Banorte Research and Strategy

Financial Markets Daily

May 19, 2023

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Main drivers for the financial markets today…

- **Stock markets positive, government bond yields up and USD down, as investors remain optimistic on ongoing negotiations to raise the US debt-ceiling, after comments from House speaker McCarthy about a possible agreement as soon as this weekend and a House vote next week. Biden is optimistic that Congress will act in time to avoid a default. However, caution remains with the expectation that rates will remain high for a long period**

- **Today begins the G-7 leaders' summit in Japan, with concerns focused on China and Russia. The seven countries are expected to face what they see as economic coercion from Xi Jinping's government. They might extend sanctions on Russia, while the announcement of concrete measures related to climate is also expected**

- **Markets are attentive to comments from Fed members, highlighting the intervention of Powell and the former president of the central bank, Bernanke, who will speak on monetary policy. While Williams and Bowman will participate in other forums. There will also be interventions by ECB members, highlighting Lagarde**

- **In Mexico, INEGI published March's retail sales, unchanged at 0.0% m/m (2.5% y/y). Six out of the nine sectors declined, with weakness centered in glass and hardware (-2.3% m/m) and supermarkets and departmental stores (-1.9%)**

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The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Retail sales - Mar	% y/y	2.9	2.9	3.4
8:00	Retail sales* - Mar	% m/m	0.2	0.1	-0.3
Brazil					
8:00	Economic activity - Mar	% y/y	--	3.5	2.8
8:00	Economic activity* - Mar	% m/m	--	-0.4	3.3
United States					
8:45	Fed's Williams Speaks at Monetary Policy Conference				
9:00	Fed's Bowman Takes part in a discussion at the Texas Bankers Association				
11:00	Fed Chair Powell, Former Chair Bernanke Speak on Policy Panel				

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,220.75	0.2%
Euro Stoxx 50	4,401.03	0.8%
Nikkei 225	30,808.35	0.8%
Shanghai Composite	3,283.54	-0.4%
Currencies		
USD/MXN	17.64	-0.5%
EUR/USD	1.08	0.3%
DXY	103.29	-0.3%
Commodities		
WTI	72.63	1.1%
Brent	76.69	1.1%
Gold	1,963.60	0.3%
Copper	373.80	1.5%
Sovereign bonds		
10-year Treasury	3.66	1pb

Source: Bloomberg

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Equities

- **Mixed movements in stock markets, although prevailing a positive bias supported by the progress in the negotiations on the debt ceiling in the US. Futures anticipate a positive opening with the S&P 500 trading 0.2% above its theoretical value, approaching to nine-month highs**

- **Europe shows widespread gains, while the Dax in Germany approaches to a new record since January 2022. In Asia, we observed mixed closes, highlighting the rise of the Nikkei in Japan of 0.8%, at 33-year highs supported by the prevailing positive sentiment. In contrast, Hong Kong's Hang Seng closed down 1.4%, dragged down by weakness in Alibaba's report, with sales disappointing**

- **The earnings season in the U.S. is almost over. With 95% of the results a -3.2% drop in profits has been accumulated vs -8.0%e. In Mexico we consider that the Mexbol Index may approach to 55,500pts**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. European rates adjust +6bps on average and Swedish bonds stand out with losses of up to 14bps. Treasuries trade with 2bps losses concentrated on the short-end. Yesterday, the Mbonos' curve closed with losses of 4bps on average and the 10-year benchmark at 8.78% (+4bps)**

- **The dollar weakens (DXY -0.3%) as developed currencies post broad-based gains and emerging currencies are mixed. In the first group, NZD (+0.8%) is the strongest and in the second, PLN (+0.7%) and IDR (-0.4%) are at the ends. The Mexican peso appreciates 0.3% to 17.66 per dollar**

- **Crude-oil futures advance 1.2% on optimism that the US will avoid a default and the market continues to anticipate a deficit in 2H23. Metals are positive and nickel stands out, printing gains of 4.2%**

Corporate Debt

- **HR Ratings assigned the rating of 'HR AAA (E)' to the proposed issuance ARRENCB 23 (ABS of Arrendadora y Soluciones de Negocios) that is sought to be carried out for an amount of up to MXN 750 million; the outlook is stable. According to the agency, the rating assignment is based on the Maximum Default that supports the issuance in a stress scenario of 27.2%, which when compared against the Historical Default Rate of the originated portfolio and managed by Arrendamas of 2.0%, results in a Default Rate Times of 13.6x**

- **Crédito Real informed that it published, through its website, the content of the Restructuring Support Agreement with annexes (Schedules), as well as the accessory documents of the negotiation (Cleansing Deck)**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,535.91	0.3%
S&P 500	4,198.05	0.9%
Nasdaq	12,688.84	1.5%
IPC	55,263.11	0.4%
Ibovespa	110,108.46	0.6%
Euro Stoxx 50	4,367.45	1.0%
FTSE 100	7,742.30	0.2%
CAC 40	7,446.89	0.6%
DAX	16,163.36	1.3%
Nikkei 225	30,573.93	1.6%
Hang Seng	19,727.25	0.9%
Shanghai Composite	3,297.32	0.4%
Sovereign bonds		
2-year Treasuries	4.25	10pb
10-year Treasuries	3.65	8pb
28-day Cetes	11.42	0pb
28-day TIIE	11.53	0pb
2-year Mbono	10.35	3pb
10-year Mbono	8.79	4pb
Currencies		
USD/MXN	17.72	0.7%
EUR/USD	1.08	-0.6%
GBP/USD	1.24	-0.6%
DXY	103.58	0.7%
Commodities		
WTI	71.86	-1.3%
Brent	75.86	-1.4%
Mexican mix	63.77	-0.8%
Gold	1,957.55	-1.2%
Copper	368.95	-1.7%

Source: Bloomberg

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	*When the share expected performance is similar to the MEXBOL estimated performance.*
SELL	*When the share expected performance is lower than the MEXBOL estimated performance.*

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