

Financial Markets Daily

July 4, 2023

Main drivers for the financial markets today...

- Stock markets with small changes, government bond yields in Europe positive, and the USD showing a slight downward tilt. Low trading volumes given the Independence Day holiday in the US, albeit with investors evaluating the divergence in the monetary policies between developed and emerging economies –with further hikes in the former and cuts starting in the latter–
- On the monetary front, Australia's central bank left its target rate unchanged at 4.10%, although signaling that additional hikes may be needed
- In economic data, Brazil's industrial production in May advanced 0.3% m/m (1.9% y/y), better than anticipated. In the evening, we will be watching for the release of the Caixin PMIs in China, likely corroborating an additional slowdown in the economy
- The US is expected to restrict access for Chinese companies to use US cloud services. This would come on top of other actions on the technology front (e.g. advanced semiconductors) that have been implemented recently. It should be noted that yesterday, the Asian country announced export restrictions of gallium and germanium, elements necessary for the production of chips
- In China, some of the main state-owned banks are offering financing to local governments with ultra-long maturities and preferential rates, this in order to avoid liquidity problems in the debt markets

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Germany					
2:00	Trade balance - May	EURbn	--	17.5	17.2
Brazil					
8:00	Industrial production - May	% y/y	--	--	-2.7
8:00	Industrial production* - May	% m/m	--	--	-0.6
Mexico					
11:00	International reserves - Jun 30	US\$bn	--	--	203.3
13:30	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 5-year Mbono (Mar'27); 10-year Udibono (Nov'31) and 1-, 3-, and 7-year Bondes F				
China					
21:45	Services PMI (Caixin)* - Jun	index	--	56.2	57.1
21:45	Composite PMI (Caixin)* - Jun	index	--	--	55.6

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	4,490.75	0.0%
Euro Stoxx 50	4,398.31	0.0%
Nikkei 225	33,422.52	-1.0%
Shanghai Composite	3,245.35	0.0%
Currencies		
USD/MXN	17.04	-0.2%
EUR/USD	1.09	-0.1%
DXY	102.96	0.0%
Commodities		
WTI	71.07	1.8%
Brent	75.96	1.8%
Gold	1,926.95	0.3%
Copper	376.85	-0.3%
Sovereign bonds		
10-year Treasury	3.85	0pb

Source: Bloomberg

Equities

- Mixed movements and little changes in equity markets with investors cautious as they assess the outlook for monetary policy, especially in developed countries due to the restrictive tone, as well as the prevailing challenges to global economic growth. There will be no activity in the US due to the holiday, which might affect trading volumes in the other markets
- In Asia most markets closed positive. In Europe advances predominate, although the Eurostoxx is practically unchanged. Shares from real estate and utilities sectors lead gains, while those from materials and industrials superhead losses
- In Mexico, the Mexbol Index may remain around the 54,400 pts

Sovereign fixed income, currencies and commodities

- There is no cash trading in US Treasuries due to the Independence Day. In Europe, rates increase 4bps on average. In Mexico, we expect few changes in Mbonos and a low trading volume. Yesterday, local rates slightly increased and the 10-year Mbono closed at 8.69% (+2bps)
- Dollar records a negative bias amid a favorable performance in most of developed currencies, with NZD (+0.6%) as the strongest. In EM, the bias is mixed, limited by THB (+1.0%) and RUB (-0.6%). Meanwhile, MXN appreciates 0.2% to 17.04 per dollar, after reaching its best intraday level since late 2015 of 17.02
- Crude-oil rallies supported by reduced supply from OPEC and allies. In metals, precious are outperforming industrials with gold advancing 0.3% and copper falling 0.3%

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,418.47	0.0%
S&P 500	4,455.59	0.1%
Nasdaq	13,816.77	0.2%
IPC	54,399.10	1.6%
Ibovespa	119,672.78	1.3%
Euro Stoxx 50	4,398.15	0.0%
FTSE 100	7,527.26	-0.1%
CAC 40	7,386.70	-0.2%
DAX	16,081.04	-0.4%
Nikkei 225	33,753.33	1.7%
Hang Seng	19,306.59	2.1%
Shanghai Composite	3,243.98	1.3%
Sovereign bonds		
2-year Treasuries	4.94	4pb
10-year Treasuries	3.85	2pb
28-day Cetes	11.31	0pb
28-day TIIE	11.50	1pb
2-year Mbono	10.19	1pb
10-year Mbono	8.70	1pb
Currencies		
USD/MXN	17.06	-0.4%
EUR/USD	1.09	0.0%
GBP/USD	1.27	-0.1%
DXY	102.99	0.1%
Commodities		
WTI	69.79	-1.2%
Brent	74.65	-0.3%
Mexican mix	65.14	0.0%
Gold	1,921.64	0.1%
Copper	379.40	0.9%

Source: Bloomberg

Corporate Debt

- Fitch Ratings affirmed América Móvil's national rating at 'AAA(mex)' with Stable outlook and its issuer default rating (IDR) at 'A-' with Positive outlook. The IDR's Positive outlook reflects the company's deleveraging trajectory and continuous investment to improve its networks
- Fitch Ratings upgraded Fibra Hotel's rating to 'AA-(mex)' from 'A+(mex)'. The outlook is Stable. The upgrade reflects the sustained improvement in the company's operations and profitability due to increases in occupancy levels and average daily rate
- HR Ratings upgraded Fibra Hotel's rating to 'HR AA+' from 'HR AA'. The revision follows the issuer's continued strong Free Cash Flow generation over the last twelve months through 1Q23

Certification of Analysts.

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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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