

Financial Markets Daily

July 14, 2023

Main drivers for the financial markets today...

- **Positive stock markets, government bond yields mixed, and the USD slightly positive, still digesting recent US inflation figures and their implication for future Fed actions, as well as attention to 2Q23 earnings season kick off in the US, with major banks starting**
- **In China, the PBoC's Vice governor, remarked that there is enough room to ease monetary policy and face challenges affecting the economy. In addition, he affirmed that this policy will be forceful and will strengthen countercyclical adjustments**
- **Regarding economic figures, May's retail sales in Brazil came in at 3.0% y/y, lower than expected. Finally, in the US, import prices in June continued to decline, adding to other favorable inflation data for the week. Later we highlight the publication of U. of Michigan consumer sentiment for July, where we expect an increase**
- **On the monetary policy front, Christopher Waller (Fed's Board) believes it is necessary for the central bank to implement two more rate hikes in the year. However, he believes that the second increase could be ignored if inflation continues to decline**
- **Next week we highlight the G20 finance ministers' meeting in India. However, there will be several absences, highlighting those of the representatives of Germany, the United Kingdom, and the ECB's president. The meeting will be relevant to assess the support of nations in a complex geopolitical context**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Trade balance* - May	EURbn	--	--	-7.1
<i>Brazil</i>					
8:00	Retail sales - May	% y/y	--	1.5	0.5
8:00	Retail sales* - May	% m/m	--	-0.2	0.1
<i>United States</i>					
10:00	U. of Michigan Confidence* - Jul (P)	index	66.0	65.5	64.4

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	4,550.50	0.2%
Euro Stoxx 50	4,408.05	0.4%
Nikkei 225	32,391.26	-0.1%
Shanghai Composite	3,237.70	0.0%
<i>Currencies</i>		
USD/MXN	16.89	0.3%
EUR/USD	1.12	-0.1%
DXY	99.94	0.2%
<i>Commodities</i>		
WTI	76.71	-0.2%
Brent	81.19	-0.2%
Gold	1,958.84	-0.1%
Copper	392.50	-0.1%
<i>Sovereign bonds</i>		
10-year Treasury	3.78	2pb

Source: Bloomberg

Equities

- **Positive movements in equity markets with investors digesting the official kick-off of the 2Q23 earnings season in the US with favorable figures from major banks. Six S&P500 companies reported better-than-expected results, including: BlackRock, Citigroup, JPMorgan, UnitedHealth Group, and Wells Fargo**
- **In Asia most markets closed positive. In Europe gains prevail, the Eurostoxx adds 0.4%. Nokia's shares fell after cutting its outlook and Ericsson's shares also fell after disappointing results. In turn, in the US the futures of main indices point to a positive opening by rising 0.2% on average. Nasdaq special rebalancing changes will be announced today, effective July 24, which will limit the sum of the weighting of the 5 largest 5 companies to 38.5%**
- **In Mexico, the Mexbol Index may stand around the 54,300pts**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds. European assets fluctuate between +/- 3bps. The Treasuries' curve trades with 5bps losses at the short-end. Yesterday, the Mbonos' curve recorded a steepening bias, as a result of gains of up to 11bps at the short-end and slight gains at the longer duration nodes**
- **The dollar recovers, causing all G10 currencies to trade with negative returns with SEK (-0.5%) leading the losses. In EM, the bias is mixed with MYR (+1.2%) and TRY (-0.5%) at the extremes. The MXN depreciates 0.3% at 16.88 per dollar, while it's on track to close the week with a 1.5% gain**
- **Crude-oil futures remain stable, with the suspension of activities at the Forcados plant in Nigeria after a possible leak. Thus, both WTI and Brent are set to close their third week with gains. Metals trade with negative bias with palladium falling 1.2%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,395.14	0.1%
S&P 500	4,510.04	0.8%
Nasdaq	14,138.57	1.6%
IPC	54,244.01	0.5%
Ibovespa	119,263.89	1.4%
Euro Stoxx 50	4,391.76	0.7%
FTSE 100	7,440.21	0.3%
CAC 40	7,369.80	0.5%
DAX	16,141.03	0.7%
Nikkei 225	32,419.33	1.5%
Hang Seng	19,350.62	2.6%
Shanghai Composite	3,236.48	1.3%
<i>Sovereign bonds</i>		
2-year Treasuries	4.63	-12pb
10-year Treasuries	3.76	-9pb
28-day Cetes	11.31	0pb
28-day TIE	11.49	0pb
2-year Mbono	10.05	-11pb
10-year Mbono	8.72	-8pb
<i>Currencies</i>		
USD/MXN	16.84	-0.4%
EUR/USD	1.12	0.9%
GBP/USD	1.31	1.1%
DX	99.77	-0.7%
<i>Commodities</i>		
WTI	76.89	1.5%
Brent	81.36	1.6%
Mexican mix	72.12	1.6%
Gold	1,960.51	0.2%
Copper	394.00	2.3%

Source: Bloomberg

Corporate Debt

- **PCR Verum affirmed Consubanco's 'A/M' rating with a Stable outlook. The ratings are based on the bank's significant and stable position in granting payroll discount loans to public sector employees and retirees, maintaining an outstanding financial performance and improved non-performing loans ratio**
- **On July 17, a voluntary prepayment of TIPMXCB 20 & 20-2 (TIP de México's ABS) will be made for a total amount of MXN 4.0 billion. This prepayment was conditioned to the placement of the new TIPMXCB 23 & 23-2 certificates, which will be settled today for MXN 4.0 billion**

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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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