Banorte Research and Strategy

Financial Markets Daily

May 24, 2023

Main drivers for the financial markets today…

- **Stock markets lower, government bond yields negative as the USD strengthens. Preference for safe-haven assets as concerns over the debt in the US continue given relevant differences between Republicans and Democrats**

- **The impasse on the debt ceiling in the US continues given that an agreement was not reached yesterday and there are no more meetings programmed for the remainder of the week. As such, it is expected that discussions perilously near the June 1st deadline set by Treasury Secretary, Janet Yellen**

- **In the UK, April's inflation surprised to the upside at 7.8% y/y (including housing), impacting bond yields in said country and boosting expectations of additional monetary tightening. In Germany, the IFO business climate indicator stood at 91.7pts**

- **In Mexico, inflation in the 1st half of May came in at -0.32% 2w/2w, with the core at 0.18%, both below expectations. As such, the annual print for the headline moderated to 6.00% from 6.27%, with the core also lower at 7.45% (previous: 7.59%)**

- **In the monetary policy front, attention will center on comments from Waller (Fed's Board) and the FOMC minutes, with the latter being relevant in terms of the signal ahead. In Europe we will have an interview from BoE Governor, Andrew Baily, along a participation from ECB President, Christine Lagarde. Finally, it is expected that the Bank of Korea leaves its rate unchanged at 3.50%**

The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Consumer prices - May 15	% m/m	-0.20	-0.20	0.21
8:00	Core - May 15	% m/m	0.19	0.21	0.12
8:00	Consumer prices - May 15	% y/y	6.13	6.12	6.27
8:00	Core - May 15	% y/y	7.47	7.49	7.59
United States					
12:10	Fed's Waller Discusses the Economic Outlook				
14:00	FOMC Meeting Minutes				
South Korea					
	Monetary policy decision (C. bank of S. Korea)	%	--	3.50	3.50

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	4,141.25	-0.4%
Euro Stoxx 50	4,271.37	-1.6%
Nikkei 225	30,682.68	-0.9%
Shanghai Composite	3,204.75	-1.3%
Currencies		
USD/MXN	17.84	-0.8%
EUR/USD	1.08	0.2%
DXY	103.40	-0.1%
Commodities		
WTI	73.93	1.4%
Brent	77.83	1.3%
Gold	1,983.28	0.4%
Copper	358.00	-1.7%
Sovereign bonds		
10-year Treasury	3.68	-1pb

Source: Bloomberg

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Equities

- **Negative equity markets, reflecting investors' concerns about the lack of agreements in the US debt ceiling negotiations, as well as higher than expected inflation data in Europe and weaker economic indicators in China, which underpin fears of economic recession**

- **US futures anticipate a negative opening with the S&P500 trading 0.4% below its theoretical value. Meanwhile, Europe trades with widespread losses, with the Eurostoxx down 1.6%, dragged by the financials, real estate and consumer discretionary sectors', assessing UK's negative outlook of higher interest rates and its impact on demand. Likewise, declines extended to luxury stocks, LMVH is falling ~2.0%. Asia closed with declines, highlighting the Hang Seng with 1.6%**

- **In Mexico, the Mexbol Index could hover around 52,600pts, following its international peers**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. European rates adjust -4bps on average except for GILTS which trade with losses of up to 20bps. The Treasuries yield curve trades with a slight flattening, resulting from losses of 1bp on the short-end and gains of up to 3bps on long-term tenors. Yesterday, the Mbonos curve closed with losses of 2bps on average**

- **The USD trades with a slight positive bias (DXY +0.1%) while developed and emerging currencies post mixed movements. In the first group, NZD (-1.8%) is the weakest and in the second, HUF (+0.8%) and MYR (-0.5%) are at the ends of the spectrum. The Mexican peso reverses yesterday's losses by appreciating 0.8% to 17.84 per dollar**

- **Crude-oil futures advance 1.4%, reacting to lower crude-oil and gasoline inventories, according to API figures. In metals, losses prevail and copper stands out with a decline of 1.5%**

Corporate Debt

- **Moody's Local Mexico assigned Grupo Elektra a ‘AA-.mx’ long-term rating with Stable outlook. The rating reflects the solid competitive position of its business model with high entry barriers that allow it to serve different population segments**

- **S&P Global Ratings revised the rating outlook on issuance PLANRIO 05-2U to Positive from Stable and affirmed its rating at ‘mxBBB’. The outlook revision follows the agency's expectation that traffic will remain strong, with growth rates above its expectation for the national GDP**

- **PCR Verum downgraded CAME's rating to 'BB+/M' from 'BBB/M' and revised the outlook to Negative from Stable. The ratings downgrade follows the impact on CAME's financial position due to the impact on its profitability and the increase in its adjusted non-performing loan portfolio indicator following the merger with Te Creemos**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,055.51	-0.7%
S&P 500	4,145.58	-1.1%
Nasdaq	12,560.25	-1.3%
IPC	53,123.21	-0.6%
Ibovespa	109,928.53	-0.3%
Euro Stoxx 50	4,342.38	-1.0%
FTSE 100	7,762.95	-0.1%
CAC 40	7,378.71	-1.3%
DAX	16,152.86	-0.4%
Nikkei 225	30,957.77	-0.4%
Hang Seng	19,431.25	-1.3%
Shanghai Composite	3,246.24	-1.5%
Sovereign bonds		
2-year Treasuries	4.32	0pb
10-year Treasuries	3.69	-2pb
28-day Cetes	11.34	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.46	-1pb
10-year Mbono	8.93	4pb
Currencies		
USD/MXN	17.97	0.4%
EUR/USD	1.08	-0.4%
GBP/USD	1.24	-0.2%
DXY	103.49	0.3%
Commodities		
WTI	72.91	1.3%
Brent	76.84	1.1%
Mexican mix	64.60	1.3%
Gold	1,975.23	0.2%
Copper	365.45	-0.8%

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
BUY	*When the share expected performance is greater than the MEXBOL estimated performance.*
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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