

Financial Markets Daily

July 17, 2023

Main drivers for the financial markets today...

- **Stock markets and government bond yields lower, with the USD mixed. Cautiousness increases after weaker-than-expected 2Q23 GDP growth in China, especially affecting Europe. Oil also affected by this, while grains are pressured after Russia terminated a grain export with Ukraine**
- **Yesterday, China released 2Q23 GDP, standing at 6.3% y/y (0.8% q/q), below consensus. Moreover, weaker gains in June's retail sales, albeit with a better-than-expected performance in gross fixed investment and industrial production**
- **Today, the agenda includes only the Empire Manufacturing for July in the US, which will be relevant given global weakness in this sector in a backdrop of higher spending in services relative to goods**
- **Market attention this week on June's inflation in the UK as prices pressures have been building, in turn increasing expectations about further rate hikes from the BoE. In addition, June's retail sales and industrial production in the US**
- **In monetary policy, decisions in Turkey, South Africa, and Russia. RBA minutes, 1- and 5-year prime loan rates in China, and speech from Lagarde of the ECB. No comments from Fed members because of the silence period before the next decision**
- **Going to events, we highlight the meeting between G20 central bankers in India, John Kerry's visit to Beijing to address climate issues, along with a meeting among European Union Foreign Ministers in Brussels**
- **US data also includes housing starts, existing home sales, building permits (Jun) and the Philly Fed (Jul)**
- **In Mexico, retail sales (May), Timely Indicator of Eco Activity (Jun), and the banking sector survey**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Brazil</i>					
8:00	Economic activity - May	% y/y	--	4.0	3.3
8:00	Economic activity* - May	% m/m	--	-0.1	0.6
<i>United States</i>					
8:30	Empire manufacturing* - Jul	index	4.0	-3.4	6.6

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	4,529.00	-0.2%
Euro Stoxx 50	4,346.18	-1.2%
Nikkei 225	32,391.26	0.0%
Shanghai Composite	3,209.63	-0.9%
<i>Currencies</i>		
USD/MXN	16.78	0.2%
EUR/USD	1.12	0.0%
DXY	99.90	0.0%
<i>Commodities</i>		
WTI	74.41	-1.3%
Brent	78.87	-1.3%
Gold	1,958.21	0.2%
Copper	381.65	-2.7%
<i>Sovereign bonds</i>		
10-year Treasury	3.79	-5pb

Source: Bloomberg

Equities

- The week kicks off with negative sentiment in equity markets, reflecting concerns about slower growth in China and its implications for global economic dynamism
- US futures anticipate a negative opening with the S&P500 0.2% below its theoretical value. Meanwhile, Europe trades with declines and the Eurostoxx is falling 1.2%, dragged down by the consumer discretionary sector. In Asia, the market closed to the downside, highlighting the 0.9% decline in Shanghai. For the Mexbol Index, we anticipate a weekly range between 53,000 and 54,800pts
- On the corporate front, the flow of reports will increase with 60 S&P500 companies this week, continuing with banks and highlighting some technology companies. In Mexico, 7 Mexbol Index are expected to publish results

Sovereign fixed income, currencies and commodities

- Slightly positive balance in sovereign bonds. European rates fall 3bps on average, while US Treasuries steepen on gains of 4bps in the short- and mid-ends. Last week, Mbonos rallied 18bps, with the 10-year closing at 8.74% (-20bps w/w)
- Dollar with few changes after collapsing to 15-month lows amid a mixed performance in G10 and EM currencies. In the former, NOK (+0.4%) is the strongest followed by CHF (+0.2%) which trades at 8-year highs. In EM, MXN at 16.78 per dollar (-0.2%), after reaching its best intraday level since 2015 of 16.72 per dollar on Friday
- Crude-oil falls more than 1.0% after disappointing Chinese economic data and the restart of supplies from Sharara, one of Libya's biggest oil fields. In a similar fashion, metals trade negative, with copper retreating 2.5%. Grains advance as Russia ended the Ukraine grain-export deal

Corporate Debt

- We expect auction activity to continue this week with up to MXN 5.64 billion, highlighting the *Future Flows* from Instituto de Control Vehicular de NL and the Necaxa-Tihuatlán highway
- Fitch Ratings downgraded Pemex's Issuer Default Ratings to 'B+' from 'BB-' and placed them on Rating Watch Negative. According to the agency, the downgrade reflects the company's persistently weak operating performance
- HR Ratings upgraded Servicios Broxel's rating to 'HR AA' from 'HR AA-' while maintaining a Stable outlook. The upward revision is based on average cash and cash equivalents of MXN 3.5 billion, resulting in higher interest income from trading

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,509.03	0.3%
S&P 500	4,505.42	-0.1%
Nasdaq	14,113.70	-0.2%
IPC	53,770.80	-0.9%
Ibovespa	117,710.54	-1.3%
Euro Stoxx 50	4,400.11	0.2%
FTSE 100	7,434.57	-0.1%
CAC 40	7,374.54	0.1%
DAX	16,105.07	-0.2%
Nikkei 225	32,391.26	-0.1%
Hang Seng	19,413.78	0.3%
Shanghai Composite	3,237.70	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	4.77	14pb
10-year Treasuries	3.83	7pb
28-day Cetes	11.31	0pb
28-day TIIE	11.49	0pb
2-year Mbono	10.08	3pb
10-year Mbono	8.76	4pb
<i>Currencies</i>		
USD/MXN	16.75	-0.5%
EUR/USD	1.12	0.0%
GBP/USD	1.31	-0.3%
DXY	99.91	0.1%
<i>Commodities</i>		
WTI	75.42	-1.9%
Brent	79.87	-1.8%
Mexican mix	70.94	-1.6%
Gold	1,955.21	-0.3%
Copper	393.30	-0.2%

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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