

Financial Markets Daily

July 20, 2023

Main drivers for the financial markets today...

- **Stock markets mixed with negative bias, USD with small changes and government bond yields up as technological giants, Netflix and Tesla, fell short of estimates and posted profitability declines**
- **Regarding monetary policy, Turkey's central bank raised its reference rate to 17.5% (+250bps). South Africa will also announce its decision**
- **On economic figures, in the US the Philly Fed regional manufacturing indicator for July was published at -13.5pts, very close to the previous month and below the consensus expectation. Jobless claims for the week ending July 15 fell to 228k from previous 237k below estimates, confirming the strength of the labor market. Existing home sales for June will be announced later**
- **In Mexico, INEGI released June's Timely Indicator of Economic Activity, expecting +0.2% m/m (4.0% y/y sa). Inside, industry (+0.1% m/m) and services (+0.2%) would climb, consistent with positive signals for the period**
- **INEGI also published May's retail sales, down 0.5% m/m (2.6% y/y). 4 out of the 9 sectors declined, with weakness centered in internet sales (-15.2% m/m) and autos and fuel (-2.3%). Later the banking sector's survey of expectations will be released**

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.mactal@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



The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	Current account* - May	EURbn	--	--	3.6
10:00	Consumer confidence* - Jul (P)	index	--	-15.8	-16.1
<i>Turkey</i>					
7:00	Monetary policy decision (Central Bank of Turkey)	%	--	18.00	15.00
<i>Mexico</i>					
8:00	Retail sales - May	% y/y	3.1	3.5	3.8
8:00	Retail sales* - May	% m/m	-0.3	--	1.5
16:30	Survey of expectations (Citibanamex)				
<i>United States</i>					
8:30	Initial jobless claims* - Jul 15	thousands	238	241	237
8:30	Philadelphia Fed* - Jul	index	-10.0	-10.0	-13.7
10:00	Existing home sales** - Jun	thousands	--	4.2	4.3
<i>South African</i>					
	Monetary policy decision (S.African R. Bank)	%	--	8.50	8.25

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	4,585.00	-0.3%
Euro Stoxx 50	4,361.33	0.0%
Nikkei 225	32,490.52	-1.2%
Shanghai Composite	3,169.52	-0.9%
<i>Currencies</i>		
USD/MXN	16.77	0.3%
EUR/USD	1.12	-0.2%
DX	100.47	0.2%
<i>Commodities</i>		
WTI	75.61	0.3%
Brent	79.66	0.3%
Gold	1,974.54	-0.1%
Copper	387.30	1.9%
<i>Sovereign bonds</i>		
10-year Treasury	3.81	6pb

Source: Bloomberg

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Equities

- **Mixed movements in equity markets due to corporate reports with diverging signals, but disappointing in the technology sector: Netflix lowered its 3Q23 sales outlook and Tesla signaled that profitability pressures will continue, while TSMC (a leading semiconductor maker) cut its 2023e sales guidance**
- **In Asia most markets closed negative. In Europe gains predominate, although the Eurostoxx remains virtually unchanged. In turn, in the US the futures of main indices are mixed, but show a negative bias, highlighting the 0.6% drop in the Nasdaq**
- **Out of the 21 S&P500 companies scheduled to report today, 16 have already updated investors with most outperforming estimates, including Abbot Laboratories, J&J (hiked its full-year outlook), and Philip Morris International. In Mexico, Fibrapl's results were positive driven by nearshoring. Figures from Gfnorte, Kimber, Q, and Vesta are expected today**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. European assets adjust up to +3bps. The Treasuries' curve trades with 6bps losses at the short- and mid-end. Yesterday, the Mbonos' curve adjusted +5bps, on average, with the 10-year benchmark, May'33, closing at 8.76% (+4bps)**
- **The dollar slightly positive, while G10 currencies post mixed returns with NOK (+0.7%) and GBP (-0.5%) at the extremes. In EM, the bias is also mixed with CNY (+0.8%) narrowing gains. The MXN is the third weakest in this group with a depreciation of 0.4% at 16.78 per dollar**
- **Crude-oil futures are stable, with investors evaluating the weekly EIA report with a drop in US inventories, as well as a decrease in demand for gasoline, distillates and jet fuel for the second week in a row. Metals trade with mixed bias with copper gaining 1.8%, following supply concerns**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,061.21	0.3%
S&P 500	4,565.72	0.2%
Nasdaq	14,358.02	0.0%
IPC	53,740.16	-0.5%
Ibovespa	117,552.07	-0.2%
Euro Stoxx 50	4,362.28	-0.2%
FTSE 100	7,588.20	1.8%
CAC 40	7,326.94	0.1%
DAX	16,108.93	-0.1%
Nikkei 225	32,896.03	1.2%
Hang Seng	18,952.31	-0.3%
Shanghai Composite	3,198.84	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	4.77	0pb
10-year Treasuries	3.75	-4pb
28-day Cetes	11.31	0pb
28-day TIIE	11.50	1pb
2-year Mbono	10.16	5pb
10-year Mbono	8.77	5pb
<i>Currencies</i>		
USD/MXN	16.72	-0.2%
EUR/USD	1.12	-0.2%
GBP/USD	1.29	-0.7%
DXY	100.28	0.3%
<i>Commodities</i>		
WTI	75.35	-0.5%
Brent	79.46	-0.2%
Mexican mix	70.47	-0.2%
Gold	1,976.64	-0.1%
Copper	381.40	-0.4%

Source: Bloomberg

Corporate Debt

- **HR Ratings downgraded the ratings of Grupo Vasconia and its VASCONI 19 / 22L issuances to 'HR D' from 'HR C-' and placed them on Review in Process. According to the agency, the downgrade revision of the ratings is based on the non-payment of interest coupons. It is important to mention that although there is a stand still process, there is no restructuring approved by the company's creditors**
- **Fitch Ratings ratified Industrias Bachoco's 'AAA(mex)' rating. The outlook is Stable. According to the agency, Bachoco's ratings reflect its solid financial position with low levels of leverage and ample liquidity, despite a weak economic environment. They also show the imbalances between supply and demand in the market, and the volatility in commodity prices that put pressure on the company's profitability ratios**

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

Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	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

Market Strategy

Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
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Fixed Income and FX Strategy

Leslie Thalia 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	hugo.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 Domínguez	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
Jazmín 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.cebillos@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.rolan.ferrer@banorte.com	(55) 1670 - 1899