

# Financial Markets Daily

July 31, 2023

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

- **Stock markets biased slightly up, government bond yields higher at the margin, and USD down except against JPY and CHF in G10. Investors reposition to the latest central bankers' comments, earnings reports, and the recent strategy adjustment from the BoJ**
- **In addition, a plethora of economic data. Yesterday in China, official PMIs for July came mixed, with a marginal rebound in manufacturing (49.3 from 49.0pts) and services at 51.5pts from 53.2pts. 2Q23 GDP in the Eurozone grew 0.3% q/q (0.6% y/y). In addition, July's inflation in the region moderated to 5.3% y/y, albeit with the core unchanged at 5.5%**
- **Later we will be looking into the *Senior Loan Officer Opinion Survey on Bank Lending Practices* from the Fed, and Colombia's monetary policy decision**
- **Market attention this week in July's employment report in the US, expecting +225k jobs. We also note decisions from the BoE and Brazil, with the former hiking but the latter cutting rates**
- **Going to events, the virtual meeting from OPEC on target compliance. In the US we will also have ADP employment (Jun), factory orders and durable goods (Jun) and Wards auto sales (Jul)**
- **Lastly, 2Q23 GDP in Mexico grew 0.9% q/q (3.7% y/y). We have remittances (Jun), IMEF PMIs (Jul), and domestic demand data (May)**

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economic forecasters, granted by Focus  
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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Gross domestic product - 2Q23 (P)	% y/y	--	0.5	1.1
5:00	Consumer prices - Jul (P)	% y/y	--	5.3	5.5
<i>Mexico</i>					
8:00	Gross domestic product - 2Q23 (P)	% y/y	3.6	3.2	3.7
8:00	Gross domestic product* - 2Q23 (P)	% q/q	0.9	0.6	1.0
11:00	Banking credit - Jun	% y/y	5.0	--	5.1
<i>United States</i>					
9:20	Fed's Goolsbee speaks on Yahoo Finance Live				
14:00	Senior Loan Officer Opinion Survey on Bank Lending Practices				

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	4,612.25	0.1%
Euro Stoxx 50	4,480.90	0.3%
Nikkei 225	33,172.22	1.3%
Shanghai Composite	3,291.04	0.5%
<i>Currencies</i>		
USD/MXN	16.72	0.2%
EUR/USD	1.10	0.1%
DXY	101.71	0.1%
<i>Commodities</i>		
WTI	81.39	1.0%
Brent	85.59	0.7%
Gold	1,959.00	0.0%
Copper	393.60	0.2%
<i>Sovereign bonds</i>		
10-year Treasury	3.96	1pb

Source: Bloomberg

## Equities

- The week kicks off with positive bias, with investors assessing the path of monetary policy, while the US earnings season is progressing with mostly positive results
- US futures anticipate a slightly positive open, with the S&P500 rising 0.1% above its theoretical value. Europe trades mostly higher, with the Eurostoxx climbing 0.3%, supported by the healthcare sector. Asia closed higher, with the Nikkei up 1.3% and the Hang Seng 0.8% stronger, supported by the possibility of some stimulus measures in China. For the Mexbol Index we anticipate a weekly trading range between 54,000 and 55,700pts
- On the corporate front, this week we have 169 companies from the S&P500, including Amazon, Apple, Pfizer, and Starbucks

## Sovereign fixed income, currencies and commodities

- Slightly negative balance in sovereign bonds. European rates increase 2bps and US Treasuries record few changes, with the 10-year reference trading slightly below 4.00%. Last week, mid-term Mbonos printed the biggest sell off of up to 13bps w/w
- Dollar trades with few changes amid a favorable performance in most G10 currencies except for JPY (-0.7%) and CHF (-0.2%). In EM, the bias is mixed, with MYR (+1.1%) and CLP (-1.1%) at the extremes. The latter is assimilating a larger-than-expected rates 100bps cut vs market expectations of -75bps. In addition, MXN remains stable at the 16.70 zone
- Crude-oil looks for its largest monthly increase in more than a year on signs the market is tightening, with estimates that demand is running at a record while OPEC+ keeps supply reduced, with this adjustment expected to extend into September

## Corporate Debt

- This week we expect two social bonds by Nacional Financiera for a target amount of MXN 4.0 billion (max. MXN 7.5 billion) and terms of 2.3 and 3.5 years
- Fitch Ratings affirmed Grupo Palacio de Hierro's 'AAA(mex)' rating. The outlook is Stable. This reflects the company's strong market position, brand recognition in Mexico, financial flexibility, and conservative financial profile.
- Fitch Ratings affirmed ZKCCB 17 (ZKC's ABS) at 'A+(mex)' with Stable outlook. Fitch believes that the effect of the restructuring approved in 2021 continues to pressure leverage metrics as the principal of the certificates grows

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,459.29	0.5%
S&P 500	4,582.23	1.0%
Nasdaq	14,316.66	1.9%
IPC	54,910.93	0.3%
Ibovespa	120,187.11	0.2%
Euro Stoxx 50	4,466.50	0.4%
FTSE 100	7,694.27	0.0%
CAC 40	7,476.47	0.2%
DAX	16,469.75	0.4%
Nikkei 225	32,759.23	-0.4%
Hang Seng	19,916.56	1.4%
Shanghai Composite	3,275.93	1.8%
<i>Sovereign bonds</i>		
2-year Treasuries	4.87	-5pb
10-year Treasuries	3.95	-5pb
28-day Cetes	11.31	0pb
28-day TIE	11.51	0pb
2-year Mbono	10.17	-5pb
10-year Mbono	8.88	-2pb
<i>Currencies</i>		
USD/MXN	16.69	-1.1%
EUR/USD	1.10	0.3%
GBP/USD	1.29	0.4%
DX	101.62	-0.1%
<i>Commodities</i>		
WTI	80.58	0.6%
Brent	84.99	0.9%
Mexican mix	75.62	0.8%
Gold	1,959.49	0.7%
Copper	392.65	1.3%

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
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<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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