

Financial Markets Daily

May 17, 2023

Main drivers for the financial markets today...



- **Stock markets mixed, S&P futures up, government bond yields down and USD up. Investors are hopeful that the White House and Congress will overcome their differences and reach an agreement to raise the debt ceiling. No deal was reached at yesterday's meeting between Biden and McCarthy, but the leaders' comments on the negotiations made it clear they are seeking an agreement**
- **Biden is traveling to Japan today to attend the G-7 Summit that begins on Friday, but he cut his trip short amid debt ceiling negotiations, so he will not visit Australia and New Guinea**
- **Regarding economic figures, final inflation in April in the Eurozone was in line with expectations at 7.00% y/y. The report confirmed that the pressures on the Core CPI could be starting to ease, but this does not change the expectation that the ECB will continue to raise rates**
- **The agenda in the US includes housing starts and building permits for the fourth month of the year. The former rose 2.2% to an annualized rate of 1.4 million, in sign that the residential sector is stabilizing. However, permits fell 1.5%. In addition, MBA mortgage applications were published, with a weekly drop of 5.7%, after a rise the previous week of 6.3%**
- **In Brazil, retail sales for March posted an increase of 0.8% m/m after no advance the previous month. With this, the annual variation stood at +3.2% above the previous 1.1%**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Consumer prices - Apr (F)	% y/y	--	7.0	6.9
5:00	Core - Apr (F)	% y/y	--	5.6	5.6
<i>Brazil</i>					
8:00	Retail sales - Mar	% y/y	--	0.8	1.0
8:00	Retail sales* - Mar	% m/m	--	-0.3	-0.1
<i>United States</i>					
8:30	Housing starts** - Apr	thousands	--	1,400	1,420
8:30	Building permits** - Apr	thousands	--	1,430	1,430

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	4,134.50	0.3%
Euro Stoxx 50	4,321.15	0.1%
Nikkei 225	30,093.59	0.8%
Shanghai Composite	3,284.23	-0.2%
<i>Currencies</i>		
USD/MXN	17.60	0.6%
EUR/USD	1.08	-0.4%
DXY	102.92	0.3%
<i>Commodities</i>		
WTI	70.87	0.0%
Brent	74.88	0.0%
Gold	1,984.57	-0.2%
Copper	366.30	0.2%
<i>Sovereign bonds</i>		
10-year Treasury	3.52	-1pb

Source: Bloomberg

Equities

- **Mixed equity markets, where investors remain attentive to any updates about to rise the US debt ceiling. Meanwhile, Target Corp joins a group of companies in indicating a possible softening of discretionary sales for the current quarter**
- **US futures anticipate a positive open with the S&P500 trading 0.3% above its theoretical value. Meanwhile, Europe trades mixed, with the Eurostoxx advancing 0.1%, supported by the industrial and real estate sectors'. Asia closed with declines, with the Hang Seng dropping 2.1% and the Shanghai 0.2%**
- **On the international corporate front, only 6 S&P500 companies are expected to report results today, where 4 will release their figures at market close, highlighting Cisco Systems Inc. On the other hand, Tesla rises ~1.5% on pre-market after reporting strategies on advertising that will further sales**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. In Europe, rates decline as much as 6bps on 10-year securities. Treasuries yield curve trades with gains of 1bp on average. Yesterday, the Mbonos curve closed with losses of 5bps on average while the 10-year benchmark ended the session at 8.76% (+2bps)**
- **The dollar strengthens (DXY +0.3%) while most G10 and emerging currencies trade with losses. In the former group, SEK (-0.7%) is the weakest and in the latter HUF (-0.9%) leads losses. The Mexican peso depreciates 0.6% to 17.60 per dollar and extends yesterday's losses**
- **Crude-oil futures trade with few changes, investors are weighing the latest demand figures and the risks of a U.S. default. Metals trade mixed, industrials rise while precious metals post moderate declines**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,012.14	-1.0%
S&P 500	4,109.90	-0.6%
Nasdaq	12,343.05	-0.2%
IPC	55,180.97	-0.1%
Ibovespa	108,193.68	-0.8%
Euro Stoxx 50	4,315.51	0.0%
FTSE 100	7,751.08	-0.3%
CAC 40	7,406.01	-0.2%
DAX	15,897.93	-0.1%
Nikkei 225	29,842.99	0.7%
Hang Seng	19,978.25	0.0%
Shanghai Composite	3,290.99	-0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	4.08	7pb
10-year Treasuries	3.53	3pb
28-day Cetes	11.42	0pb
28-day TIIE	11.54	0pb
2-year Mbono	10.35	1pb
10-year Mbono	8.77	1pb
<i>Currencies</i>		
USD/MXN	17.50	0.4%
EUR/USD	1.09	-0.1%
GBP/USD	1.25	-0.3%
DXY	102.56	0.1%
<i>Commodities</i>		
WTI	70.86	-0.4%
Brent	74.91	-0.4%
Mexican mix	62.88	-0.1%
Gold	1,989.17	-1.4%
Copper	366.70	-2.2%

Source: Bloomberg

Corporate Debt

- **Crédito Real reported that it signed a Restructuring Support Agreement with a group of unsecured creditors, which aims to establish the bases under which, in the event of reaching a qualified majority of creditors of said class, the terms in which the procedure established in the Commercial Bankruptcy Law will be used. It is important to remember that on July 15, Crédito Real informed that the sentence handed down by the judicial authority in which its dissolution was declared and it was placed in liquidation had been published**
- **Fitch Ratings affirmed the rating of the issue MXMACCB 04U (RMBS managed by Proyectos Adamantine) at 'C(mex)vra'. According to the agency, as of March 2023, loans with more than 180 days of default reached 9.52% as a percentage of the original portfolio balance, from 10.48% a year earlier, a slight decrease mainly explained by foreclosure activities**

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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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