

# Financial Markets Daily

July 26, 2023

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

- **Stock markets down, government bond yields mixed, and USD little changed, with investors bracing for further tightening from the Fed, even as results from some of the largest companies in Europe and the US point to an economic moderation**
- **Attention is on the Federal Reserve's monetary policy decision, where we estimate a 25bp increase in the Fed Funds rate, moving the range to 5.25%-5.50%. We expect a hawkish tone at Powell's press conference, leaving the door open for a further increase of 25bp at the September meeting**
- **As for economic figures, in the US new home sales for Junes will be published where we estimate a decline after the strong increase in the previous month that was supported by low inventories of existing homes due to the reluctance of owners to put their homes up for sale given high mortgage rates**
- **Fitch raised Brazil's sovereign debt rating to BB from BB-, with a stable outlook. The agency explained that the change reflects better-than-expected macroeconomic and fiscal performance, despite the shocks of recent years. They stressed that final approval of key fiscal reforms is still pending, but important progress has been made**
- **Italian Prime Minister Giorgia Meloni is looking to build up a relationship with Biden by pledging to break ties with China and plans to brief the US president in person as soon as Thursday on the details**

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Winners of the 2023 award for best Mexico economic forecasters, granted by Focus Economics



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A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,585.75	-0.2%
Euro Stoxx 50	4,321.52	-1.6%
Nikkei 225	32,668.34	0.0%
Shanghai Composite	3,223.03	-0.3%
<i>Currencies</i>		
USD/MXN	16.90	-0.2%
EUR/USD	1.11	0.1%
DXY	101.19	-0.2%
<i>Commodities</i>		
WTI	78.74	-1.1%
Brent	82.73	-1.1%
Gold	1,970.65	0.3%
Copper	387.20	-0.8%
<i>Sovereign bonds</i>		
10-year Treasury	3.87	-2pb

Source: Bloomberg

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## The most relevant economic data...

Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>				
4:00 Monetary aggregates (M3)* - Jun	EURbn	--	0.9	1.4
<i>United States</i>				
10:00 New home sales** - Jun	thousands	--	725	763
14:00 FOMC Rate Decision (Upper Bound)	%	5.50	5.50	5.25
14:00 FOMC Rate Decision (Lower Bound)	%	5.25	5.25	5.00
14:00 Interest Rate on Excess Reserves (IOER)	%	5.40	5.40	5.15
14:30 Fed Chair Holds Press Conference Following FOMC Meeting				

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

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## Equities

- **Negative movements in equity markets with cautious investors awaiting the Fed's decision and assimilating a greater flow of mixed corporate information, albeit with a favorable bias, despite divergent signals in some large technology companies yesterday. Meanwhile, in Europe luxury goods giant LVMH reported a surprise slowdown in US sales. Thus, in Asia most markets closed negative. In Europe stocks decline, the Eurostoxx sheds 1.6%. In turn, in the US the futures of main indices point to a negative opening by falling 0.2% on average**
- **Out of the 46 S&P500 companies scheduled to report today, 19 have already updated investors with most outperforming estimates, including AT&T, Boeing, and Coca-Cola (improved outlook for the year). Meta will publish its figures after the market closes. In Mexico, Gcc reported a positive 2Q23 and raised its 2023 guidance, and Kof's numbers were in line with estimates. Figures from Alfa and subsidiaries, Alesa, Bbajio, Genera, Lab, Lacomere, and Orbia are expected today**

## Sovereign fixed income, currencies and commodities

- **Mixed balance in sovereign bonds. European rates increase 2bps, on average, while US Treasuries print gains of up to 3bps at the belly. Yesterday, Mbonos lost 4bps, on average, with the 10-year reference closing at 8.85% (+3bps)**
- **Dollar trades with few changes amid a negative performance in most G10 currencies. With this, AUD (-0.7%) is the weakest, while JPY (+0.5%) outperforms its peers. In EM, the bias is mixed with THB (+0.7%) and HUF (-0.9%) at the extremes. In addition, MXN trades at 16.88 per dollar, equivalent to a 0.3% appreciation**
- **Crude-oil falls near to 1% after a four-day rally of almost 6.0% as investors wait Fed's decision and guidance as to whether there will be further increases this year. Moreover, the balance in grains and metals is also negative, excluding gold that advances 0.4%**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,438.07	0.1%
S&P 500	4,567.46	0.3%
Nasdaq	14,144.56	0.6%
IPC	54,013.58	0.9%
Ibovespa	122,007.77	0.5%
Euro Stoxx 50	4,391.30	0.2%
FTSE 100	7,691.80	0.2%
CAC 40	7,415.45	-0.2%
DAX	16,211.59	0.1%
Nikkei 225	32,682.51	-0.1%
Hang Seng	19,434.40	4.1%
Shanghai Composite	3,231.52	2.1%
<i>Sovereign bonds</i>		
2-year Treasuries	4.87	-4pb
10-year Treasuries	3.88	1pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.19	7pb
10-year Mbono	8.86	3pb
<i>Currencies</i>		
USD/MXN	16.93	0.6%
EUR/USD	1.11	-0.1%
GBP/USD	1.29	0.6%
DXY	101.35	0.0%
<i>Commodities</i>		
WTI	79.63	1.1%
Brent	83.64	1.1%
Mexican mix	74.63	1.5%
Gold	1,964.96	0.5%
Copper	391.55	1.6%

Source: Bloomberg

## Corporate Debt

- **MAC Health informed that the General Atlantic fund agreed to make an investment of up to MXN 2.85 billion in the next 12 months, for a stake of approximately 20.7% of the company's equity**
- **S&P Global Ratings confirmed Axtel's rating at 'BB-' and kept the Negative outlook. The agency considers that Axtel has reduced potential short-term liquidity risks after fully refinancing its senior unsecured notes prior to their maturity in 2024**
- **HR Ratings affirmed Chedraui's ratings at 'HR AAA' with Stable outlook. The affirmation is based on the Free Cash Flow generation of MXN 11.8 billion in the last twelve months as of 1Q23 (+58.8% YoY) driven by higher EBITDA generation**

## Certification of Analysts.

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, Jazmín 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>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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