

Financial Markets Daily

July 18, 2023

Main drivers for the financial markets today...

- Stock markets and government bond yields lower, led by Europe, with few changes in the USD. These moves are driven by the ECB's Klaas Knot comments that additional monetary tightening beyond next week's meeting is anything but guaranteed. In addition, US and China tensions continue. Meanwhile, strong earnings reports from BofA and Morgan Stanley help positive sentiment about the banking sector
- Investor attention today on June's retail sales and industrial production in the US. In addition, the Fed's Barr will speak in Washington
- Other ECB members also have started to sound less hawkish. Ignazio Visco stated that inflation may come down more quickly as commodity prices start to trickle down
- US Treasury Secretary Janet Yellen affirmed that the intensity of hiring demands in the US has subsided, which along with lower housing costs and vehicle prices, is helping reduce cost pressures and slow down inflation
- The US administration plan to limit investments in China would be targeted on semiconductors, quantum computing, and artificial intelligence, applying only to new money. In the best-case scenario, it would apply until 2024 and would have a more limited scope than originally envisioned
- The Chinese government unveiled a plan to boost household consumption, targeted towards the residential and appliances sectors. Nevertheless, there were few specifics about the potential for direct cash support, inducing doubts about its possible economic impact

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
8:30	Advance retail sales* - Jun	% m/m	0.5	0.5	0.3
8:30	Ex autos & gas* - Jun	% m/m	--	0.4	0.4
8:30	Control group* - Jun	% m/m	0.4	0.3	0.2
9:15	Industrial production* - Jun	% m/m	0.0	0.0	-0.2
9:15	Manufacturing production* - Jun	% m/m	0.0	0.0	0.1
Mexico					
11:00	International reserves - Jul 14	US\$bn	--	--	203.1
13:30	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 3-year Mbono (Sep'26); 3-year Udibono (Dec'26) and 1-, and 3-year Bondes F				

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.
Equity indices		
S&P 500 Futures	4,548.75	-0.1%
Euro Stoxx 50	4,348.03	-0.2%
Nikkei 225	32,493.89	0.3%
Shanghai Composite	3,197.82	-0.4%
Currencies		
USD/MXN	16.72	0.0%
EUR/USD	1.12	0.0%
DXY	99.77	-0.1%
Commodities		
WTI	74.22	0.1%
Brent	78.53	0.0%
Gold	1,969.28	0.7%
Copper	380.75	-0.6%
Sovereign bonds		
10-year Treasury	3.76	-4pb

Source: Bloomberg

Equities

- Negative bias in equity markets as investors evaluate the monetary and growth outlook, and despite corporate reports confirming a positive start to the earnings season
- In Asia most markets closed negative. In Europe falls predominate, the Eurostoxx declines 0.1%. Novartis stock price rises after raising its profit outlook and announcing plans for a share buyback of up to \$15 billion. In turn, in the US the futures of main indices point to a slightly negative opening by dropping 0.1% on average
- Out of the 10 S&P500 companies scheduled to report today, 8 have released better-than-estimated earnings results, including Bank of America, Bank of New York Mellon, Charles Schwab, Lockheed Martin, and Morgan Stanley. In Mexico, figures from Livepol are expected today after the market close

Sovereign fixed income, currencies and commodities

- Rally in sovereign bonds led by Europe. European rates fall 10bps, on average, following less restrictive comments from ECB members. In the US, Treasuries began the session with gains of up to 7bps but they moderated after economic data to 3bps, on average. Yesterday, Mbonos registered gains of 3bps, on average
- Dollar records a positive bias amid a negative performance in developed currencies, with NZD (-0.9%) as the weakest. In EM, the bias is mixed, limited by THB (+1.2%) and TRY (-2.4%). Meanwhile, MXN trades virtually unchanged at 16.72 per dollar, after a 0.2% depreciation yesterday
- Crude-oil advances amid signs that Russia is making good on its pledge to curb supplies to international markets. Moreover, metals record widespread losses, while, grains move up

Corporate Debt

- Fitch Ratings rated Nacional Financiera's proposed issuances of NAFR 23-2S / 23-3S at 'AAA(mex)'. According to the agency, the ratings are at the highest point of the national scale, reflecting the strength of the sovereign's ability and propensity to support Nafin, relative to the creditworthiness of other entities in the same jurisdiction. Mexico's ability to provide support is reflected in its investment-grade international scale rating of 'BBB-' with Stable Outlook
- HR Ratings upgraded Banco Sabadell's ratings from 'HR AA+' to 'HR AAA', maintaining a Stable Outlook, and from 'HR1' to 'HR+1'. According to the agency, the upgrade revision of Sabadell's ratings is based on the operational and financial support it receives from its holding company, which has an average credit rating equivalent to 'HR BBB (G)' with a Stable Outlook

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,585.35	0.2%
S&P 500	4,522.79	0.4%
Nasdaq	14,244.95	0.9%
IPC	53,623.27	-0.3%
Ibovespa	118,219.46	0.4%
Euro Stoxx 50	4,356.79	-1.0%
FTSE 100	7,406.42	-0.4%
CAC 40	7,291.66	-1.1%
DAX	16,068.65	-0.2%
Nikkei 225	32,391.26	0.0%
Hang Seng	19,413.78	0.0%
Shanghai Composite	3,209.63	-0.9%
Sovereign bonds		
2-year Treasuries	4.74	-2pb
10-year Treasuries	3.81	-3pb
28-day Cetes	11.31	0pb
28-day TIE	11.49	0pb
2-year Mbono	10.08	1pb
10-year Mbono	8.71	-5pb
Currencies		
USD/MXN	16.73	-0.2%
EUR/USD	1.12	0.1%
GBP/USD	1.31	-0.2%
DX	99.84	-0.1%
Commodities		
WTI	74.15	-1.7%
Brent	78.50	-1.7%
Mexican mix	69.45	-2.1%
Gold	1,955.04	0.0%
Copper	384.40	-2.3%

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