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Banorte Research and Strategy

# Financial Markets Daily

August 1, 2023

## Main drivers for the financial markets today…

- **Stock markets negative, government bond yields positive and the USD higher, with investors showing cautiousness given weak economic figures in China and disappointment in some corporate reports in the US**

- **On the monetary front, the central bank in Australia maintained its reference rate at 4.10%, although it mentioned that further tightening may be necessary. In the U.S., we will be watching comments from Goolsbee (Chicago), while in the evening we will have BoJ minutes**

- **In China, the National Development Commission –in charge of economic planning– mentioned that the government will boost credit to private companies and extend other financing measures to small businesses**

- **The manufacturing PMI in the Eurozone came in line with preliminary data at 42.7pts. June's unemployment rate in the region decreased by 10bp to 6.4%. In China, the Caixin manufacturing PMI fell to contraction territory at 49.2pts, supporting other signs of weakness in the country. In the US, we also await PMI and ISM manufacturing, as well as the JOLTS job openings report.**

- **In Brazil, industrial production in June advanced 0.1% m/m (0.3% y/y). In Mexico, we will be looking into June's remittances (US$5,532.7 million), the central bank's survey, and IMEF indicators for July**

## The most relevant economic data…

| | Event/Period | Unit | Banorte | Survey | Previous |
|---|---|---|---|---|---|
| *Brazil* | | | | | |
| 8:00 | Industrial production - Jun | % y/y | -- | -- | 1.9 |
| 8:00 | Industrial production* - Jun | % m/m | -- | -- | 0.3 |
| *United States* | | | | | |
| 9:45 | ISM manufacturing* - Jul (F) | index | 49.0 | 49.0 | 49.0 |
| 10:00 | Manufacturing PMI* - Jul | index | 46.0 | 46.9 | 46.0 |
| 10:00 | Fed's Goolsbee gives welcoming remarks | | | | |
| | Total vehicle sales** - Jul | thousands | -- | 15.8 | 15.7 |
| *Mexico* | Survey of expectations (Banxico) | | | | |
| 11:00 | International reserves - Jul 28 | US$bn | -- | -- | 204.1 |
| 11:00 | Family remittances - Jun | US$bn | 5,532.7 | 5,460.0 | 5,693.1 |
| 11:00 | Survey of expectations (Banxico) | | | | |
| 13:30 | Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 5-year Mbono (Mar'27); 10-year Udibono (Nov'31) and 1-, 3-, and 7-year Bondes F | | | | |
| 14:00 | PMI manufacturing (IMEF)* - Jul | index | 51.3 | -- | 50.9 |
| 14:00 | PMI non-manufacturing (IMEF)* - Jul | index | 51.9 | -- | 51.5 |

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



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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. |
|---|---|---|
| *Equity indices* | | |
| S&P 500 Futures | 4,599.00 | -0.3% |
| Euro Stoxx 50 | 4,426.80 | -1.0% |
| Nikkei 225 | 33,476.58 | 0.9% |
| Shanghai Composite | 3,290.95 | 0.0% |
| *Currencies* | | |
| USD/MXN | 16.80 | 0.4% |
| EUR/USD | 1.10 | -0.2% |
| DXY | 102.29 | 0.4% |
| *Commodities* | | |
| WTI | 81.32 | -0.6% |
| Brent | 84.96 | -0.7% |
| Gold | 1,946.69 | -0.9% |
| Copper | 394.20 | -1.6% |
| *Sovereign bonds* | | |
| 10-year Treasury | 4.01 | 5pb |

Source: Bloomberg

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## Equities

- **After having concluded the month of July with a positive balance in the stock markets, August begins with widespread profit taking. Investors are cautious after global corporate results warn of an outlook with still significant challenges to earnings growth. Among the most important are BMW, DHL, ZoomInfo Technologies, JetBlue Airways and Pfizer**

- **As such, futures in the US anticipate a negative opening, with the S&P500 trading 0.3% below its theoretical value, and the Nasdaq doing the same at 0.5%. In Europe, the falls average around 0.7%, while Asia ended the day with mixed yields, highlighting the rise of the Nikkei of 0.9% and contrasting with the declines close to 0.3% in both China and Hong Kong.**

- **Today we have the results of 47 companies in the S&P500. Caterpillar(+) and Pfizer(+) have already reported, and Starbucks, AMD and AIG are expected after the market closing**

## Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European rates increase 5bps, on average, while Treasuries lost 5bps at the mid- and long-end. In México, Mbonos began the week with gains of 6bps and the May'33 closed at 8.81%**

- **Dollar rebound against all developed currencies, with AUD (-1.6%) as the weakest. In EM, PHP (+0.2%) is the only in positive territory. Meanwhile, MXN trades at 16.80 per dollar (-0.4%), extending yesterday's losses of 0.3%**

- **Widespread losses in commodities after weak data in China and a strengthening in USD. Crude-oil fall 0.7% after its biggest monthly advance since early 2022. In this sense, Brent and WTI rallied 14.2% and 15.8%, respectively, in July**

Previous closing levels

| | Last | Daily chg. |
|---|---|---|
| *Equity indices* | | |
| Dow Jones | 35,559.53 | 0.3% |
| S&P 500 | 4,588.96 | 0.1% |
| Nasdaq | 14,346.02 | 0.2% |
| IPC | 54,819.05 | -0.2% |
| Ibovespa | 121,942.98 | 1.5% |
| Euro Stoxx 50 | 4,471.31 | 0.1% |
| FTSE 100 | 7,699.41 | 0.1% |
| CAC 40 | 7,497.78 | 0.3% |
| DAX | 16,446.83 | -0.1% |
| Nikkei 225 | 33,172.22 | 1.3% |
| Hang Seng | 20,078.94 | 0.8% |
| Shanghai Composite | 3,291.04 | 0.5% |
| *Sovereign bonds* | | |
| 2-year Treasuries | 4.88 | 0pb |
| 10-year Treasuries | 3.96 | 1pb |
| 28-day Cetes | 11.31 | 0pb |
| 28-day TIIE | 11.51 | -1pb |
| 2-year Mbono | 10.11 | -6pb |
| 10-year Mbono | 8.82 | -5pb |
| *Currencies* | | |
| USD/MXN | 16.74 | 0.3% |
| EUR/USD | 1.10 | -0.2% |
| GBP/USD | 1.28 | -0.1% |
| DXY | 101.86 | 0.2% |
| *Commodities* | | |
| WTI | 81.80 | 1.5% |
| Brent | 85.56 | 0.7% |
| Mexican mix | 76.53 | 1.2% |
| Gold | 1,965.09 | 0.3% |
| Copper | 400.80 | 2.1% |

Source: Bloomberg

## Corporate Debt

- **Fitch Ratings upgraded Fibra Inn and its issuance FINN 18 ratings to 'A-(mex)' from 'BBB+(mex)'. The outlook is Stable. According to the agency, the ratings upgrade reflects the improvement in Fibra Inn's operations and profitability due to increases in occupancy levels and average daily rate, which has contributed to the strengthening of its revenue and leverage metrics. Fitch considers positive the recent capital subscription of MXN 1.51 billion for the deployment of Fibra Inn's growth strategy and incorporates that it will have a net leverage below 6.0x**

- **Fitch Ratings assigned 'AAA(mex)' ratings to PACCAR Financial Mexico's PCARFM 23 / 23-2 issuances. According to the agency, the ratings are based on Fitch's assessment of the ability and propensity for support from its ultimate holding company, PACCAR Inc (PACCAR), if required**

## 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 |
|---|---|
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| **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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