

Financial Markets Daily

July 19, 2023

Main drivers for the financial markets today...

- **Stock markets positive, government bond yields down and USD up on optimism about the slowdown in UK inflation and its implications for the Bank of England. However, the Eurozone CPI report adds to the complexity that central banks are facing**
- **Inflation in UK stood at 7.9% y/y in June, below the consensus (8.2%), easing the pressure on the BoE to maintain the accelerated pace of increases. Meanwhile, the final inflation data for the Eurozone was 5.5%, in line with expectations**
- **In the US, figures for the residential sector will be published, specifically housing starts and permits. The latest sector data has shown signs of stability, with low inventory levels and homeowners' reluctance to sell in the face of high mortgage rates, leading to an acceleration in housing construction**
- **Later, China will announce high-quality 1-year and 5-year loan rates. This after the lower-than-expected 2Q23 GDP report has shown that more monetary stimulus is needed, in a context of slower-than-anticipated economic recovery after the zero-tolerance strategy for Covid-19 was eliminated**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone and UK</i>					
2:00	UK Consumer prices - Jun	% y/y	--	8.2	8.7
2:00	Core - Jun	% y/y	--	7.1	7.1
5:00	EZ Consumer prices - Jun (F)	% y/y	--	5.5	6.1
5:00	Core - Jun (F)	% y/y	--	5.4	5.4
<i>United States</i>					
8:30	Housing starts** - Jun	thousands	--	1,475	1,631
8:30	Building permits** - Jun	thousands	--	1,490	1,496
<i>China</i>					
21:15	Rate decision 1-year Loan Prime Rate	%	--	3.55	3.55
21:15	Rate decision 5-year Loan Prime Rate	%	--	4.20	4.20

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	4,592.25	0.1%
Euro Stoxx 50	4,366.25	-0.1%
Nikkei 225	32,896.03	1.2%
Shanghai Composite	3,198.84	0.0%
<i>Currencies</i>		
USD/MXN	16.76	0.0%
EUR/USD	1.12	-0.1%
DXY	100.15	0.2%
<i>Commodities</i>		
WTI	76.33	0.8%
Brent	80.35	0.9%
Gold	1,976.08	-0.1%
Copper	378.70	-0.8%
<i>Sovereign bonds</i>		
10-year Treasury	3.76	-2pb

Source: Bloomberg

Equities

- **Mixed movements in main stock indices, although the prevailing bias is positive, reacting to some favorable earnings released from global companies and while inflation figures in the United Kingdom are assimilated**
- **Futures in the US show small changes and are trading marginally higher. In Europe, positive sentiment predominates, and the advance in the United Kingdom stock markets stands out with the FTSE 100 rising almost 2%. Homebuilders are up more than 7%, the biggest gain since 2008. Asia closed mixed as stock markets in Hong Kong and China remain the worst performers on growth concerns**
- **Results from 20 S&P 500 companies are expected today, with Tesla and Netflix releasing its figures after the market close. Goldman Sachs reported lower-than-expected earnings, due to lower revenues related to investment banking and real estate operations. In Mexico, Liverpool's results highlighted stability in profitability. FibraPL will release its figures today in the afternoon**

Sovereign fixed income, currencies and commodities

- **Positive balance in sovereign bonds. European rates fall 2bps, on average. However, the UK bonds print a rally of up to 20bps following the positive CPI report. In the US, Treasuries' yield curve steepened as a result of more gains in the short- and mid-end of 5bps. Yesterday, Mbonos registered modest losses**
- **Dollar records a positive bias amid a negative performance in developed currencies, with GBP (-0.9%) as the weakest. In EM, THB (+0.5%) and BRL (+0.1%) are the only positive. Meanwhile, MXN trades virtually unchanged at 16.76 per dollar, after a 0.1% depreciation yesterday**
- **Crude-oil advances with Brent trading above 80 US\$/bbl amid signs of lower supply by OPEC and allies. Russia's crude shipments fell to a six-month low. On the contrary, industrial metals performance is negative with copper falling 0.9%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,951.93	1.1%
S&P 500	4,554.98	0.7%
Nasdaq	14,353.64	0.8%
IPC	54,036.27	0.8%
Ibovespa	117,841.19	-0.3%
Euro Stoxx 50	4,369.73	0.3%
FTSE 100	7,453.69	0.6%
CAC 40	7,319.18	0.4%
DAX	16,125.49	0.4%
Nikkei 225	32,493.89	0.3%
Hang Seng	19,015.72	-2.1%
Shanghai Composite	3,197.82	-0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	4.77	2pb
10-year Treasuries	3.79	-2pb
28-day Cetes	11.31	0pb
28-day TIE	11.49	0pb
2-year Mbono	10.11	2pb
10-year Mbono	8.73	2pb
<i>Currencies</i>		
USD/MXN	16.75	0.1%
EUR/USD	1.12	-0.1%
GBP/USD	1.30	-0.3%
DX	99.94	0.1%
<i>Commodities</i>		
WTI	75.75	2.2%
Brent	79.63	1.4%
Mexican mix	70.64	1.7%
Gold	1,978.72	1.2%
Copper	382.95	-0.4%

Source: Bloomberg

Corporate Debt

- **Ford Credit de Mexico informed that on July 13, 2023, it was published by Moody's Investors Service the upgrade of the long-term rating of its guarantor, Ford Motor Credit Company LLC. Moody's Investors Service upgraded Ford Motor Company's rating to 'Ba1' from 'Ba2'. The outlook is stable. According to the agency, the upgrade reflects Moody's expectation that Ford can maintain a marked improvement in its automotive EBITDA margin and automotive cash flow**
- **Grupo Vasconia informed that on July 17, 2023 it entered into a stand still agreement with Monex (Common Rep.), on behalf of the Bondholders of the VASCONI 19 notes, substantially on the same terms as the agreement entered into with the Bondholders of the VASCONI 22L notes. The stand still agreement will be in effect for an initial period of 45 calendar days and may be extended for an additional period of 30 calendar days**

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
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
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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