

Financial Markets Daily

July 5, 2023

Main drivers for the financial markets today...

- **Stock markets lower, government bond yields mixed & USD up. Higher-than-expected weakness in China's services sector in June is raising concerns about an economic slowdown that could affect global GDP growth**
- **Markets focused on the release of the latest Fed minutes. We will pay special attention to any signal that could point to members' opinions about increasing the *Fed funds* rate two more times, along with pace at which they may do it**
- **In the economic agenda, publications include May's US factory orders and durable goods orders, along with the Wards car sales report for June**
- **The ECB reported that inflation expectations fell further in May, with the metric for the next twelve months at 3.9% from 4.1% previously. However, for upcoming years it remained at 2.5%, above the central bank's target**
- **In Mexico, INEGI released consumer confidence for June, standing at 45.2pts. This represents a 0.6pts increase relative to the previous month. Inside, the five categories were higher, noting the country's current conditions (+0.7pts) and purchasing power (+0.7pts). In addition, April's GFI fell -0.3% m/m (previous: 0.5%), with construction lower (-2.1%), but with machinery and equipment stronger (2.3%). Lastly, private consumption grew 0.5% m/m (previous: 0.3%), driven by imported goods (+2.8%). Later today, we await for the release of the banking sector expectations survey**

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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economic forecasters, granted by Focus
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Consumer confidence* - Jun	index	44.8	--	44.4
8:00	Gross fixed investment - Apr	% y/y	4.4	6.9	9.1
8:00	Gross fixed investment* - Apr	% m/m	-1.2	-0.5	0.5
8:00	Private consumption - Apr	% y/y	4.1	--	3.4
8:00	Private consumption* - Apr	% m/m	1.4	--	0.3
16:30	Survey of expectations (Citibanamex)				
<i>United States</i>					
10:00	Factory orders* - May	% m/m	--	0.8	0.4
10:00	Ex transportation* - May	% m/m	--	--	-0.2
10:00	Durable goods orders* - May (F)	% m/m	--	1.7	1.7
10:00	Ex transportation* - May (F)	% m/m	--	--	0.6
14:00	FOMC Meeting Minutes				

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.
<i>Equity indices</i>		
S&P 500 Futures	4,468.25	-0.5%
Euro Stoxx 50	4,359.53	-0.7%
Nikkei 225	33,338.70	-0.3%
Shanghai Composite	3,222.95	-0.7%
<i>Currencies</i>		
USD/MXN	17.04	-0.1%
EUR/USD	1.09	0.1%
DXY	103.13	0.1%
<i>Commodities</i>		
WTI	71.29	2.1%
Brent	76.35	0.1%
Gold	1,928.96	0.2%
Copper	372.80	-1.3%
<i>Sovereign bonds</i>		
10-year Treasury	3.87	2pb

Source: Bloomberg

Equities

- **This Wednesday, we observe a significant risk-off sentiment among investors, with widespread declines in major stock indexes, reacting to weak economic figures in China**
- **As such, futures in the US anticipate a negative opening, with both the S&P500 and the Nasdaq trading 0.5% below their theoretical value, resuming operations from the 'Independence Day' holiday. In corporate news, the fall in UPS shares stands out as employees moved closer to a strike over pay**
- **Europe's declines average ~0.6%, while the mining sector reflects the major adjustments, on concerns that demand from China will decline significantly. In Asia, we saw negative closes, highlighting the falls of the Hang Seng of 1.6%, followed by the Shanghai index that fell 0.7%, on fears of further slowdown in China. In Mexico the Mexbol Index may consolidate around 53,800pts**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds. European assets gain 2bps on average, except for GILTs which lose 2bps on the 10-year benchmark. Treasuries yield curve steepens, as a result of 2bps gains on the short-end and 1bp pressures on long-term nodes. Yesterday, the Mbonos' curve closed with 4bps losses, on average, in a low volume session**
- **The dollar strengthens (BBDXY +0.1%) while developed currencies are in negative territory with AUD (-0.4%) leading the decliners. In emerging currencies, the negative bias also prevails, with KRW (+0.2%) and RUB (-1.0%) at the ends of the spectrum. The Mexican peso appreciates 0.1% to 17.03 per dollar**
- **Crude-oil futures will continue to digest a backdrop of production cuts by Saudi Arabia and Russia in the midst of a tight money scenario. In metals, negative bias prevails**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,418.47	0.0%
S&P 500	4,455.59	0.0%
Nasdaq	13,816.77	0.0%
IPC	53,930.86	-0.9%
Ibovespa	119,076.37	-0.5%
Euro Stoxx 50	4,390.99	-0.2%
FTSE 100	7,519.72	-0.1%
CAC 40	7,369.93	-0.2%
DAX	16,039.17	-0.3%
Nikkei 225	33,422.52	-1.0%
Hang Seng	19,415.68	0.6%
Shanghai Composite	3,245.35	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	4.94	0pb
10-year Treasuries	3.85	0pb
28-day Cetes	11.31	0pb
28-day TIIE	11.50	0pb
2-year Mbono	10.25	6pb
10-year Mbono	8.73	3pb
<i>Currencies</i>		
USD/MXN	17.06	-0.1%
EUR/USD	1.09	-0.3%
GBP/USD	1.27	0.2%
DXY	103.04	0.0%
<i>Commodities</i>		
WTI	69.79	0.0%
Brent	76.25	2.1%
Mexican mix	65.14	0.0%
Gold	1,925.48	0.2%
Copper	379.40	0.0%

Source: Bloomberg

Corporate Debt

- **HR Ratings affirmed Banco Actinver's ratings at 'HR AA' with Stable outlook and at 'HR1' for the short-term. The ratings affirmation was based on the bank's solvency position, which closed its core and net capitalization ratio at 16.3% as of 1Q23, which benefited from the net income generation**
- **Fitch Ratings affirmed Grupo Carso's long- and short-term ratings at 'AAA(mex)' and 'F1+(mex)', respectively. The outlook is Stable. The affirmation reflects GCarso's strong business profile, differentiated by its business and geographic diversification, strong market share in the various markets where it participates, and a consistently solid credit profile**

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, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora 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
Yazmin 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
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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

Corporate Debt

Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.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
Jazmin Daniela Cuautencos Mora	Strategist, Quantitative Analysis	jazmin.cuautencos.mora@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.cebaldos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesil@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Solida 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
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roltan.ferrer@banorte.com	(55) 1670 - 1899