Banorte Research and Strategy

Financial Markets Daily

July 12, 2023

Main drivers for the financial markets today…

- **Stock markets positive, government bond yields and dollar down. Investors are cautious as June inflation in the US showed signs of deceleration, although still not enough to prevent further interest rate hikes from the Federal Reserve**

- **On the monetary policy front, the Fed's Beige Book report will be published, while its members Barkin, Kashkari, Bostic and Mester are expected to speak on different topics. At night, in South Korea the decision on interest rates will be announced**

- **Regarding economic figures, in the US inflation in June was lower than expected with an increase of 0.2% m/m in both the headline and the core. With this, the annual variation stood at 3.0% with the core at 4.8%, below the previous figures of 4.0% and 5.3%, respectively. In the evening, the release of June's trade balance in China is expected**

- **In Mexico, INEGI published industrial production for May, surprising strongly to the upside at 1.0% m/m (3.9% y/y). Gains centered in construction (7.2% m/m), with mining more modest (1.7%). However, manufacturing fell 1.4%**

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

Winners of the 2023 award for best Mexico economic forecasters, granted by Focus Economics

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The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Industrial production - May	% y/y	2.2	1.6	0.7
8:00	Industrial production* - May	% m/m	-0.1	0.0	0.4
8:00	Manufacturing output - May	% y/y	3.0	--	1.4
United States					
8:30	Fed's Barkin Speaks on Inflation				
8:30	Consumer prices* - Jun	% m/m	0.2	0.3	0.1
8:30	Ex. food & energy* - Jun	% m/m	0.3	0.3	0.4
8:30	Consumer prices - Jun	% y/y	3.0	3.1	4.0
8:30	Ex. food & energy - Jun	% y/y	5.0	5.0	5.3
9:45	Fed's Kashkari Discusses Monetary Policy, Banking Solvency				
13:00	Fed's Bostic Speaks at Atlanta Fed Payments Forum				
14:00	Beige Book				
16:00	Fed's Mester Speaks on FedNow				
China					
23:00	Trade balance - Jun	0.0	--	74.0	65.8
23:00	Exports - Jun	% y/y	--	-10.0	-7.5
23:00	Imports - Jun	% y/y	--	-4.1	-4.5
South Korea					
	Monetary policy decision (Central bank of S. Korea)	%	--	3.50	3.50

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

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,485.00	0.7%
Euro Stoxx 50	4,328.56	1.0%
Nikkei 225	31,943.93	-0.8%
Shanghai Composite	3,196.13	-0.8%
Currencies		
USD/MXN	17.01	-0.2%
EUR/USD	1.10	0.1%
DXY	101.51	-0.2%
Commodities		
WTI	75.16	0.4%
Brent	79.65	0.3%
Gold	1,934.26	0.1%
Copper	378.80	0.9%
Sovereign bonds		
10-year Treasury	3.94	-3pb

Source: Bloomberg

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Equities

- **Stock markets reacting positively to US inflation figures. In that sense, futures anticipate a positive opening, with the S&P500 trading 0.7% above its theoretical value, while in corporate news the shares of *Domino's Pizza* rise more than 10% after the delivery agreement with *Uber Eats***

- **In Europe we observe widespread gains averaging around 1.0%, as the technology sector is boosted by *Nordic Semiconductor's* results that beat expectations and the top 8 UK lenders passed stress tests. In Asia we observed mixed closings, highlighting the advance of the Hang Seng of 1.1%**

- **In Mexico, AMX reported yesterday with falls at operating level aligned with expectations, but improving profitability, while the exchange effect favored the generation of profits at the net level. We believe that the report should be neutral for the stock**

Sovereign fixed income, currencies and commodities

- **Following the US inflation report, sovereign bonds have accelerated their gains. European assets adjust up to -10bps. The Treasuries' curve trades with 12bps gains at the short- and mid-end. Yesterday, the Mbonos' curve gained 1bp, on average, with the largest adjustments at the long-end, being as much as -7bps on the 20-year benchmark**

- **The dollar retreats, allowing G10 currencies to trade with positive returns with NOK (+1.2%) leading the gains. In EM, the bias is also positive with HUF (+1.0%) as the strongest. The MXN trades at its best level since 2015 at 16.91 per dollar (+0.8%), after gaining 0.1% yesterday**

- **Crude-oil futures gain 0.5%, on average, driven by a drop in crude shipments through Russia's western ports and lower inflationary pressures in the US. Metals trade with positive bias with gold and copper advancing 0.9% and 1.0%, respectively**

Corporate Debt

- **Today, we expect the auction of two structured bonds, backed by leasing and credit operations originated by TIP de México and TIP Auto (TIPMXCB 23 / 23-2), for a target amount of MXN 2.5 billion (max. MXN 4.0 billion) and 5-year terms**

- **Fitch Ratings revised the outlook on issuance LEPCB 18 (Libramiento Elevado de Puebla's FF) to Positive from Stable and affirmed the rating at 'AA+(mex)vra'. The Positive outlook reflects the easing of Fitch's concerns about traffic recovery**

- **Moody's Local MX upgraded Infonavit's residential mortgage Servicer Quality ratings to 'SQ1-.mx' from 'SQ2.mx'**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,261.42	0.9%
S&P 500	4,439.26	0.7%
Nasdaq	13,760.70	0.5%
IPC	54,138.14	0.9%
Ibovespa	117,219.95	-0.6%
Euro Stoxx 50	4,286.56	0.7%
FTSE 100	7,282.52	0.1%
CAC 40	7,220.01	1.1%
DAX	15,790.34	0.7%
Nikkei 225	32,203.57	0.0%
Hang Seng	18,659.83	1.0%
Shanghai Composite	3,221.37	0.6%
Sovereign bonds		
2-year Treasuries	4.87	2pb
10-year Treasuries	3.97	-2pb
28-day Cetes	11.31	0pb
28-day TIIE	11.50	0pb
2-year Mbono	10.31	2pb
10-year Mbono	8.95	-1pb
Currencies		
USD/MXN	17.04	-0.1%
EUR/USD	1.10	0.1%
GBP/USD	1.29	0.6%
DXY	101.73	-0.2%
Commodities		
WTI	74.83	2.5%
Brent	79.40	2.2%
Mexican mix	70.11	2.3%
Gold	1,932.23	0.4%
Copper	376.60	-0.5%

Source: Bloomberg

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Certification of Analysts.

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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	Reference
BUY	*When the share expected performance is greater than the MEXBOL estimated performance.*
HOLD	*When the share expected performance is similar to the MEXBOL estimated performance.*
SELL	*When the share expected performance is lower than the MEXBOL estimated performance.*

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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 Godinez	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
Yazmín 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
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	hugoa.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 Domiguez	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.ceballos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida 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
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 1670 - 1899