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Banorte Research and Strategy

Financial Markets Daily

June 13, 2023

Main drivers for the financial markets today…

- **Stock markets mixed, with government bond yields negative and the USD lower, reacting to the release of May's CPI in the US as well as its implications for the Fed's decision tomorrow**
- **In the US, consumer prices in May came in line with expectations at 0.1% m/m, with core at 0.4%. Thus, the annual print for headline fell to 4.0%, with core at 5.3%. In other data, German inflation was in line with preliminary figures, with the ZEW expectations index improving at the margin to -8.5pts. The UK unemployment rate improved to 3.8% in April**
- **In China, the PBoC cut its seven-day repo rate by 10bps to 1.9% in a surprise move, boosting expectations for cuts in other benchmarks. Also, on the fiscal front, the government is crafting at least a dozen stimulus measures to support the housing market and consumers**
- **On the monetary front, the two-day FOMC meeting begins today, with attention on tomorrow's decision. In addition, we will have comments from BoE Governor Andrew Bailey.**
- **Former President Trump traveled to Miami to face charges in federal court that he has compromised national security, though he will hold another rally with his supporters in the evening**

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Winners of the 2023 award for best Mexico economic forecasters, granted by Focus Economics

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The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Germany and UK					
2:00	UK Unemployment rate* - Apr	%	--	4.0	3.9
2:00	GER Consumer prices - May (F)	% y/y	--	6.3	6.3
5:00	ZEW Survey (Expectations) - Jun	index	--	-13.1	-10.7
United States					
8:30	Consumer prices* - May	% m/m	0.2	0.2	0.4
8:30	Ex. food & energy* - May	% m/m	0.4	0.4	0.4
8:30	Consumer prices - May	% y/y	4.2	4.1	4.9
8:30	Ex. food & energy - May	% y/y	5.3	5.2	5.5
Mexico					
11:00	International reserves - Jun 9	US$bn	--	--	203.0
13:30	Government weekly auction: 1-, 3-, 6-, 12- month CETES; 30-year Mbono (Jul'53); 3-year Udibono (Dec'26) and 2-, 5-, and 10-year Bondes F				

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

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,395.50	0.2%
Euro Stoxx 50	4,318.99	0.1%
Nikkei 225	33,018.65	1.8%
Shanghai Composite	3,233.67	0.1%
Currencies		
USD/MXN	17.26	-0.1%
EUR/USD	1.08	0.6%
DXY	103.28	-0.4%
Commodities		
WTI	68.67	2.3%
Brent	73.60	2.4%
Gold	1,965.66	0.4%
Copper	384.55	2.5%
Sovereign bonds		
10-year Treasury	3.69	-4pb

Source: Bloomberg

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Equities

- **Equity markets mixed, with investors assessing the expectation of a possible pause in interest rate hikes after the release of US inflation data**

- **S&P 500 futures are up 0.2% ahead of the market open and Nasdaq futures rise 0.3%. Meanwhile, in Europe, markets are trading with a positive bias, where in the Eurostoxx index, technology and industrial sector shares are the ones that hike the most. Finally, in Asia, markets closed also on the positive side, with the Nikkei advancing 1.8%**

- **In Mexico, the Mexbol index could trade around 54,500pts, following its international peers**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. European rates adjust up to -4bps, except for GILTS which trade with losses of 3bps. Treasuries yield curve trades with gains of 5bps on average. Yesterday, the Mbonos curve closed with mixed moves including losses on the short-end of up to 4bps, gains of 2bps on the belly and few changes on the long-end**

- **The dollar trades lower (DXY -0.3%). Meanwhile, developed currencies post widespread gains with SEK (+0.7%) the strongest. In emerging markets, trading is capped by KRW (+1.3%) and TRY (-0.1%). The Mexican peso dilutes initial losses to trade 0.1% higher at 17.26 per dollar**

- **Crude-oil futures are up 2.3% on the possibility that Saudi Arabia's production cuts will limit supply sharply. In metals, the bias is positive, with copper up 1.7%**

Corporate Debt

- **Fitch Ratings assigned 'AAA(mex)' ratings to the proposed issuances of Corporación Andina de Fomento, CAF 1-23V / 2-23V, which are expected to be carried out for up to MXN 3.0 billion. CAF's long-term international issuer default rating ('AA-' Outlook Stable) is substantially above Mexico's sovereign rating ('BBB-' Outlook Stable)**

- **PCR Verum ratified Credit Union for Public Accounting (UNICCO) ratings at 'A-/M' and '2/M'. According to the agency, UNICCO's ratings consider the consistent improvements observed in its asset quality, reflected in low delinquency indicators; in addition to its diversified funding structure made up of long-term deposits and reasonable conditions, complemented by the wide variety of credit lines provided by other commercial and development banking institutions**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,066.33	0.6%
S&P 500	4,338.93	0.9%
Nasdaq	13,461.92	1.5%
IPC	54,278.12	-0.4%
Ibovespa	117,336.34	0.3%
Euro Stoxx 50	4,316.49	0.6%
FTSE 100	7,570.69	0.1%
CAC 40	7,250.35	0.5%
DAX	16,097.87	0.9%
Nikkei 225	32,434.00	0.5%
Hang Seng	19,404.31	0.1%
Shanghai Composite	3,228.83	-0.1%
Sovereign bonds		
2-year Treasuries	4.58	-2pb
10-year Treasuries	3.74	0pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.25	0pb
10-year Mbono	8.86	-2pb
Currencies		
USD/MXN	17.28	0.0%
EUR/USD	1.08	0.1%
GBP/USD	1.25	-0.5%
DXY	103.65	0.1%
Commodities		
WTI	67.12	-4.3%
Brent	71.84	-3.9%
Mexican mix	61.62	-4.6%
Gold	1,957.84	-0.2%
Copper	375.20	-1.0%

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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