

Financial Markets Daily

June 26, 2023

Main drivers for the financial markets today...

- Stock markets, government bond yields, and USD down as central banks remain with a hawkish bias, along with higher geopolitical risk and nervousness on commodities after Russia's Wagner group, led by Yevgeny Prigozhin, challenged Putin's leadership in Russia
- This is the first insurrection on Putin's regime since 1993. The parties reached a deal and Prigozhin's forces retreated before entering Moscow. Nevertheless, tensions are expected to continue, a situation that could affect markets and the evolution of the war in Ukraine
- In addition, Germany's IFO survey on the business climate retreated to 88.5pts in June. For the rest of the day, there is no relevant economic data in Mexico and the US
- Market attention this week on June inflation in Germany, the Eurozone, and Brazil, along with the PCE deflator in the US, in an environment of increasing monetary policy divergence between developed and emerging markets. Moreover, 1Q23 GDP in the United Kingdom
- In monetary policy, decisions in Sweden and Colombia. Moreover, the ECB's Annual Forum on Central Banking in Sintra, Portugal, with participations from Powell (as well as other members), Lagarde, and Ueda from the BoJ, among others
- US data also includes 1Q23 GDP (3rd estimate), S&P Case-Shiller housing prices (Apr), trade balance, durable goods orders, new home sales, personal income & spending (May), and the final U. of Michigan indicator and consumer confidence (Jun)
- In Mexico, April's GDP-proxy IGAE stood at 0.8% m/m (2.5% y/y), above consensus. Other releases in coming days include the trade balance, unemployment rate, banking credit, and public finance report (May)

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
	ECB Forum on Central Banking in Sintra, Portugal begins				
4:00	IFO Survey (business climate)* - Jun	index	--	90.6	91.7
Mexico					
8:00	Economic activity indicator (IGAE) - Apr	% y/y	1.9	--	2.7
8:00	Economic activity indicator (IGAE)* - Apr	% m/m	0.5	--	-0.3

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

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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

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www.banorte.com/analisiseconomico



@analisis_fundam

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,385.00	-0.1%
Euro Stoxx 50	4,276.00	0.1%
Nikkei 225	32,698.81	-0.3%
Shanghai Composite	3,150.62	-1.5%
Currencies		
USD/MXN	17.13	-0.3%
EUR/USD	1.09	0.2%
DXY	102.68	-0.2%
Commodities		
WTI	69.61	0.7%
Brent	74.40	0.7%
Gold	1,931.66	0.5%
Copper	380.75	0.1%
Sovereign bonds		
10-year Treasury	3.69	-4pb

Source: Bloomberg

Equities

- Stock markets with a clear risk aversion sentiment due to a more restrictive tone from several central bankers which suggest that monetary tightening is not over yet, increasing recession fears
- The rally achieved by major stock indices ended last week, with the S&P 500 having its worst week since March. Following this cautious sentiment, today's futures anticipate a lower opening. Meanwhile, the Eurostoxx index falls for six consecutive days, its longest losing streak since October. Finally, Asian equities closed with a negative bias
- In Mexico, despite few clear catalysts in the short run, but with a very attractive valuation vs peers, we foresee a trading range for the Mexbol Index this week between 52,500 and 54,400pts

Sovereign fixed income, currencies and commodities

- Slightly positive balance in sovereign bonds. European rates decrease 4bps on average, while Treasuries advance 5bps with the 10-year benchmark rate trading at 3.69% (-4bps). Last week, Mbonos outperformed Treasuries with a 20bps rally, on average, and gains of up to 28bps at the short-end
- The dollar retreats among developed currencies, with NOK (+0.9%) as the strongest. In EM, the bias is mixed, limited by ZAR (+0.9%) and TRY (-2.8%), the latter at new record lows. Meanwhile, MXN appreciates 0.3% to 17.13 per dollar, partially offsetting losses from the last week (-0.5%)
- Crude-oil gains after the dramatic, but short-lived rebellion, against President Putin over the weekend. However, investors are weighing the potential for more turbulence in Russia

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,727.43	-0.6%
S&P 500	4,348.33	-0.8%
Nasdaq	13,492.52	-1.0%
IPC	53,341.91	-0.4%
Ibovespa	118,977.10	0.0%
Euro Stoxx 50	4,271.61	-0.8%
FTSE 100	7,461.87	-0.5%
CAC 40	7,163.42	-0.6%
DAX	15,829.94	-1.0%
Nikkei 225	32,781.54	-1.5%
Hang Seng	18,889.97	-1.7%
Shanghai Composite	3,197.90	0.0%
Sovereign bonds		
2-year Treasuries	4.74	-5pb
10-year Treasuries	3.73	-6pb
28-day Cetes	11.31	0pb
28-day TIE	11.51	1pb
2-year Mbono	10.07	-9pb
10-year Mbono	8.63	-7pb
Currencies		
USD/MXN	17.17	0.0%
EUR/USD	1.09	-0.6%
GBP/USD	1.27	-0.3%
DX	102.90	0.5%
Commodities		
WTI	69.16	-0.5%
Brent	73.85	-0.4%
Mexican mix	63.47	-1.2%
Gold	1,921.20	0.4%
Copper	381.55	-2.2%

Source: Bloomberg

Corporate Debt

- This week, issuance activity is expected to continue, with ten long-term issues scheduled by CFE, Betterware de México, IDEI (Internacional de Inversiones, new issuer), Inversiones CMPC (new issuer), as well as a structured bond by Arrendamás, with an aggregate amount of up to MXN 18.75 billion
- S&P Global Ratings upgraded its long-term national scale issuer credit ratings to 'mxA-' from 'mxBBB', and affirmed its short-term issuer credit ratings at 'mxA-2', for CIBanco S.A. Institución de Banca Múltiple (CIBanco). The outlook is stable. According to the agency, the bank's and holding company's capitalization levels have strengthened steadily over the past three years as a result of resilient internal capital generation, coupled with controlled balance sheet growth

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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>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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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 Godínez	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 Enriquez	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
Juan Carlos Mercado Garduño	Strategist, Equity	juan.mercado.garduno@banorte.com	(55) 1103 - 4000 x 1746
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 Domínguez	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.cebillos@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.com	(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.rolan.ferrer@banorte.com	(55) 1670 - 1899