

Financial Markets Daily

May 23, 2023

Main drivers for the financial markets today...



- **Stock markets negative, government bond yields positive and the USD strengthens amid caution regarding US debt and hawkish comments from Fed speakers yesterday**
- **On the debt ceiling, the meeting between President Biden and Republican leader McCarthy showed some signs of progress, with both arguing that a default will not be reached. However, there is still no agreement and work will continue in the coming days**
- **On the monetary front, in the US we await only comments from Logan (Dallas) after a complicated agenda yesterday that gave more hawkish overtones from Bullard and Kashkari. In particular, both suggested that further tightening may be needed in the year**
- **Regarding economic data, May's PMIs in the Eurozone were mixed, with gains in services but with setbacks in manufacturing. Thus, the composite indicator retreated at the margin to 53.3pts. In the US, we await the release of the same figures along housing data**
- **Tensions between China and the US continue, with the US administration stating that they will not remove sanctions on Defense Secretary Li Shangfu. This is somewhat surprising considering a rapprochement between the two countries in recent weeks**
- **Yesterday, the governor of Nuevo Leon, Samuel Garcia, announced that the Taiwanese company Quanta Computer will invest US\$1 billion in the state, supporting the creation of 2,500 jobs**

Alejandro Padilla Santana
Chief Economist and
Head of Research
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research
and Financial Markets Strategy
juan.alderete.mactal@banorte.com

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com

Manuel Jiménez Zaldivar
Director of Market Strategy
manuel.jimenez@banorte.com

 www.banorte.com
 @analisis_fundam

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
9:00	Fed's Logan Gives Welcoming Remarks at Conference on Technology-Enabled Disruption				
9:45	Manufacturing PMI* - May (P)	index	49.9	50.0	50.2
9:45	Services PMI* - May (P)	index	--	52.5	53.6
9:45	Composite PMI* - May (P)	index	--	--	53.4
10:00	New home sales** - Apr	thousands	--	663	683
<i>Mexico</i>					
11:00	International reserves - May 19	US\$bn	--	--	203.5
13:30	Government weekly auction: 1-, 3-, 6-, 24- month CETES; 3-year Mbono (Mar'25); 3-year Udibono (Dec'26) and 1-, and 3-year Bondes F				

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

This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Apertura de Mercados Financieros" was released earlier today.

A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,195.50	-0.2%
Euro Stoxx 50	4,359.54	-0.6%
Nikkei 225	30,957.77	-0.4%
Shanghai Composite	3,246.24	-1.5%
<i>Currencies</i>		
USD/MXN	17.96	0.4%
EUR/USD	1.08	-0.4%
DXY	103.62	0.4%
<i>Commodities</i>		
WTI	73.07	1.5%
Brent	76.98	1.3%
Gold	1,958.74	-0.7%
Copper	362.05	-1.5%
<i>Sovereign bonds</i>		
10-year Treasury	3.76	4pb

Source: Bloomberg

Equities

- **Negative movements in equity markets as uncertainty continues regarding the evolution of the talks to reach an agreement on the US debt-ceiling, and after disappointing manufacturing activity data in Europe**
- **In Asia most markets closed negative. In Europe stock markets drop (except the FTSE 100), the Eurostoxx sheds 0.6%. Shares from consumer discretionary and industrial sectors lead gains, while those from real estate and energy are the biggest gainers. In turn, in the US the futures of main indices point to a negative open by falling 0.2% on average. Lowe's Cos share price is down more than 1.0% on pre-market after cutting its annual sales estimate, despite reporting better-than-expected quarterly profit**
- **In Mexico, the Mexbol Index may stand below the 55,400 pts**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. In Europe, rates increase 4bps, on average. Meanwhile, the Treasuries' yield curve adjusts of up to +8bps at the short-end. Locally, Mbonos began the week with a sell-off of 4bps, on average, with the 10-year benchmark closing at 8.89% (+5bps)**
- **USD advances against developed currencies, with NZD (-0.8%) as the weakest. In EM, the bias is also negative, with HUF (-1.0%) leading the losses. The MXN retreats 0.4% to 17.96 per dollar, scoring six negative sessions in a row equivalent to a 2.8% depreciation**
- **Crude-oil futures rise for the second day in a row, with Saudi energy minister warning to oil short-sellers, just before the OPEC+ Ministerial Meeting on June 3-4. Widespread losses in metals with copper and gold falling 1.0% and 0.6%, respectively**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,286.58	-0.4%
S&P 500	4,192.63	0.0%
Nasdaq	12,720.78	0.5%
IPC	53,466.32	-1.5%
Ibovespa	110,213.12	-0.5%
Euro Stoxx 50	4,385.63	-0.2%
FTSE 100	7,770.99	0.2%
CAC 40	7,478.16	-0.2%
DAX	16,223.99	-0.3%
Nikkei 225	31,086.82	0.9%
Hang Seng	19,678.17	1.2%
Shanghai Composite	3,296.47	0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	4.32	5pb
10-year Treasuries	3.71	4pb
28-day Cetes	11.34	-8pb
28-day TIIE	11.52	-1pb
2-year Mbono	10.47	9pb
10-year Mbono	8.89	6pb
<i>Currencies</i>		
USD/MXN	17.90	0.6%
EUR/USD	1.08	0.1%
GBP/USD	1.24	-0.1%
DX	103.20	0.0%
<i>Commodities</i>		
WTI	71.99	0.6%
Brent	75.99	0.5%
Mexican mix	63.74	0.4%
Gold	1,971.86	-0.3%
Copper	368.50	-1.3%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings affirmed Banco Invex's 'AA-(mex)' and Invex Cotroladora's 'A+(mex)' ratings. The outlook is Stable. Fitch's assessment considers Banco Invex's risk profile to be of high importance, which it believes has a positive impact on its credit quality. Invex Controladora's ratings are derived from the credit profile of its main subsidiary, Banco Invex**
- **Fitch Ratings affirmed Banregio's national ratings at 'AA(mex)' and 'F1+(mex)'. The rating outlook is Stable. The ratings reflect the bank's consistent business model, which has proven to generate stable and robust revenues over time in an adverse operating environment**

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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
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>

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Strategist, Equity	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Senior Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldán Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899