

Financial Markets Daily

June 19, 2023

Main drivers for the financial markets today...

- Stock markets lower, with government bond yields and USD up. Investors are more cautious after the recent stock rally, the Fed forward guidance that they could keep raising interest rates, and scarce signals about imminent fiscal stimulus by Chinese authorities.
- On the latter country, President Xi Jinping told US Secretary of State Blinken that it was very good that the US and China made progress in steadying bilateral ties, reaching agreements on some issues
- For the rest of the day, no relevant data in Mexico and the US, with markets closed in the latter country due to a local holiday. Nevertheless, the monetary policy decision in Chile, along with the 1- and 5-year prime loan rates in China
- Market attention this week on PMI indicators for June in Germany, the Eurozone, UK, and the US, along with speeches from Fed members, including Powell at Congress. In addition, Banxico's decision, in which we anticipate an unchanged rate at 11.25%
- Also, a plethora of central bank decisions, including Brazil, Indonesia, Switzerland, Norway, Turkey, and the UK
- US data also includes housing starts and building permits, as well as existing home sales (May) In other regions, the current account (Apr) and consumer confidence (Jun) in the Eurozone, along with inflation (May) in the United Kingdom
- In Mexico, May's Timely Indicator of Eco Activity picked up 0.1% m/m (2.5% y/y sa). Releases include retail sales (Apr), aggregate demand (1Q23), inflation (1H-Jun) and the banking sector survey

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Timely Indicator of Economic Activity* - May	%	--	--	2.6
Chile					
18:00	Monetary policy decision (BCCh)	%	--	11.25	11.25
China					
21:15	Rate decision 1-year Loan Prime Rate	%	--	3.55	3.65
21:15	Rate decision 5-year Loan Prime Rate	%	--	4.20	4.30

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	4,449.00	-0.1%
Euro Stoxx 50	4,379.26	-0.4%
Nikkei 225	33,370.42	-1.0%
Shanghai Composite	3,255.81	-0.5%
Currencies		
USD/MXN	17.09	0.0%
EUR/USD	1.09	-0.1%
DXY	102.43	0.2%
Commodities		
WTI	71.50	-0.4%
Brent	76.49	-0.2%
Gold	1,948.75	-0.5%
Copper	388.30	-0.2%
Sovereign bonds		
10-year Treasury	3.76	0pb

Source: Bloomberg

Equities

- The week kicks off with equities lower after a strong rally accumulated so far in the second quarter. Investors continue to assess how long interest rates could remain elevated, despite the hiking cycle being closer to end
- US markets will remain closed on Juneteenth, with futures trading lower. Europe registers widespread losses. Financial and energy lead, while materials and healthcare record the biggest downturns. In Asia, we observed negative closes, with a 1.0% drop in the Nikkei and a 0.6% decline in the Hang Seng.
- In Mexico, we anticipate a weekly trading range for the Mexbol Index between 54,000 and 56,000pts, although with a significant decrease in today's liquidity

Sovereign fixed income, currencies and commodities

- Low liquidity is expected because US markets will be closed today. European assets adjust up to +8bps. Last week, the Mbonos' curve closed with a flattening bias as a result of 9bps losses at the short-end, while the long-end posted gains of 9bps
- The dollar advances, with the DXY up (+0.2%) and most G10 currencies negative, with NOK (-0.8%) as the hardest hit. In EM, the bias is also negative, with KRW (-0.7%) leading lower. The MXN depreciates 0.1% to 17.11 per dollar after gaining 1.1% last week and posting new highs since late 2015
- Crude-oil futures remain stable, awaiting more information on China economic measures after gaining 2.3% last week. Metals trade on the downside, with gold falling 0.4%

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,299.12	-0.3%
S&P 500	4,409.59	-0.4%
Nasdaq	13,689.57	-0.7%
IPC	54,842.51	-0.9%
Ibovespa	118,758.42	-0.4%
Euro Stoxx 50	4,394.82	0.7%
FTSE 100	7,642.72	0.2%
CAC 40	7,388.65	1.3%
DAX	16,357.63	0.4%
Nikkei 225	33,706.08	0.7%
Hang Seng	20,040.37	1.1%
Shanghai Composite	3,273.33	0.6%
Sovereign bonds		
2-year Treasuries	4.71	7pb
10-year Treasuries	3.76	4pb
28-day Cetes	11.31	0pb
28-day TIE	11.50	1pb
2-year Mbono	10.31	3pb
10-year Mbono	8.79	0pb
Currencies		
USD/MXN	17.09	-0.2%
EUR/USD	1.09	-0.1%
GBP/USD	1.28	0.3%
DXY	102.24	0.1%
Commodities		
WTI	71.78	1.6%
Brent	76.61	1.2%
Mexican mix	66.06	1.8%
Gold	1,957.98	0.0%
Copper	389.85	-0.1%

Source: Bloomberg

Corporate Debt

- Placement activity is expected to continue this week with five long-term bonds scheduled to be issued by Montepío Luz Saviñón, Inversiones CMPC (new issuer), BeGrand, as well as a structured bond by HIR Casa, with an aggregate amount of up to MXN 5.8 billion
- Axtel announced that it decided to prepay the entire principal amount for US\$313.58 million of its Senior Notes 6.375% due 2024. The prepayment will be made on July 21, 2023 at a price of 101.594% of the total principal amount, plus accrued interest. According to the press release, Axtel will finance the prepayment with previously announced existing bank facilities, including a 5-year development bank loan, as well as a 5-year bank facility with nine financial institutions

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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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