

Financial Markets Daily

May 18, 2023

Main drivers for the financial markets today...



- **Stock markets positive, USD and government bond yields up as there is progress in talks to raise the debt limit before the deadline on June 1, as well as some good news out of embattled US regional lenders**
- **Markets attention is on comments by Barr, Jefferson and Logan from the Federal Reserve looking for signals about the next monetary policy decisions. The US economic figures agenda includes the Philly Fed regional manufacturing indicator for May, which stood at -10.4pts, from -31.3pts previously and with a less pronounced decline than estimated, while jobless claims resulted in 242k below expectations and the previous figure, but still high. Existing home sales for April will be released later**
- **In Mexico, all eyes are on Banxico's decision. We expect an unchanged reference rate at 11.25%, in line with consensus. This would be consistent with Board members' latest comments and the guidance outlined in the previous statement. It is our take that the statement will suggest that this hiking cycle is over. With this, our attention will turn to information on how long the reference rate might last at the current level and at which point cuts will begin, in our view materializing until next year**
- **Regarding economic figures, INEGI released its Timely Indicator of Economic Activity for April, with a 0.4% m/m expansion (2.6% y/y sa) in activity. By sectors, they expect industry at 0.5% m/m, with services at 0.4% m/m**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Timely Indicator of Economic Activity* - Apr	% y/y	--	--	3.8
15:00	Monetary policy decision (Banxico)	%	11.25	11.25	11.25
<i>United States</i>					
8:30	Initial jobless claims* - May 13	thousands	250	252	264
8:30	Philadelphia Fed* - May	index	-25.0	-19.8	-31.3
9:05	Fed's Jefferson Gives Speech on Economic Outlook				
9:30	Fed's Barr Testifies Before Senate Banking Committee				
10:00	Fed's Logan Speaks at Texas Bankers Association Convention				
10:00	Existing home sales** - Apr	thousands	--	4.3	4.4

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	4,173.75	0.1%
Euro Stoxx 50	4,371.34	1.1%
Nikkei 225	30,573.93	1.6%
Shanghai Composite	3,297.32	0.4%
<i>Currencies</i>		
USD/MXN	17.73	0.8%
EUR/USD	1.08	-0.5%
DX	103.28	0.4%
<i>Commodities</i>		
WTI	72.53	-0.4%
Brent	76.61	-0.5%
Gold	1,967.77	-0.7%
Copper	370.90	-0.9%
<i>Sovereign bonds</i>		
10-year Treasury	3.63	7pb

Source: Bloomberg

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Equities

- **Positive equity markets, reflecting dip buying's given the declines observed in previous days due to the uncertainty generated by the US debt ceiling**
- **S&P500 futures are trading 0.1% above their theoretical value. Meanwhile, stock markets in Europe follow US rally where the Eurostoxx rises 1.1%. Meanwhile, Asia closed higher, with the Nikkei up 1.6% and the Hang Seng 0.9%. Alibaba's stock increases ahead of its earnings release which drove technology stocks higher, while chipmakers were among the best performers on the Nikkei given government plans to boost this sector**
- **On the corporate front, 5 S&P 500 companies will release their results today, including Walmart and Bed, Bath, and Beyond which have already reported, even better than expected. Most notably Walmart, which raised its earnings guidance for the year on strong demand and beat SSS expectations**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European assets adjust up to +10bps. The Treasuries' curve trades with widespread losses of 4bps. Yesterday, the Mbonos' curve posted gains of 2bps, on average, and the 10-year benchmark closed at 8.74% (-3bps)**
- **The dollar advances, DXY (+0.2%), while all G10 currencies trade in negative territory with NOK (-0.6%) leading the losses. In EM, the performance is also negative with HUF (-1.4%) as the weakest. The MXN trades at 17.70 (-0.6%), after falling 0.5% yesterday**
- **Crude-oil futures stabilize with market assigning more weight to Joe Biden's optimistic comments on the debt celling than to the increase in US inventories. Metals trade with negative bias with copper and gold falling 1.0% and 0.4%, respectively. The latter recorded its lowest level so far in May, trading at 1,973 \$/oz t**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,420.77	1.2%
S&P 500	4,158.77	1.2%
Nasdaq	12,500.57	1.3%
IPC	55,067.37	-0.2%
Ibovespa	109,459.95	1.2%
Euro Stoxx 50	4,323.23	0.2%
FTSE 100	7,723.23	-0.4%
CAC 40	7,399.44	-0.1%
DAX	15,951.30	0.3%
Nikkei 225	30,093.59	0.8%
Hang Seng	19,560.57	-2.1%
Shanghai Composite	3,284.23	-0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	4.15	7pb
10-year Treasuries	3.56	3pb
28-day Cetes	11.42	0pb
28-day TIIE	11.53	-1pb
2-year Mbono	10.32	-3pb
10-year Mbono	8.75	-1pb
<i>Currencies</i>		
USD/MXN	17.60	0.5%
EUR/USD	1.08	-0.2%
GBP/USD	1.25	0.0%
DXY	102.88	0.3%
<i>Commodities</i>		
WTI	72.83	2.8%
Brent	76.96	2.7%
Mexican mix	64.29	2.2%
Gold	1,981.84	-0.4%
Copper	375.45	2.4%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings upgraded GISSA's long-term rating to 'AA(mex)' from 'AA-(mex)'. The outlook has been revised to Stable from Positive. According to the agency, the rating upgrade reflects the strengthening of the company's financial profile once the divestment of its ceramic tile business (Vitromex) was completed, whose resources were used, in part, to reduce debt and it also allow to execute its expansion projects in your automotive business to shore up your business position**
- **After the recent amortization of the GISSA 17 issuance, Grupo Industrial Saltillo has no outstanding issues in the domestic market**

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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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