

Financial Markets Daily

May 22, 2023

Main drivers for the financial markets today...

- **Stock markets biased lower, government bond yields and USD mixed. Investors are cautious as they wait for today's meeting between President Biden and Speaker Kevin McCarthy about the debt limit after negotiations, which hit a roadblock at the end of last week. At the end of the G-7 summit, President Biden stated that he expected an improvement in relations with China "very shortly" as tensions rose after the issue with the spy balloons**
- **Yesterday, China kept the 1- and 5-year prime loan rates unchanged. Today, the agenda includes speeches from Daly, Bullard and Bostic of the Fed, May's consumer confidence in the Eurozone, and the banking sector survey in Mexico**
- **Market attention this week on the Fed minutes in a backdrop in which some uncertainty prevails about whether they will hike the *Fed funds* rate again or not in June, and after comments with a relatively dovish bias from chair Powell last Friday**
- **It will also be important to watch May's PMI indicators in Germany, the Eurozone, United Kingdom, and the US given persistent fears about relatively fragile conditions that could lead to a global recession. In the monetary policy front, decision also in Israel, New Zealand, Indonesia, South Africa, Turkey, and South Korea**
- **In US data, releases include 1Q23 GDP (final), new home sales, trade balance, personal income and spending, PCE deflator, durable goods orders (Apr), and U. of Michigan consumer confidence (May F)**
- **In Mexico, final GDP and current account (1Q23), inflation in the 1st half of May, IGAE (Mar), and trade balance (Apr)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
8:30	Fed's Bullard Speaks on US Economy and Monetary Policy				
11:05	Fed's Bostic and Barkin Discuss Technology-Enabled Disruption				
11:05	Fed's Daly Speaks at NABE/Bank of France Economic Symposium				
Eurozone					
10:00	Consumer confidence* - May (P)	index	--	-16.8	-17.5
Mexico					
14:30	Survey of expectations (Citibanamex)				

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	4,204.50	0.0%
Euro Stoxx 50	4,382.26	-0.3%
Nikkei 225	31,086.82	0.9%
Shanghai Composite	3,296.47	0.4%
Currencies		
USD/MXN	17.89	0.6%
EUR/USD	1.08	0.2%
DX	103.16	0.0%
Commodities		
WTI	71.70	0.2%
Brent	75.64	0.1%
Gold	1,973.04	-0.2%
Copper	369.00	-0.9%
Sovereign bonds		
10-year Treasury	3.68	1pb

Source: Bloomberg

Equities

- The week kicks off with a negative bias, with investors waiting for progress in US debt ceiling negotiations. In addition, there is caution in some semiconductor companies after China flagged some risks
- US futures anticipate an opening without major changes. Meanwhile, Europe trades mainly with losses, with the Eurostoxx down 0.3%. Asia closed with a positive bias, up 1.2% in the Hang Seng and 0.9% higher in the Nikkei. In Mexico, we anticipate a trading range for the Mexbol this week between 53,500 and 55,400pts
- On the international corporate front, Micron Technology shares fell more than 4.4% on pre-market trading as Chinese regulators pointed out cybersecurity risks related to its products. In turn, Meta Platforms was fined with US\$1.3 billion in the European Union for data privacy issues

Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. European rates higher by 4bps on average, while Treasuries sell-off up to 5bps at the short-end. Last week, Mbonos outperformed Treasuries, with the local risk premium falling to 516bps from 533bps a week ago
- The dollar retreats amid a mixed balance in DM, limited by CHF (+0.4%) and JPY (-0.2%). In EM, the bias is positive with PLN (+0.8%) leading. Meanwhile, MXN trades as the weakest at 17.89 per dollar (-0.6%), extending the losses of the previous week after reaching its best intraday level since 2016 at 17.42 on Monday, May 15th
- Crude-oil futures steadied after losing almost 2.0% over the prior two sessions. Brent and WTI remain above 70 \$/bbl and 75 \$/bbl, respectively. Widespread losses in metals, with the gold/copper ratio at highest levels since the beginning of 2021

Corporate Debt

- So far in May, low dynamism has been observed, which we believe will change for the remaining weeks of the month. Despite a strong amount in the *pipeline* at the start of the month, there were changes in placement dates and the decision of some issuers to indefinitely postpone their bonds as they seek better opportunities in the market
- We anticipate that, by the end of May and in June and July, the placement will resume with MXN 22.15 billion scheduled to be auctioned, with participants such as Bimbo, Infonacot, TIP México, among others
- Also, activity is expected in the bank debt market this week, with the scheduled auction of three bonds from Banorte for a target amount of MXN 12 billion

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,426.63	-0.3%
S&P 500	4,191.98	-0.1%
Nasdaq	12,657.90	-0.2%
IPC	54,296.05	-1.7%
Ibovespa	110,744.51	0.6%
Euro Stoxx 50	4,395.30	0.6%
FTSE 100	7,756.87	0.2%
CAC 40	7,491.96	0.6%
DAX	16,275.38	0.7%
Nikkei 225	30,808.35	0.8%
Hang Seng	19,450.57	-1.4%
Shanghai Composite	3,283.54	-0.4%
Sovereign bonds		
2-year Treasuries	4.27	1pb
10-year Treasuries	3.67	3pb
28-day Cetes	11.42	0pb
28-day TIE	11.52	0pb
2-year Mbono	10.38	3pb
10-year Mbono	8.83	4pb
Currencies		
USD/MXN	17.79	0.4%
EUR/USD	1.08	0.3%
GBP/USD	1.24	0.3%
DX	103.20	-0.4%
Commodities		
WTI	71.55	-0.4%
Brent	75.58	-0.4%
Mexican mix	63.49	-0.4%
Gold	1,977.81	1.0%
Copper	373.20	1.2%

Source: Bloomberg

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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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