-1.6%

Source: Bloomberg

Corporate Debt

- Today, we expect the auction of two social bonds from Nacional Financiera for a target amount of MXN 5.0 billion (max. MXN 10.0 billion). The NAFR 23S bond will pay a floating rate referenced to the Overnight TIIE with a three-year term; while the NAFF 23S bond will pay a fixed rate, with a seven-year term
- HR Ratings affirmed Banco Afirme's ratings at 'HR AA-' and its short-term rating at 'HR1'. The outlook is Stable. The affirmation was based on the financial performance shown in the last 12 months by keeping solid solvency ratios, with a net capitalization ratio of 15.8%, an adjusted leverage ratio of 11.7x and an outstanding portfolio to net debt ratio of 1.0x as of 4Q22

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>
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