Banorte Research and Strategy

Financial Markets Daily

June 21, 2023

Main drivers for the financial markets today…

- **Stock markets down, government bond yields positive, and the USD appreciating slightly in a context of caution given warnings of higher interest rates to fight off inflation –including data in the UK– and rising tensions between the US and China**

- **On the monetary front, attention on Chairman Powell's testimony in the House as part of the Fed's semi-annual report. In addition, we will also have comments from Goolsbee (Chicago). We await the monetary policy decision in Brazil, expecting the rate unchanged at 13.75%**

- **On economic data, May's inflation in the UK surprised higher once again, with the metric including housing prices up to 7.9%, consolidating expectations of a rate hike tomorrow by the BoE**

- **In Mexico, 1Q23 aggregate demand rose 1.8% q/q (5.4% y/y). we highlight additional increases in investment (3.0% q/q) and private consumption (2.2%). Moreover, both exports (0.6%) and imports (4.5%) rebounded**

- **Tensions between the US and China escalated once again despite a decrease in recent days, with the Asian nation complaining about comments from President Biden calling Xi Jinping a 'dictator', calling them a "political provocation"**

Alejandro Padilla Santana
Chief Economist and
Head of Research
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Financial Markets Strategy
juan.alderete.macal@banorte.com

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com

Manuel Jiménez Zaldivar
Director of Market Strategy
manuel.jimenez@banorte.com

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

www.banorte.com/analisiseconomico

@analisis_fundam

The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
UK					
2:00	Consumer prices - May	% y/y	--	8.4	8.7
2:00	Core - May	% y/y	--	6.8	6.8
Mexico					
8:00	Aggregate supply and demand - 1Q23	0.0	4.6	--	4.1
United States					
10:00	Fed´s Powell Appears Before House Financial Services Panel				
12:25	Fed's Goolsbee Speaks at Global Food Forum				
Brazil					
17:30	Monetary policy decision (Central bank of Braz	%	13.75	13.75	13.75

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	4,420.00	-0.3%
Euro Stoxx 50	4,326.26	-0.4%
Nikkei 225	33,575.14	0.6%
Shanghai Composite	3,197.90	-1.3%
Currencies		
USD/MXN	17.20	-0.1%
EUR/USD	1.09	0.0%
DXY	102.61	0.1%
Commodities		
WTI	71.24	1.0%
Brent	75.86	-0.1%
Gold	1,927.66	-0.5%
Copper	387.50	-0.2%
Sovereign bonds		
10-year Treasury	3.76	4pb

Source: Bloomberg

BANORTE
GRUPO FINANCIERO

Equities

- **Stock markets mixed, with a negative bias, reflecting investors' concerns about the prospects of continuing high interest rates for longer than expected, while inflation figures in Europe support caution**

- **US futures anticipate a slightly downward opening, with the S&P500 trading 0.3% below its theoretical value. In that regard, FedEx adjusts more than 2.5% on pre-market after giving a weaker forecast earnings outlook for 2024 due to the possibility of softer demand. Meanwhile, Europe trades mostly lower, with the Eurostoxx decreasing 0.4%, dragged down by the utilities sector. Asia closed mixed, but the Hang Seng fell 2.0% and the Shanghai 1.3%**

- **In Mexico, the Mexbol Index could hover around 54,000pts, following its international peers**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. The Treasuries' curve lost up to 6bps at the short-end after Powell repeats officials see rates somewhat higher by year end. In Europe, UK rates increase 9bps following a negative CPI report. Yesterday, Mbonos advanced 4bps, on average, with the 10-year reference closing at 8.76%**

- **USD with slight gains amid a negative performance in developed currencies, with NOK (-0.6%) as the weakest. In EM, the bias is mixed, with RUB (+0.5%) and KRW (-0.9%) at the extremes. The USD/MXN trades at 17.20 per dollar (-0.1%), after a depreciation of 0.8% yesterday**

- **Widespread losses in commodities. In the energy sector, Brent registers three negative session in a row following signs of further monetary tightening by the Federal Reserve**

Corporate Debt

- **Fitch affirmed Banobras and Nafin's ratings in global scale at 'BBB-' and 'AAA(mex)' in national scale; the outlook is stable. According to the statement, Banobras' and Nafin's ratings are aligned to the Mexican sovereign rated 'BBB-' with Stable Outlook and reflect Fitch's assessment of the Mexican government's potential support**

- **Banobras and Nafin are the two largest issuers in the banking debt market with outstanding bonds of MXN 163.9 billion combined, representing 36.3% of the total amount in the banking market. The issuers are also rated by S&P and Moody's at the highest national rating of 'AAA'**

- **HIR Casa's MXN 1.5 billion structured bond was placed at a rate of TIIE28 + 215bps and will have an 8-year term**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,053.87	-0.7%
S&P 500	4,388.71	-0.5%
Nasdaq	13,667.29	-0.2%
IPC	54,365.68	-1.0%
Ibovespa	119,622.40	-0.2%
Euro Stoxx 50	4,343.14	-0.4%
FTSE 100	7,569.31	-0.3%
CAC 40	7,294.17	-0.3%
DAX	16,111.32	-0.6%
Nikkei 225	33,388.91	0.1%
Hang Seng	19,607.08	-1.5%
Shanghai Composite	3,240.37	-0.5%
Sovereign bonds		
2-year Treasuries	4.68	-3pb
10-year Treasuries	3.72	-4pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	1pb
2-year Mbono	10.28	-4pb
10-year Mbono	8.77	-3pb
Currencies		
USD/MXN	17.21	0.8%
EUR/USD	1.09	0.0%
GBP/USD	1.28	-0.2%
DXY	102.54	0.0%
Commodities		
WTI	70.50	-1.8%
Brent	75.90	-0.2%
Mexican mix	65.51	-0.8%
Gold	1,936.42	-0.7%
Copper	389.35	-0.1%

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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	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.*

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

BANORTE
GRUPO FINANCIERO

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godinez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000

Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707

Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671

Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144

Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 – 2250
Víctor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Strategist, Equity	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746

Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Miguel Alejandro Calvo Domiguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Senior Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000

Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.ceballos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.cor	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 1670 - 1899