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Banorte Research and Strategy

Financial Markets Daily

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Main drivers for the financial markets today…

- **Stock markets positive, government bond yields mixed and USD down with investors betting that the end of the rate tightening cycle by the Fed and the ECB is near, pointing to a soft landing for the global economy, as well as good results from high-profile companies**

- **On the monetary policy front, the ECB raised rates by 25bp, placing the deposit rate at 3.75%. Attention will now be on Christine Lagarde's press conference, looking for signals on actions in upcoming meetings. Later, Japan's monetary policy decision will be announced**

- **Regarding economic figures, in the US the GDP for 2Q23 was published at 2.4% q/q saar above the 1.8% estimated by the consensus. Personal consumption grew 1.6%. Initial jobless claims for the week ending July 22 stood at 221k, below expectations**

- **In Mexico, INEGI released June's employment report. The unemployment rate fell to 2.65% (-28bps), with 419.1 thousand jobs gained. With seasonally adjusted figures came in at 2.68% (-29bps). INEGI also published June's trade balance, posting a US$38.2 million surplus. Exports rose 0.9% m/m (1.1% y/y) with mixed results inside, while imports climbed 2.0% m/m (-6.2% y/y), boosted by non-oil**

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

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The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Unemployment rate - Jun	%	3.03	3.01	2.93
8:00	Trade balance - Jun	US$mn	220.6	-1,100.0	-74.1
Eurozone					
8:15	Monetary policy decision (ECB)	%	3.75	3.75	3.50
8:45	ECB President Christine Lagarde Holds Press Conference				
United States					
8:30	Durable goods orders* - Jun (P)	% m/m	--	1.2	1.8
8:30	Ex transportation* - Jun (P)	% m/m	--	0.1	0.7
8:30	Gross domestic product** - 2Q23	% q/q	1.7	1.8	2.0
8:30	Personal consumption** - 2Q23	% q/q	--	1.3	4.2
8:30	Initial Jobless Claims* - Jul 22	thousands	226	235	228
8:30	Trade balance* - Jun	US$bn	--	-91.9	-91.1
Japan					
	Monetary policy decision (BoJ)	%	--	-0.10	-0.10

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

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,634.25	0.8%
Euro Stoxx 50	4,426.41	1.8%
Nikkei 225	32,891.16	0.7%
Shanghai Composite	3,216.67	-0.2%
Currencies		
USD/MXN	16.75	-0.6%
EUR/USD	1.11	-0.3%
DXY	101.08	0.2%
Commodities		
WTI	80.10	1.7%
Brent	84.10	1.4%
Gold	1,958.05	-0.7%
Copper	389.05	0.0%
Sovereign bonds		
10-year Treasury	3.91	5pb

Source: Bloomberg

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Equities

- **Positive equity markets, reflecting recent earnings results and the possibility of less monetary tightening. US futures anticipate an upward opening with the S&P500 trading up 0.8% and Meta up more than 8.7% on pre-maket after good results**

- **On the international corporate front, out of the 65 S&P500 companies scheduled to report today, 39 have already updated investors with most outperforming estimates. In Mexico, Cemex posted important advances in 2Q23 with higher than expected profitability expansion and raised guidance anticipating a ~21% increase in EBITDA 2023e, beating expectations, which should be very well received by the market; Alfa was supported by Sigma and countered by Alpek's weakness; Alsea and Lab maintain resilience due the domestic market; Gentera increases guidance with good portfolio dynamism; Gmxt again registered record EBITDA and Lacomer had solid growth. Figures from Chdraui, Cuervo, Femsa, Mega, and Walmex are expected today**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	35,520.12	0.2%
S&P 500	4,566.75	0.0%
Nasdaq	14,127.28	-0.1%
IPC	54,502.09	0.9%
Ibovespa	122,560.38	0.5%
Euro Stoxx 50	4,346.15	-1.0%
FTSE 100	7,676.89	-0.2%
CAC 40	7,315.07	-1.4%
DAX	16,131.46	-0.5%
Nikkei 225	32,668.34	0.0%
Hang Seng	19,365.14	-0.4%
Shanghai Composite	3,223.03	-0.3%
Sovereign bonds		
2-year Treasuries	4.85	-2pb
10-year Treasuries	3.87	-2pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.17	-2pb
10-year Mbono	8.84	-3pb
Currencies		
USD/MXN	16.84	-0.5%
EUR/USD	1.11	0.3%
GBP/USD	1.29	0.3%
DXY	100.89	-0.5%
Commodities		
WTI	78.78	-1.1%
Brent	82.92	-0.9%
Mexican mix	73.94	-0.9%
Gold	1,972.07	0.4%
Copper	390.20	-0.3%

Source: Bloomberg

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds. European assets adjust up to -5bps. The Treasuries' yield curve loses 2bp on average. Yesterday, the Mbonos' yield curve gained 3bps, on average, and the 10-year benchmark closed at 8.82% (-4bps)**

- **The dollar advances, while G10 currencies to post positive returns with NZD (+0.6%) leading the gains. In EM, the bias is mixed with RUB (-0.7%) as the weakest. The MXN is the strongest of the group with an appreciation of 0.7% at 16.72 per dollar, after gaining 0.5% yesterday**

- **Crude-oil rises near 1.0%, after US crude inventories declined 600,000 barrels and the Fed indicated that any more rate hikes would be data-dependent. Metals trade mixed, while grains higher after more intense attacks on Ukrainian ports**

Corporate Debt

- **HR Ratings affirmed Financiera Independencia's rating at 'HR A' and modified the Under Review status to Negative outlook, since the company has an International Bond maturing in July 2024. The agency considers that there is a risk of lack of liquidity**

- **HR Ratings affirmed Factoring Corporativo's long-term rating at 'HR AA-' with Stable outlook and its short-term rating at 'HR1'. The ratification is based on the capitalization ratio, which presented strong levels of 24.5% as of 1Q23**

- **HR Ratings ratified Portafolio de Negocios' long-term rating at 'HR AA' with Stable outlook and its short-term rating at 'HR1'. The ratification is based on the strength of the company's financial indicators**

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, 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	*When the share expected performance is greater than the MEXBOL estimated performance.*
HOLD	*When the share expected performance is similar to the MEXBOL estimated performance.*
SELL	*When the share expected performance is lower than the MEXBOL estimated performance.*

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