

Financial Markets Daily

May 26, 2023

Main drivers for the financial markets today...

- **Stock markets with a positive bias, government bond yields negative and the USD lower, with investors' attention on economic data and progress on debt ceiling negotiations**
- **On this latter subject, additional progress seems to have materialized yesterday according to parties involved, with the limit being raised for the next 2 years. In addition, they expect measures on military spending and 'green' policies. However, a final agreement has not been reached, with the deadline looming**
- **Regarding economic data in the US, April's income and spending report showed mixed results, positive in terms of activity but negative on prices. We highlight that the PCE deflator rose to 4.4% y/y, with the core at 4.7% a – remembering that these are the preferred inflation measures by the Fed. In Mexico, final GDP for 1Q23 was revised marginally lower to 1.0% q/q (3.7% y/y), noting increases in services (1.5% q/q) and industry (0.6% q/q). Nevertheless, March's GDP-proxy (IGAE) declined 0.3% m/m (2.7% a/a), with all three sectors lower**
- **On the monetary front, the UK's Finance Minister mentioned that he supports further hikes from the central bank to quell inflation, even if it means a recession. In China, expectations of further easing by the central bank are increasing**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Gross domestic product - 1Q23 (F)	% y/y	3.7	3.8	3.9
8:00	Gross domestic product* - 1Q23 (F)	% q/q	1.0	1.0	1.1
8:00	Economic activity indicator (IGAE) - Mar	% y/y	2.8	3.2	3.8
8:00	Economic activity indicator (IGAE)* - Mar	% m/m	-0.3	-0.1	0.1
<i>United States</i>					
8:30	Trade balance* - Apr	US\$bn	--	-85.6	-84.6
8:30	Personal income* - Apr	% m/m	--	0.4	0.3
8:30	Real personal spending* - Apr	% m/m	0.3	0.3	0.0
8:30	PCE Deflator* - Apr	% m/m	--	0.3	0.1
8:30	Core* - Apr	% m/m	0.3	0.3	0.3
8:30	PCE Deflator - Apr	% y/y	--	4.3	4.2
8:30	Core - Apr	% y/y	4.5	4.6	4.6
8:30	Durable goods orders* - Apr (P)	% m/m	--	-1.0	3.2
8:30	Ex transportation* - Apr (P)	% m/m	--	-0.1	0.2
10:00	U. of Michigan confidence* - May (F)	index	57.7	58.0	57.7

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	4,170.00	0.2%
Euro Stoxx 50	4,290.10	0.5%
Nikkei 225	30,916.31	0.4%
Shanghai Composite	3,212.50	0.4%
<i>Currencies</i>		
USD/MXN	17.72	-0.7%
EUR/USD	1.08	0.3%
DXY	103.92	-0.3%
<i>Commodities</i>		
WTI	72.51	0.9%
Brent	76.80	0.7%
Gold	1,952.04	0.5%
Copper	366.10	2.2%
<i>Sovereign bonds</i>		
10-year Treasury	3.79	-3pb

Source: Bloomberg

Equities

- We conclude the week with a positive bias in main stock indices, on hopes that an agreement on the debt ceiling in the US can be reached this weekend
- In that sense, futures anticipate a positive opening, with the S&P500 trading 0.2% above its theoretical value and the Nasdaq doing the same at 0.4%. The appetite for AI stocks has been supported by the expectation of a higher-than-expected revenue advance, now being the case for *Marvell Technology*
- In Europe, gains are averaging 0.3%, with significant momentum in chipmakers such as *ASML Holding*. In Asia, the positive bias also prevailed, although progress is moderate. The Hang Seng is closed for a Holiday
- In Mexico the Mexbol Index could be consolidating around 54,000pts

Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds. European rates adjust -1bp on 10-year benchmarks, except for GILTS which trade with gains of 4bps. The treasuries yield curve records an appreciation of 3bps on average. Yesterday, Mbonos' curve closed with losses of 5bps on average and the 10-year benchmark closed at 9.00% (+4bps)
- The dollar weakens after 3 consecutive positive days (DXY -0.3%). In developed currencies we see widespread gains with SEK (+1.0%) as the strongest. In emerging currencies, trading is capped by ZAR (+1.2%) and PLN (-0.5%). The Mexican peso is the second strongest among its peers, appreciating 0.7% to 17.73 per dollar
- Crude-oil futures advance 0.8% with the market debating whether OPEC+ will cut production at the upcoming ministerial meeting. Metals with a positive bias, among which copper rises 1.9%

Corporate Debt

- Grupo Carso informed that it signed –through its subsidiary Zamajal– a binding agreement with Talos Energy to acquire 49.9% of its Mexican subsidiary (Talos Mexico), holder of a 17.4% interest in the Zama oil field. The acquisition price was of US\$124.75 million
- Fitch Ratings commented that the strategy announced by Citigroup Inc. to seek an Initial Public Offering (IPO) for its retail banking operations and small and medium enterprise (SME) segments in Mexico will not have an immediate effect on Citibanamex and its affiliates' ratings
- Citibanamex's ratings are on Negative Watch, which reflects the uncertainty about the potential credit implications for the rated subsidiaries as part of the ongoing sale process

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,764.65	-0.1%
S&P 500	4,151.28	0.9%
Nasdaq	12,698.09	1.7%
IPC	53,744.68	0.7%
Ibovespa	110,054.38	1.2%
Euro Stoxx 50	4,269.64	0.1%
FTSE 100	7,570.87	-0.7%
CAC 40	7,229.27	-0.3%
DAX	15,793.80	-0.3%
Nikkei 225	30,801.13	0.4%
Hang Seng	18,746.92	-1.9%
Shanghai Composite	3,201.26	-0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	4.53	16pb
10-year Treasuries	3.82	8pb
28-day Cetes	11.34	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.51	7pb
10-year Mbono	9.00	4pb
<i>Currencies</i>		
USD/MXN	17.85	0.3%
EUR/USD	1.07	-0.2%
GBP/USD	1.23	-0.4%
DXY	104.25	0.4%
<i>Commodities</i>		
WTI	71.83	-3.4%
Brent	76.26	-2.7%
Mexican mix	64.40	-2.5%
Gold	1,941.41	-0.8%
Copper	358.80	0.7%

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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