

# Financial Markets Daily

July 7, 2023

## Main drivers for the financial markets today...

- **Stock markets with a positive bias, government bond yields positive, and the USD weakens, with investors processing US labor market numbers and their implications for the Fed's upcoming decisions**
- **Treasury Secretary, Janet Yellen, is visiting China. Today she had meetings with the PBoC Governor, Yi Gang, and with the Prime Minister, Li Qiang, where the parties agreed to find common territory on spanning from economics to security. Yellen called for both sides to manage their rivalry with a fair set of rules**
- **June's US labor market figures stand out on the economic agenda. Nonfarm payrolls advanced by 209 thousand positions, below expectations (230 thousand). In addition, the unemployment rate was published, falling 10bp to 3.6%. The market seems to be taking this as a breather for future Fed decisions**
- **In Mexico, INEGI published June's inflation at 0.10% m/m, with the core at +0.30%, slightly above expectations. As such, annual inflation fell to 5.06% (previous: 5.84%), with the core also lower at 6.89% (previous: 7.39%)**
- **On the monetary policy front, ECB President, Christine Lagarde, mentioned that the central bank still has work to do, lowering inflation and reaching its medium-term rate of 2%**

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#1 OVERALL FORECASTER - MEXICO



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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
2:00	Industrial production* - May	% m/m	--	0.0	0.3
<i>Mexico</i>					
8:00	Consumer prices - Jun	% m/m	0.07	0.09	-0.22
8:00	Core - Jun	% m/m	0.29	0.28	0.32
8:00	Consumer prices - Jun	% y/y	5.02	5.04	5.84
8:00	Core - Jun	% y/y	6.87	6.86	7.39
<i>United States</i>					
8:30	Nonfarm payrolls* - Jun	thousands	200	225	339
8:30	Unemployment Rate* - Jun	%	3.7	3.6	3.7

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	4,442.00	0.1%
Euro Stoxx 50	4,239.21	0.4%
Nikkei 225	32,388.42	-1.2%
Shanghai Composite	3,196.61	-0.3%
<i>Currencies</i>		
USD/MXN	17.28	0.2%
EUR/USD	1.09	-0.1%
DXY	103.03	-0.1%
<i>Commodities</i>		
WTI	71.79	0.0%
Brent	76.49	0.0%
Gold	1,914.97	0.2%
Copper	373.90	0.5%
<i>Sovereign bonds</i>		
10-year Treasury	4.07	4pb

Source: Bloomberg

## Equities

- We conclude the week with mixed returns and a slightly positive bias on major stock indices reacting to the recently released US nonfarm payroll figures
- Futures anticipate a marginally positive opening, with the S&P500 trading 0.1% above its theoretical value, though investors remain cautious in anticipation of further interest rate hikes by the Fed. In Europe we see mixed returns, although some positive bias prevails, after the losses this week. In Asia, markets closed negative, highlighting the 1.2% fall of the Nikkei in Japan. In Mexico the Mexbol Index may decrease towards 53,000pts
- In corporate news, the advance in Alibaba's shares stands out after the announcement that Chinese authorities will fine Ant Group, limiting years of scrutiny on the technology giant

## Sovereign fixed income, currencies and commodities

- Mixed balance in sovereign bonds. European rates trade with +/-2bps adjustments while the Treasuries yield curve trades with losses of 3bps on average and the 2-year benchmark oscillates around the 5.00% figure. Yesterday, the Mbonos' curve closed with losses of 7bps on average, with the largest adjustments concentrated in the belly
- The dollar trades with a negative bias (BBDXY -0.1%) while developed and emerging currencies show mixed movements. In G10 currencies, trading is capped by JPY (+0.5%) and CHF (-0.1%) and in emerging markets, CNY (+0.2%) and HUF (-0.6%) are at the ends of the spectrum. The Mexican peso trades with little change at 17.27 per dollar
- Crude-oil futures show slight gains in anticipation of the effects of the production cut by Saudi Arabia and Russia. Metals performance is mixed, nickel falls 2.5%

## Corporate Debt

- HR Ratings affirmed Korea Eximbank's rating at 'HR AAA' with Stable outlook. The affirmation is based on the bank's explicit financial support from the Government of Korea (rated 'HR AA (G)'), as defined in the Kexim Act
- Fitch Ratings affirmed the rating of the DESCB 22 (Dalton Efectivo Seguro's ABS) issuance at 'AA+(mex)vra with Stable outlook. The asset portfolio shows stable performance 12 months after the placement, in line with expectations
- HR Ratings ratified the rating of the State of Mexico's issuance, EDOMEX 22X, at 'HR AAA (E)' with a Stable outlook. The ratification is the result of the analysis of future flows assigned to the structure as a source of payment and estimated by HR Ratings under cyclical and critical stress scenarios

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,922.26	-1.1%
S&P 500	4,411.59	-0.8%
Nasdaq	13,679.04	-0.8%
IPC	53,407.70	-1.2%
Ibovespa	117,425.70	-1.8%
Euro Stoxx 50	4,223.09	-2.9%
FTSE 100	7,280.50	-2.2%
CAC 40	7,082.29	-3.1%
DAX	15,528.54	-2.6%
Nikkei 225	32,773.02	-1.7%
Hang Seng	18,533.05	-3.0%
Shanghai Composite	3,205.58	-0.5%
<i>Sovereign bonds</i>		
2-year Treasuries	4.98	4pb
10-year Treasuries	4.03	10pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.26	4pb
10-year Mbono	8.89	10pb
<i>Currencies</i>		
USD/MXN	17.24	1.4%
EUR/USD	1.09	0.3%
GBP/USD	1.27	0.3%
DXY	103.17	-0.2%
<i>Commodities</i>		
WTI	71.80	0.0%
Brent	76.52	-0.2%
Mexican mix	67.39	0.4%
Gold	1,910.90	-0.2%
Copper	373.45	-0.9%

Source: Bloomberg

## 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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<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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