

Financial Markets Daily

July 6, 2023

Main drivers for the financial markets today...

- **Stock markets negative, USD down and government bond yields up on signs that central banks in developed economies will continue to raise interest rates to control inflation, representing headwinds for the global economy. Investors are also reacting to labor market figures (ADP and Challenger) that support the thesis of a resilient US economy and a tightening narrative by the Fed. These figures come ahead of the non-farm payroll report tomorrow**
- **In the U.K., 10-year government bond yields rose to levels last seen during the gilt crisis in October. Investors expect a peak of 6.5% in the Bank of England's rate in March, the highest in a quarter century. While in the US the 10-year bond rose to 4.0% for the first time since March**
- **Today, US Trade Representative Katherine Tai visits Mexico for a USMCA meeting**
- **In the US, the ADP private sector employment report for June was published at 497k new jobs, well above expectations. On the other hand, the figures for Challenger, Gray & Christmas showed the smallest number of job cuts since October. JOLTS job openings for May and the services ISM will be released later**
- **In Mexico, Banxico's minutes will be released. Our attention will be on the discussion that the current level of the rate will be maintained for an "extended period", whether if any of the members pronounce on what this means in number of meetings, or conditions that need to materialize (or at least, more specificity) for cuts to begin**

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forecasters, granted by Focus Economics



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A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,446.00	-0.8%
Euro Stoxx 50	4,261.74	-2.0%
Nikkei 225	32,773.02	-1.7%
Shanghai Composite	3,205.58	-0.5%
<i>Currencies</i>		
USD/MXN	17.09	0.5%
EUR/USD	1.09	0.2%
DX	103.22	-0.1%
<i>Commodities</i>		
WTI	71.31	-0.7%
Brent	76.13	-0.7%
Gold	1,906.89	-0.4%
Copper	373.60	-0.5%
<i>Sovereign bonds</i>		
10-year Treasury	4.04	11pb

Source: Bloomberg

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Retail sales* - May	% m/m	--	0.2	0.0
<i>United States</i>					
8:15	ADP employment* - Jun	thousands	225	225	278
8:30	Trade balance* - May	US\$bn	--	-69.0	-74.6
8:30	Initial jobless claims* - Jul 1	thousands	250	245	239
9:45	Services PMI* - Jun (F)	index	54.1	54.1	54.1
9:45	Composite PMI* - Jun (F)	index	53.0	--	53.0
10:00	ISM services* - Jun	index	50.0	51.3	50.3
<i>Mexico</i>					
11:00	Banxico's minutes				

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

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Equities

- Negative movements in equity markets as investors assess the outlook for continued monetary tightening, particularly in developed countries, and its implications for economic growth and corporate earnings
- In Asia the markets closed negative, highlighting the Hang Seng's 3.0% drop. In Europe stocks decline, the Eurostoxx sheds 2.0%. Shares from real estate and consumer discretionary sectors lead losses. In turn, in the US the futures of main indices point to a negative opening by falling 0.7% on average. Exxon Mobil stock price adjusts -1.5% in pre-market trading after reducing its 2Q23 earnings forecast due to lower natural gas prices and refining margins
- In Mexico, Gap's and Oma's June passengers recorded greater dynamism, highlighting the latter for showing the highest growth, while Asur's increase remained moderate due to the weakness in Colombia

Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. European assets adjust up to +12bps. The Treasuries' curve trades with 9bps losses with the 2-year benchmark above 5.0% approaching highs since 2007 and the 10-year note trades above 4.0%. Yesterday, the Mbonos' curve registered a steepening bias with adjustments of -8bps at the short-end, while the long-end lost 5bps
- The dollar retreats, allowing G10 currencies to trade with positive returns with GBP (+0.3%) leading the gains. In EM, the bias is negative with RUB (-1.3%) as the weakest. The MXN depreciates 0.5% to 17.09 per dollar, after gaining 0.3% and reaching its best intraday level since 2015 at 16.98 per dollar yesterday
- Crude-oil futures stabilize after the EIA release US crude-oil inventories with a 4.4 million barrel drop. Metals trade with negative bias with gold falling 0.6%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,288.64	-0.4%
S&P 500	4,446.82	-0.2%
Nasdaq	13,791.65	-0.2%
IPC	54,039.66	0.2%
Ibovespa	119,549.21	0.4%
Euro Stoxx 50	4,350.71	-0.9%
FTSE 100	7,442.10	-1.0%
CAC 40	7,310.81	-0.8%
DAX	15,937.58	-0.6%
Nikkei 225	33,338.70	-0.3%
Hang Seng	19,110.38	-1.6%
Shanghai Composite	3,222.95	-0.7%
<i>Sovereign bonds</i>		
2-year Treasuries	4.94	1pb
10-year Treasuries	3.93	8pb
28-day Cetes	11.31	0pb
28-day TIE	11.51	0pb
2-year Mbono	10.22	-3pb
10-year Mbono	8.79	6pb
<i>Currencies</i>		
USD/MXN	17.01	-0.3%
EUR/USD	1.09	-0.2%
GBP/USD	1.27	-0.1%
DXY	103.37	0.3%
<i>Commodities</i>		
WTI	71.79	2.9%
Brent	76.65	0.5%
Mexican mix	67.15	3.1%
Gold	1,915.30	-0.5%
Copper	376.85	-0.7%

Source: Bloomberg

Corporate Debt

- HR Ratings ratified the rating of AUNETCB 22 (Necaxa-Tihuatlán Highway's FF) at 'HR AAA' with Stable outlook based on the level of metrics shown by the issue with an annualized stress rate of 2.75%
- VivaAerobus informed that it signed a Memorandum of Understanding for 90 Airbus A321neo aircraft, the third transaction with the same manufacturer, bringing its order to 170 Airbus aircraft
- HR Ratings affirmed the ratings of Corporación Actinver and Arrendadora Actinver at 'HR AA-' with a Stable outlook. The ratification of the ratings is based on the adequate financial situation of Banco Actinver, which presented a basic and net capitalization ratio of 16.3% as of 1Q23

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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, 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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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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