

Financial Markets Daily

July 24, 2023

Main drivers for the financial markets today...

- **Stock markets mixed, government bond yields down and USD with small changes, with investors cautious ahead of a wave of central bank decisions this week, weighing the resilience of the economy against the possibility of further rate hikes**
- **In the batch of PMI indicators for July released earlier in Europe, we highlight: (1) Figures below expectations in the Eurozone, both in manufacturing and services; and (2) an important deceleration raising concerns about economic growth in the UK**
- **In Mexico, INEGI released inflation for 1H-July at 0.29% 2w/2w, with the core at 0.24%, both above expectations. As such, the annual print moderated to 4.79% from 4.93% in the previous fortnight**
- **Market's attention this week will be on the decisions by the Fed and the ECB. Both are expected to increase rates by 25bps. Nevertheless, the tone in the press conferences from Powell and Lagarde will be key given lingering doubts about the next steps in the restrictive cycle. Focus will also be on 2Q23 GDP in the US –which we estimate at 1.7% q/q saar, slightly below consensus– and Mexico's GDP-proxy IGAE for May –seen at 3.8% y/y and -0.2% m/m, with the former above expectations**
- **Going to events, we only highlight the release of the World Economic outlook from the IMF**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Consumer prices - Jul 15	% 2w/2w	0.28	0.26	0.16
8:00	Core - Jul 15	% 2w/2w	0.26	0.22	0.21
8:00	Consumer prices - Jul 15	% y/y	4.78	4.77	4.93
8:00	Core - Jul 15	% y/y	6.77	6.73	6.86
<i>United States</i>					
9:45	Manufacturing PMI* - Jul (P)	index	46.0	46.2	46.3
9:45	Services PMI* - Jul (P)	index	53.8	54.0	54.4
9:45	Composite PMI* - Jul (P)	index	--	53.0	53.2

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	4,569.75	0.1%
Euro Stoxx 50	4,369.91	-0.5%
Nikkei 225	32,700.94	1.2%
Shanghai Composite	3,164.16	-0.1%
<i>Currencies</i>		
USD/MXN	16.87	-0.7%
EUR/USD	1.11	-0.3%
DX	101.17	0.1%
<i>Commodities</i>		
WTI	77.48	0.5%
Brent	81.46	0.5%
Gold	1,964.46	0.1%
Copper	377.50	-0.7%
<i>Sovereign bonds</i>		
10-year Treasury	3.80	-3pb

Source: Bloomberg

Equities

- We start the week with mixed returns in stock markets, with investors cautious and worried about expectations of slowing growth, with the focus on the abundant agenda of corporate earnings
- US futures anticipate a positive opening, with the S&P500 trading 0.1% above its theoretical value. Europe trades with falls, although moderate, on reports from companies with signs of weakness in consumption and weak prospects. Regarding Asia, we observed mixed closes, with the 1.2% rise in the Nikkei offsetting the 2.1% adjustment in the Hang Seng. For the Mexbol Index we anticipate a weekly trading range between 52,500 and 54,800pts
- On corporate news, this week the flow of reports will increase with 165 companies from the S&P500 (including Alphabet and Meta) and 27 from the Mexbol (deadline next Friday). Today in particular, attention will be in the reports in Mexico of Asur, Gap, Gcarso, Ra and Volar

Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds. European assets adjust up to -7bps. The Treasuries' curve gains 2bps, on average, with the largest adjustments at the mid-end. Last week, the Mbonos' curve lost 5bps, excluding the long-end, and the 10-year benchmark closed at 8.79% (+5bps)
- The dollar slightly positive, while G10 currencies post mixed returns with EUR (-0.3%) and NZD (+0.5%) at the extremes. In EM, the bias is also mixed with CZK (-0.8%) as the weakest. The MXN is the strongest of the group with an appreciation of 0.8% at 16.85 per dollar, after losing 1.4% last week
- Crude-oil advance 0.5%, on average, with investors weighing a tight market. Metals trade with negative bias with copper down 0.3%. In grains the bias is positive, after Russian attacks on Ukrainian ports on the Danube River, while wheat gains 5%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,227.69	0.0%
S&P 500	4,536.34	0.0%
Nasdaq	14,032.81	-0.2%
IPC	53,702.16	0.3%
Ibovespa	120,216.77	1.8%
Euro Stoxx 50	4,391.41	0.4%
FTSE 100	7,663.73	0.2%
CAC 40	7,432.77	0.6%
DAX	16,177.22	-0.2%
Nikkei 225	32,304.25	-0.6%
Hang Seng	19,075.26	0.8%
Shanghai Composite	3,167.75	-0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	4.84	0pb
10-year Treasuries	3.83	-2pb
28-day Cetes	11.31	0pb
28-day TIE	11.50	0pb
2-year Mbono	10.11	-4pb
10-year Mbono	8.81	-2pb
<i>Currencies</i>		
USD/MXN	16.99	0.6%
EUR/USD	1.11	-0.1%
GBP/USD	1.29	-0.1%
DX	101.07	0.2%
<i>Commodities</i>		
WTI	77.07	1.9%
Brent	81.07	1.8%
Mexican mix	72.00	2.0%
Gold	1,961.94	-0.4%
Copper	381.80	-0.4%

Source: Bloomberg

Corporate Debt

- HR Ratings downgraded Grupo Minsa's rating to 'HR BBB' from 'HR A-' and modified the Negative Watch to Stable outlook. It also affirmed the short-term rating at 'HR2'. According to the agency, the downgrade is based on the results observed during the last twelve months to 1Q23, which showed a negative Free Cash Flow of MXN -547 million, as a result of lower EBITDA generation and higher working capital requirements
- S&P Global Ratings affirmed the rating of the Monterrey - Cadereyta Highway, MYCTACB 18U / 18-2U, at 'mxAAA'; the outlook is Stable. According to the agency, the ratification is due to the solid performance of the highway in the last 10 years, where traffic volumes have doubled, which has substantially increased capex plans to expand the toll road and improve the current infrastructure of the highway for the next two years

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