

Financial Markets Daily

May 31, 2023

Main drivers for the financial markets today...

- **Stock markets negative, government bond yields down and USD up. Investors are worried about further signs of a slowdown in China with lower-than-expected PMIs. Attention will focus on the vote on the debt ceiling deal in the House of Representatives**
- **The debt limit agreement reached by President Biden and Speaker McCarthy was advanced by the House Rules committee Tuesday night by a 7-6 margin, sending it to a vote for final approval by the full House today. Leaders in both parties, face members who oppose the deal**
- **Preliminary inflation readings in France and some German regions came in lower than expected. In this regard, markets cut their expectations on the ECB's next moves and price-in cumulative implied hikes of +44bps vs +55bps in the previous week**
- **In the US, the Beige Book will be published with attention to what is said about credit conditions. Likewise, there will be interventions by Fed's Collins, Jefferson and Harker. The latter will speak on macroeconomic and monetary conditions. In the evening the manufacturing PMI (Caixin) will be released in China**
- **In Mexico, bank credit and Banxico's Quarterly Report will be published. Regarding the latter, our attention will center on the update to GDP estimates, the traditional grey boxes, and the press conference**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
8:00	Consumer prices - May (P)	% y/y	--	6.4	7.2
<i>United States</i>					
8:50	Collins, Bowman Give Opening Remarks at Fed Listens Event				
12:20	Fed's Collins Gives Closing Remarks at Fed Listens Event				
12:30	Fed's Harker Speaks on Macroeconomic, Monetary Conditions				
14:00	Beige Book				
<i>Mexico</i>					
11:00	Banking credit - Apr	% y/y	5.5	--	5.6
14:30	Bannxico's Quarterly Report				
<i>China</i>					
21:45	Manufacturing PMI (Caixin)* - May	index	--	49.5	49.5

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	4,195.25	-0.5%
Euro Stoxx 50	4,265.78	-0.6%
Nikkei 225	30,887.88	-1.4%
Shanghai Composite	3,204.56	-0.6%
<i>Currencies</i>		
USD/MXN	17.72	0.4%
EUR/USD	1.07	-0.5%
DXY	104.45	0.3%
<i>Commodities</i>		
WTI	67.27	-3.2%
Brent	71.78	-2.4%
Gold	1,961.36	0.1%
Copper	363.20	-0.8%
<i>Sovereign bonds</i>		
10-year Treasury	3.64	-4pb

Source: Bloomberg

Equities

- **Negative movements in equity markets due to increased fears over global economic growth prospects, following the release of weak manufacturing data in China. Meanwhile, investors remain focused on the process of reaching an agreement on the US debt ceiling**
- **In Asia the markets closed negative, with the Hang Seng falling 1.9% (a new low for the year). In Europe stocks drop, the Eurostoxx sheds 0.6%. Shares from energy and real estate sectors lead losses, while those from technology and communication services are the only ones with gains. In turn, in the US the futures of main indices point to a negative open by falling 0.4% on average**
- **In Mexico, the Mexbol Index may stand below the 53,200 pts**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds awaiting news on the US debt ceiling. European rates post adjustments of -7bps while the Treasuries yield curve trades with gains of 4bps on average. In the local market, the Mbonos curve closed with a 4bps appreciation and the 10-year benchmark ended at 8.83% (-5bps)**
- **The dollar strengthened (DXY +0.3%) while most developed and emerging currencies traded with losses. In the former group, NZD (-0.7%) is the weakest and in the latter, TYR (-1.2%) leads the decliners. The Mexican peso depreciates 0.4% to 17.72 per dollar**
- **Crude-oil futures extend yesterday's declines with an average 2.7% drop due to concerns about global growth and the effects of the restrictive monetary policy. In metals, the dynamics are similar, except for gold and silver**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,042.78	-0.2%
S&P 500	4,205.52	0.0%
Nasdaq	13,017.43	0.3%
IPC	53,341.85	-1.6%
Ibovespa	108,967.03	-1.2%
Euro Stoxx 50	4,291.58	-0.7%
FTSE 100	7,522.07	-1.4%
CAC 40	7,209.75	-1.3%
DAX	15,908.91	-0.3%
Nikkei 225	31,328.16	0.3%
Hang Seng	18,595.78	0.2%
Shanghai Composite	3,224.21	0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	4.45	-11pb
10-year Treasuries	3.69	-11pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.35	-6pb
10-year Mbono	8.84	-6pb
<i>Currencies</i>		
USD/MXN	17.66	0.4%
EUR/USD	1.07	0.3%
GBP/USD	1.24	0.5%
DXY	104.17	0.0%
<i>Commodities</i>		
WTI	69.46	-4.4%
Brent	73.54	-4.6%
Mexican mix	62.07	-4.3%
Gold	1,959.33	0.8%
Copper	366.30	-0.5%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings assigned the national long-term rating of 'AA-(mex)' to Corporación Actinver's issuance ACTINVR 23. The bond will be issued for an amount of up to MXN 200 million, with a term of approximately 1.1 years, and with a floating rate. According to the agency, the rating derives from the credit profile of its main subsidiary, Actinver Casa de Bolsa ('AA(mex)' / Stable Outlook), which in turn is the product of a diversified business model with generation of stable and consistent income and profits throughout the cycle**
- **Fitch Ratings affirmed the long-term rating of the State of Nuevo León at 'A(mex)'. The outlook is Stable. According to the agency, the ratification of Nuevo León's rating includes the positive financial results obtained in 2022 and the favorable expectations for the coming years**

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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	Reference
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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>

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