

Financial Markets Daily

May 12, 2023

Main drivers for the financial markets today...



- **Stock markets higher, government bond yields positive, and the USD strengthens, with investors expecting an agreement to be reached over the debt ceiling in the US. Regarding the latter, the meeting today between President Biden and Republican leader McCarthy was postponed, which suggests that discussions between their staff are progressing**
- **On economic data, in the US we will be watching the consumer sentiment from the U. of Michigan (May). In the UK, 1Q23 GDP came in line with expectations at 0.1% q/q, while in Brazil, inflation in April moderated to 4.18% y/y. In Mexico, March's industrial production came in at -0.9% m/m (1.6% y/y), impacted by weakness in mining (-3.5% m/m) and manufacturing (-1.1%), but with a rebound in construction (1.3%)**
- **On the monetary front, we expect Chile to keep its benchmark rate unchanged at 11.25%. In the US, we will have speeches from Daly, Bullard, and Jefferson. In this context, earlier today Bowman commented that, in the absence of a moderation in inflation, the Fed would have to continue hiking rates**
- **Over the weekend, focus will be on elections in Turkey and Thailand, highlighting the presidential election in the former, where the race between incumbent President Tayyip Erdogan and his opponent Kemal Kilicdaroglu is close**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
UK					
2:00	Gross domestic product* - 1Q23 (P)	% q/q	--	0.1	0.1
2:00	Industrial production* - Mar	% m/m	--	0.0	-0.2
Mexico					
8:00	Industrial production - Mar	% y/y	2.9	2.5	3.5
8:00	Industrial production* - Mar	% m/m	-0.2	-0.2	0.7
8:00	Manufacturing output - Mar	% y/y	2.9	2.9	2.4
Brazil					
8:00	Consumer prices - Apr	% m/m	--	0.54	0.71
8:00	Consumer prices - Apr	% y/y	--	4.11	4.65
United States					
10:00	U. of Michigan confidence* - May (P)	index	62.5	63.0	63.5
19:45	Fed's Bullard and Jefferson Take Part in Panel Discussion				
Chile					
18:00	Monetary policy decision (BCCh)	%	--	11.25	11.25

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	4,157.50	0.3%
Euro Stoxx 50	4,322.86	0.3%
Nikkei 225	29,388.30	0.9%
Shanghai Composite	3,272.36	-1.1%
Currencies		
USD/MXN	17.63	0.3%
EUR/USD	1.09	-0.2%
DXY	102.24	0.2%
Commodities		
WTI	71.18	0.4%
Brent	75.22	0.3%
Gold	2,005.45	-0.5%
Copper	372.30	0.7%
Sovereign bonds		
10-year Treasury	3.41	3pb

Source: Bloomberg

Equities

- **Positive sentiment and almost widespread increases in main stock indices due to good reports, particularly in Europe and with the expectation that the issue of the debt ceiling in the US will be resolved. Futures anticipate a positive opening, with the S&P500 trading 0.3% above its theoretical value, while appetite for technology stocks continues to boost the Nasdaq, although the risk of recession remains latent. Europe trades with gains of 0.5% on average**
- **In corporates, *Tesla* announced a rise in the prices of some models in the US, while *Richemont* producer of *Cartier* surprised positively on its earnings. In the US there will be no reports of relevance, already in the final stretch of them. With 91% of the figures of the S&P500 a -4.0% drop in profits vs -8.0%e has been achieved**
- **In Mexico the Mexbol Index may continue consolidating over 55,000pts**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. European assets trade with adjustments of +4bps on 10-year benchmarks while the Treasuries yield curve trades with pressures of 2bps on average. Yesterday, the Mbonos' curve flattened after losing up to 3bps on the short-end and appreciating 7bps on long-term tenors**
- **The dollar strengthens (DXY+0.2%) as G-10 currencies trade mixed and emerging currencies post losses. In the first group AUD (-1.1%) leads the decliners and SEK (+0.2%) is at the opposite end. In the second group, RUB (-1.6%) is the weakest. The Mexican peso depreciates 0.2% to 17.62 per dollar**
- **Crude oil futures rise 0.3% with investors weighing recession risks and the plan to refill US strategic reserves. In industrial metals, the bias is positive, with nickel printing gains of 2.2%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,309.51	-0.7%
S&P 500	4,130.62	-0.2%
Nasdaq	12,328.51	0.2%
IPC	55,014.16	-0.9%
Ibovespa	108,256.40	0.8%
Euro Stoxx 50	4,309.75	0.1%
FTSE 100	7,730.58	-0.1%
CAC 40	7,381.78	0.3%
DAX	15,834.91	-0.4%
Nikkei 225	29,126.72	0.0%
Hang Seng	19,743.79	-0.1%
Shanghai Composite	3,309.55	-0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	3.90	-1pb
10-year Treasuries	3.38	-6pb
28-day Cetes	11.42	-10pb
28-day TIIE	11.55	0pb
2-year Mbono	10.36	1pb
10-year Mbono	8.76	0pb
<i>Currencies</i>		
USD/MXN	17.58	0.2%
EUR/USD	1.09	-0.6%
GBP/USD	1.25	-0.9%
DXY	102.06	0.6%
<i>Commodities</i>		
WTI	70.87	-2.3%
Brent	74.98	-1.9%
Mexican mix	63.13	-1.9%
Gold	2,015.05	-0.7%
Copper	371.00	-3.4%

Source: Bloomberg

Corporate Debt

- **HR Ratings affirmed Sociedad Hipotecaria Federal's long-term rating at 'HR AAA' with Stable outlook and at 'HR+1' for the short term. The rating affirmation is based on the explicit support from the Federal Government in its passive operations, as described in the Institution's Organic Law**
- **HR Ratings affirmed the rating of the issuance DESCB 22 (Dalton Efectivo Seguro's ABS) at 'HR AAA (E)' with Stable outlook. The rating affirmation is based on the Maximum Delinquency of 13.2% that the issue can bear under a stress scenario**

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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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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