

Financial Markets Daily

July 28, 2023

Main drivers for the financial markets today...

- **Stock markets mixed, though S&P Futures up, government bond yields mixed and USD down, with investors assimilating Bank of Japan's surprising decision of loosening its grip on bond yields, previously capped at 0.5%, but now keeping that level only as a reference point**
- **Investors are also reacting to US inflation figures posting a significant moderation, while other numbers are pointing to a resilient economy and enhancing bets of a 'soft landing', but still with doubts about next steps from the Fed**
- **In the US, the PCE Core price index– the Fed's favorite measure of inflation– declined to +4.1% y/y below the previous 4.6%. In addition, the employment cost index moderated its pace of growth in 2Q23 to 1.0% from the previous 1.2%. Meanwhile, personal spending accelerated to +0.4% m/m, confirming that household spending remains strong**
- **On the monetary policy front, the bank of Chile will announce its monetary policy decision in the afternoon, where the central bank is expected to begin its easing cycle, by cutting its reference rate to 10.5% from the current 11.25%**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	EZ Consumer Confidence* - Jul (F)	index	--	--	-15.1
5:00	EZ Economic confidence* - Jul	index	--	95.0	95.3
8:00	GER Consumer prices - Jul (P)	% y/y	--	6.2	6.4
<i>United States</i>					
8:30	Personal income* - Jun	% m/m	--	0.5	0.4
8:30	Personal spending* - Jun	% m/m	--	0.4	0.1
8:30	Real personal spending* - Jun	% m/m	--	0.3	0.0
8:30	PCE Deflator* - Jun	% m/m	--	0.2	0.1
8:30	Core* - Jun	% m/m	--	0.2	0.3
8:30	PCE Deflator - Jun	% y/y	--	3.0	3.8
8:30	Core - Jun	% y/y	--	4.2	4.6
10:00	U. of Michigan Confidence* - Jul (F)	index	72.6	72.6	72.6
<i>Chile</i>					
18:00	Monetary policy decision (BCCh)	%	--	10.50	11.25

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	4,590.00	0.6%
Euro Stoxx 50	4,447.40	0.0%
Nikkei 225	32,759.23	-0.4%
Shanghai Composite	3,275.93	1.8%
<i>Currencies</i>		
USD/MXN	16.71	-1.0%
EUR/USD	1.10	0.3%
DXY	101.46	-0.3%
<i>Commodities</i>		
WTI	79.96	-0.2%
Brent	84.06	-0.2%
Gold	1,956.74	0.6%
Copper	390.15	1.0%
<i>Sovereign bonds</i>		
10-year Treasury	3.95	-5pb

Source: Bloomberg

Equities

- We conclude the week with mixed returns in stock markets, while futures in the US anticipate a positive opening, underpinned by good corporate reports, highlighting Intel, who commented on quite optimistic revenue forecasts and spreading the sentiment to other technology companies
- In the US, Exxon's report stands out today with figures that surprised negatively, while Chevron complies, although with signs of weakness. We already have ~48% of the results of companies in the S&P500 and a 3.5% increase in profits has been achieved, while positive surprises rate at 81.3%
- In Mexico, today is the last day of 2Q23 reports, mainly attentive to the figures of Oma, Pemex and Peñoles. Yesterday afternoon Gmexico reported figures with advances in profitability below expectations, while we lowered our recommendation to HOLD and adjusted our PT to \$98.00. Walmex reported aligned with expectations and Chedraui with a remarkable improvement in profitability

Sovereign fixed income, currencies and commodities

- Mixed balance in sovereign bonds as the BoJ adjustments are assimilated. European rates trade with +/-2bps changes while the Treasuries curve registers gains of 4bps on average. Yesterday, the Mbonos' curve closed with losses of 6bps on average while the 2-year benchmark closed at 10.58% (+4bps)
- The USD weakens (BBDXY -0.3%) while G10 and emerging market currencies trade with mixed movements. In the first group, GBP (+0.6%) and AUD (-0.6%) are at the ends. In the second group, ZAR (+1.0%) leads the gains and MYR (-0.7%) is the weakest. The Mexican peso appreciates 0.9% to 16.72 per dollar, the second strongest among its peers
- Crude-oil futures are little changed as we await further data on crude oil production and the outlook for global economic activity. In metals, the bias is positive, with nickel (+1.0%) standing out

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,282.72	-0.7%
S&P 500	4,537.41	-0.6%
Nasdaq	14,050.11	-0.5%
IPC	54,753.39	0.5%
Ibovespa	119,989.64	-2.1%
Euro Stoxx 50	4,447.44	2.3%
FTSE 100	7,692.76	0.2%
CAC 40	7,465.24	2.1%
DAX	16,406.03	1.7%
Nikkei 225	32,891.16	0.7%
Hang Seng	19,639.11	1.4%
Shanghai Composite	3,216.67	-0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	4.93	8pb
10-year Treasuries	4.00	13pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.22	5pb
10-year Mbono	8.90	6pb
<i>Currencies</i>		
USD/MXN	16.87	0.2%
EUR/USD	1.10	-1.0%
GBP/USD	1.28	-1.1%
DXY	101.77	0.9%
<i>Commodities</i>		
WTI	80.09	1.7%
Brent	84.24	1.6%
Mexican mix	75.01	1.4%
Gold	1,946.00	-1.3%
Copper	387.55	-0.7%

Source: Bloomberg

Corporate Debt

- Fitch Ratings upgraded Cemex's rating to 'AA(mex)' from 'AA-(mex)' and changed the outlook to Positive from Stable. The rating action reflects continued improvements in Cemex's operating cash flow generation that could lead to higher free cash flow generation
- HR Ratings affirmed CIE's rating at 'HR AA' and modified the outlook to Stable from Positive. The change in outlook follows that, over a subsequent period of 12 to 18 months, the agency considers stable performance in the rating metrics derived from the expected levels of debt and Free Cash Flow generation
- Grupo Televisa initiated a tender offer for: (i) all of its 4.625% Senior Notes due 2026 and (ii) the outstanding 5.000% Senior Notes 2045, 5.250% Senior Notes 2049, 6.625% Senior Notes due 2025 and 6.125% Senior Notes due 2046

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
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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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