

# Financial Markets Daily

July 21, 2023

## Main drivers for the financial markets today...

- **Stock markets mixed but with a slight positive bias, government bond yields to the downside, and USD positive, as investors keep reassessing moves on rates from the Fed and ECB beyond next week's decisions, given scarce economic data today**
- **On the monetary front, in Russia the central bank increased its rate to 8.5%. Meanwhile, according to people familiar with the matter, the BoJ considers that the side effects of its yield curve control program –bond valuation and liquidity distortions– are not an urgent issue to address. Thus, it is expected that in the following monetary policy decision (next week) they maintain their program, prioritizing the goal of stimulating activity through the generation of inflation**
- **Regarding the expectations around upcoming moves from the ECB, although most analysts expect a additional tightening in the short-term, there is a significant divergence about the moment in which possible cuts could begin**
- **The announcement at the beginning of the week about the end of the agreement that allowed Ukraine to export grains through the Black Sea ports has implied that the prices of wheat add a price increase of 10% at the end of the week**
- **In the US, the possible strike by 340k unionized workers at UPS could directly affect efforts to normalize supply chain disruptions and moderation of inflationary pressures. The strike could break out as early as August 1st, and would mean that 19 million packages a day would stop being delivered**

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A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,577.75	0.3%
Euro Stoxx 50	4,368.61	-0.1%
Nikkei 225	32,304.25	-0.6%
Shanghai Composite	3,167.75	-0.1%
<i>Currencies</i>		
USD/MXN	16.95	0.4%
EUR/USD	1.11	-0.1%
DEX	101.11	0.2%
<i>Commodities</i>		
WTI	76.50	1.2%
Brent	80.53	1.1%
Gold	1,966.48	-0.2%
Copper	379.25	-0.7%
<i>Sovereign bonds</i>		
10-year Treasury	3.84	-1pb

Source: Bloomberg

## The most relevant economic data...

Event/Period	Unit	Banorte	Survey	Previous
Without relevant economic data				

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; \* Seasonally adjusted, \*\* Seasonally adjusted annualized rate.

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## Equities

- **Positive bias in main stock indices, after the profit taking of recent days. Futures in the US anticipate a positive opening with the S&P500 trading 0.3% above its theoretical value and the Nasdaq doing the same at 0.6%. In Europe we observe mixed movements. In Mexico, we consider the Mexbol Index may approach to 54,000pts**
- **Today high volatility is expected on the monthly expiration of options, coinciding with the special rebalancing of the Nasdaq that seeks to address the excess concentration in the giant techs by redistributing their weight, effective prior to the opening of next Monday**
- **In corporate news, today we have the figures of 7 companies of the S&P500 highlighting American Express, with expectations that disappointed, and Schlumberger with positive figures. With ~16% of the results, an increase in profits of 4.8% is accumulated, being better than the expectation of -9.0% at the beginning of the season. The positive surprises rate stands at 77.5%**

## Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. European assets adjust up to -5bps. The Treasuries' curve gains 2bps, on average, with the largest adjustments at the long-end. Yesterday, the Mbonos' curve lost 4bps, on average, and the 10-year benchmark was the most affected as it closed at 8.82% (+6bps)**
- **The dollar advances, causing G10 currencies to post negative returns with JPY (-1.0%) leading the losses. In EM, the bias is also negative with THB (-1.3%) as the weakest. The MXN depreciates 0.4% at 16.95 per dollar, after losing 1.0% yesterday**
- **Crude-oil futures are set to close their fourth consecutive week in positive territory, following signs that global markets are tightening. Metals trade with mixed bias with copper down 0.2% and palladium up 1.5%. In grains, wheat falls about 3.0% after Ukraine showed intentions to retake a grain-export deal with Russia**

## Corporate Debt

- **CIBanco (Trustee) informed that Grupo GICSA has made principal repayments of MXN 150.4 million for its GICSA 15 bond and MXN 239.3 million for GICSA 17, which are greater than 25% of the outstanding balance of the notes as of March 23, 2022, which amounted to MXN 601.6 million and MXN 957.3 million, respectively. The issuer and the issuances are rated 'mxB' by S&P Global**
- **Desarrollos Hidráulicos de Cancún announced that on July 28, 2023, it will pay a partial Voluntary Early Amortization of its DHIC 22B issue, in the amount of MXN 88.88 million. The issuance has an outstanding amount of MXN 1.27 billion and is scheduled to mature in May 2026. The bond is currently rated 'AA+(mex)' by Fitch Ratings and 'HR AA+' by HR Ratings**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,225.18	0.5%
S&P 500	4,534.87	-0.7%
Nasdaq	14,063.31	-2.1%
IPC	53,561.37	-0.3%
Ibovespa	118,082.90	0.5%
Euro Stoxx 50	4,373.73	0.3%
FTSE 100	7,646.05	0.8%
CAC 40	7,384.91	0.8%
DAX	16,204.22	0.6%
Nikkei 225	32,490.52	-1.2%
Hang Seng	18,928.02	-0.1%
Shanghai Composite	3,169.52	-0.9%
<i>Sovereign bonds</i>		
2-year Treasuries	4.84	7pb
10-year Treasuries	3.85	10pb
28-day Cetes	11.31	0pb
28-day TIE	11.51	1pb
2-year Mbono	10.15	-1pb
10-year Mbono	8.83	5pb
<i>Currencies</i>		
USD/MXN	16.88	1.0%
EUR/USD	1.11	-0.6%
GBP/USD	1.29	-0.6%
DX	100.88	0.6%
<i>Commodities</i>		
WTI	75.63	0.4%
Brent	79.64	0.2%
Mexican mix	70.61	0.2%
Gold	1,969.53	-0.4%
Copper	383.45	0.5%

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
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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