

Financial Markets Daily

July 10, 2023

Main drivers for the financial markets today...

- Stock markets biased up, government bond yields mixed, and USD higher. Investors reacting to low inflation for June in China that suggests the possibility of deflation and a deeper economic slowdown. In addition, it fuels speculation about new stimulus measures from authorities. On the other hand, they also consider comments from Secretary Yellen that the risk of a US recession “is not completely off the table”, apart from saying that inflation remains too high
- Today, investors will focus on the comments from Fed members, including Barr, Daly, Mester, and Bostic. In addition, May’s consumer credit in the US and wage negotiations for June in our country
- Market attention this week on consumer and producer prices for June in the US amid lingering fears about additional Fed rate hikes. We will also have additional speeches from members of the latter institution, which will also publish the *Beige Book*
- In monetary policy, decisions in Israel, Canada, New Zealand, Peru, and South Korea
- Going to events, we highlight the G20 meeting among finance ministers and central bankers in India. Moreover, President Biden will be in Europe ahead of the NATO meeting, along with an EU-Japan Summit
- US data also includes U. of Michigan consumer confidence (Jul). In other regions, the trade balance in China; industrial production in the UK and Germany; inflation in the latter country, along with the ZEW survey; unemployment rate in the UK; and retail sales in Brazil
- In Mexico, industrial production (May) and ANTAD’s same-store sales (Jun)

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
10:00	Fed's Barr Speaks on Bank Supervision and Capital Rules				
11:00	Fed's Daly to Discuss Inflation, Banking				
11:00	Fed's Mester Speaks on Economic and Policy Outlook				
12:00	Fed's Bostic Speaks on US, Atlanta Economies				
15:00	Consumer credit* - May	USDbn	--	20.0	23.0
Mexico					
	Wage negotiations - Jun	%	--	--	9.3

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

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Winners of the 2023 award for best Mexico
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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,433.00	0.0%
Euro Stoxx 50	4,264.53	0.7%
Nikkei 225	32,189.73	-0.6%
Shanghai Composite	3,203.70	0.2%
Currencies		
USD/MXN	17.12	-0.2%
EUR/USD	1.10	-0.1%
DXY	102.42	0.1%
Commodities		
WTI	73.21	-0.9%
Brent	77.88	-0.8%
Gold	1,923.97	-0.1%
Copper	374.80	-0.5%
Sovereign bonds		
10-year Treasury	4.04	-2pb

Source: Bloomberg

Equities

- Mixed changes as investors weigh the global monetary policy and economic growth outlook, while awaiting for the start of the 2Q23 earnings season. Bloomberg consensus estimates a 9.0% y/y decline in earnings for S&P500 companies. This week, 12 companies are slated for release, highlighting some in the financial sector next Friday: BlackRock, Citi, JPMorgan, and Wells Fargo
- In Asia, markets closed mixed. European stocks advance, with the Eurostoxx up 0.7%. Shares from healthcare and energy lead, while those from real estate are the only ones falling. In turn, US futures of main indices are mixed and show little changes
- In Mexico, 2Q23 earnings season begins tomorrow with Amx. Following the Mexbol's closing at 53,904pts last Friday, we expect this week a trading range between 53,000 - 55,000pts

Sovereign fixed income, currencies and commodities

- Mixed balance in sovereign bonds. European rates increase 3bps and the US Treasuries' yield curve gains up to 4bps at the belly. Last week, Mbonos followed Treasuries (+23bps), selling off up to 33bps at the mid- and long-end
- The dollar advances amid a negative performance in most developed market currencies, with AUD (-0.8%) as the weakest. In EM, the bias is mixed limited by HUF (+0.4%) and ZAR (-0.4%). Meanwhile, MXN trades slightly stronger at 17.12 per dollar, after a 0.1% weekly loss
- Widespread losses in commodities due to persistent concerns about the economy recovery and deflation risks in China following weak economic data. With this, crude-oil falls about 0.8% after recording its biggest weekly gain since early April (+4.8%), while copper declines 0.5%

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,734.88	-0.6%
S&P 500	4,398.95	-0.3%
Nasdaq	13,660.72	-0.1%
IPC	53,904.29	0.9%
Ibovespa	118,897.99	1.3%
Euro Stoxx 50	4,236.60	0.3%
FTSE 100	7,256.94	-0.3%
CAC 40	7,111.88	0.4%
DAX	15,603.40	0.5%
Nikkei 225	32,388.42	-1.2%
Hang Seng	18,365.70	-0.9%
Shanghai Composite	3,196.61	-0.3%
Sovereign bonds		
2-year Treasuries	4.95	-3pb
10-year Treasuries	4.06	3pb
28-day Cetes	11.31	0pb
28-day TIE	11.50	-1pb
2-year Mbono	10.29	3pb
10-year Mbono	8.94	5pb
Currencies		
USD/MXN	17.15	-0.6%
EUR/USD	1.10	0.7%
GBP/USD	1.28	0.8%
DXY	102.27	-0.9%
Commodities		
WTI	73.86	2.9%
Brent	78.47	2.5%
Mexican mix	69.21	2.7%
Gold	1,925.05	0.7%
Copper	378.20	1.3%

Source: Bloomberg

Corporate Debt

- This week we expect the auction of two structured bonds (ABS) from TIP Mexico for MXN 2.5 billion, as well as two banking bonds from Bladex for MXN 4.0 billion
- HR Ratings downgraded Banco Azteca's rating to 'HR AA-' from 'HR AA' with Stable outlook. The revision is based on the bank's implicit support and relationship with Grupo Elektra (rated 'HR AA')
- HR Ratings assigned a 'HR AAA' rating to Fibra Danhos' proposed bond (DANHOS 23L). The rating is based on the strength of the Debt Service Coverage Ratio, which closed at 5.8x in the last twelve months as of 1Q23

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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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