

Financial Markets Daily

June 23, 2023

Main drivers for the financial markets today...

- Stock markets and government bond yields lower, with the USD positive, in the midst of weak economic activity data in Eurozone that raised recession fears, while investors continue elucidating about the need of more interest-rate hikes after comments from major central bankers
- In the US, Treasury Secretary Janet Yellen remarked that, in her opinion, the possibility of a recession has declined due to the strength in the labor market and the control of inflationary pressures
- President Joe Biden and Prime Minister Narendra Modi announced a series of trade and defense deals. In addition, they signed a series of commitments regarding semiconductors, seeking to take advantage of Indian subsidiaries and aiming to reduce importance from the Chinese industry
- Eurozone PMIs showed signs that activity has moderated, with France contracting and Germany losing momentum. We will pay attention to the same metrics for the US, expecting a slight improvement. On the monetary front we will have the remarks from Mester (Fed Cleveland) to close the week
- On Sunday, the BIS will publish its 2023 Annual Economic Report, where we will be looking into analysis on central banks' challenges and the risks to financial stability amid the fight against inflation

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone and UK					
3:30	GER Manufacturing PMI* - Jun (P)	index	--	43.5	43.2
3:30	GER Services PMI* - Jun (P)	index	--	56.2	57.2
3:30	GER Composite PMI* - Jun (P)	index	--	53.3	53.9
4:00	EZ Manufacturing PMI* - Jun (P)	index	--	44.8	44.8
4:00	EZ Services PMI* - Jun (P)	index	--	54.4	55.1
4:00	EZ Composite PMI* - Jun (P)	index	--	52.5	52.8
4:30	UK Manufacturing PMI* - Jun (P)	index	--	46.8	47.1
4:30	UK Services PMI* - Jun (P)	index	--	54.9	55.2
United States					
5:15	Fed's Bullard Speaks at Central Bank of Ireland Conference				
9:45	Manufacturing PMI* - Jun (P)	index	48.9	48.5	48.4
9:45	Services PMI* - Jun (P)	index	54.2	54.0	54.9
9:45	Composite PMI* - Jun (P)	index	--	53.5	54.3
13:40	Fed's Mester Delivers Closing Remarks at Policy Summit				

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	4,401.75	-0.5%
Euro Stoxx 50	4,286.41	-0.4%
Nikkei 225	32,781.54	-1.5%
Shanghai Composite	3,197.90	0.0%
Currencies		
USD/MXN	17.25	0.4%
EUR/USD	1.09	-0.7%
DXY	102.96	0.6%
Commodities		
WTI	68.64	-1.3%
Brent	73.38	-1.0%
Gold	1,919.71	0.3%
Copper	382.40	-1.7%
Sovereign bonds		
10-year Treasury	3.74	-5pb

Source: Bloomberg

Equities

- We conclude the week with widespread losses in the main stock indices, given the uncertainty generated by the possibility of continuing the restrictive policy of various central banks
- Futures in the US anticipate a negative opening, with the S&P500 trading 0.5% below its theoretical value, while questions continue about extended valuations after the recent rally and with latent recession fears, shaping us to a weak 2Q23 reporting season with significant challenges for growth
- Europe trades in the red, heading for the largest weekly decline in more than three months. *Siemens Energy* shares fall aggressively ~35%, after the company warned of weakness in profits and removed its guidance. In Asia, we also observed negative closes, highlighting the adjustments of the Nikkei and the Hang Seng, while the markets in China remain closed on Holiday. In Mexico, the Mexbol Index may adjust towards 53,000pts

Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds. European 10-year benchmarks trade with gains of up to 13bps while the Treasuries yield curve trades with adjustments of -5bps on average. Yesterday, the Mbonos' curve steepened, as a result of gains of up to 9bps on the short-end and 1bp on the long-end
- The dollar strengthens (DXY +0.6%) while developed and emerging currencies trade with a negative bias. In the former group, NOK (-1.9%) is the weakest and in the latter, TRY (-1.9%) leads losses. The Mexican peso weakens 0.4% to trade at 17.25 per dollar
- Crude-oil futures fall 1.0% due to uncertainty regarding energy demand in a backdrop dominated by restrictive monetary policies. In metals, gold and silver advance while industrials print losses

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,946.71	0.0%
S&P 500	4,381.89	0.4%
Nasdaq	13,630.61	1.0%
IPC	53,563.31	-0.9%
Ibovespa	118,934.20	-1.2%
Euro Stoxx 50	4,304.47	-0.4%
FTSE 100	7,502.03	-0.8%
CAC 40	7,203.28	-0.8%
DAX	15,988.16	-0.2%
Nikkei 225	33,264.88	-0.9%
Hang Seng	19,218.35	0.0%
Shanghai Composite	3,197.90	0.0%
Sovereign bonds		
2-year Treasuries	4.79	8pb
10-year Treasuries	3.79	8pb
28-day Cetes	11.31	0pb
28-day TIE	11.50	0pb
2-year Mbono	10.16	-8pb
10-year Mbono	8.70	-5pb
Currencies		
USD/MXN	17.18	0.3%
EUR/USD	1.10	-0.3%
GBP/USD	1.27	-0.2%
DXY	102.39	0.3%
Commodities		
WTI	69.51	-4.2%
Brent	74.14	-3.9%
Mexican mix	64.23	-3.8%
Gold	1,914.01	-1.0%
Copper	390.05	-0.3%

Source: Bloomberg

Corporate Debt

- Fitch Ratings upgraded ACOSTCB 15 (Grupo Acosta Verde's ABS) to 'AAA(mex)vra' from 'AA+(mex)vra'. The Outlook was changed to Stable from Positive. According to the agency, the rating upgrade reflects the observed improvement in performance in line with the last review's Outlook and the strength of the properties' cash flow. Since 2021, collections have recovered to pre-pandemic levels and have shown gradual and sustainable growth in line with the quality of the portfolio, allowing for rental price increases
- Fitch Ratings affirmed Infonavit's international issuer default rating (IDR) at 'BBB-'. Fitch also affirmed Infonavit's national ratings at 'AAA(mex)' and 'F1+(mex)'. According to the agency, Infonavit's ratings reflect Fitch's expectation that the entity would receive support from the Mexican government if necessary

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, Juan Carlos Mercado Garduño, 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>
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