Banorte Research and Strategy

# Financial Markets Daily

August 2, 2023

## Main drivers for the financial markets today…

- **Stock markets negative, government bond yields mixed, and USD with few changes. Investors digest the downgrade of the US sovereign credit rating by Fitch Ratings. Limited impact seen so far on US assets**

- **Specifically, they removed the top rating of 'AAA' by cutting it down one notch to 'AA+', arguing issues with the growing fiscal deficit, the medium-term debt path, and an erosion of governance. The cut occurs in an environment of some speculation of recession risks, albeit with data still alluding to a strong economy**

- **On monetary policy, Brazil will meet today. The central bank is expected to start the accommodative cycle on the back of more beneficial economic conditions**

- **In terms of economic data, the ADP private employment report for July in the US showed 324,000 new jobs, stronger the consensus expectations (190k), but below the previous month's figure (455k). In the evening, China will publish PMI Caixin indicators for the month of July**

- **The Chinese government will increase economic stimulus, putting pressure on local governments to speed up the pace of bond issuance to deploy the resources in infrastructure spending. This means a new push to boost the economic recovery, with the central bank also calling for a reduction in bank's mortgage rates to support the real estate sector**

## The most relevant economic data…

| | Event/Period | Unit | Banorte | Survey | Previous |
|---|---|---|---|---|---|
| *United States* | | | | | |
| 8:15 | ADP employment* - Jul | thousands | 270 | 188 | 497 |
| *Brazil* | | | | | |
| 17:30 | Monetary policy decision (Central bank of Brazil) | % | 13.50 | 13.50 | 13.75 |
| *China* | | | | | |
| 21:45 | Services PMI (Caixin)* - Jul | index | -- | 52.4 | 53.9 |
| 21:45 | Composite PMI (Caixin)* - Jul | index | -- | -- | 52.5 |

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



Alejandro Padilla Santana
Chief Economist and
Head of Research
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Financial Markets Strategy
juan.alderete.macal@banorte.com

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com

Manuel Jiménez Zaldivar
Director of Market Strategy
manuel.jimenez@banorte.com



A glimpse to the main financial assets

| | Last | Daily chg. |
|---|---|---|
| *Equity indices* | | |
| S&P 500 Futures | 4,571.50 | -0.6% |
| Euro Stoxx 50 | 4,366.28 | -0.9% |
| Nikkei 225 | 32,707.69 | -2.3% |
| Shanghai Composite | 3,261.69 | -0.9% |
| *Currencies* | | |
| USD/MXN | 16.87 | -0.1% |
| EUR/USD | 1.10 | -0.2% |
| DXY | 102.42 | 0.1% |
| *Commodities* | | |
| WTI | 81.85 | 0.6% |
| Brent | 85.48 | 0.7% |
| Gold | 1,946.98 | 0.1% |
| Copper | 386.50 | -1.1% |
| *Sovereign bonds* | | |
| 10-year Treasury | 4.05 | 3pb |

Source: Bloomberg

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## Equities

- **Negative movements in equity markets with investors reacting to the downgrade of the US credit rating, while continuing to digest diverging signals in corporate reports**

- **In Asia the markets closed negative, highlighting falls of 2.5% in the Hang Seng and 2.3% in the Nikkei. In Europe stocks decline, the Eurostoxx sheds 0.9%. Ferrari disappointed with its guidance, Hugo Boss margin came in below expectations, while Siemens Healthineers' earnings came in lower than anticipated. In turn, in the US the futures of main indices point to a negative opening by falling 0.5% on average**

- **Out of the 53 S&P500 companies scheduled to report today, 22 have already updated investors with most outperforming estimates, including CVS Health, Emerson Electric, and Kraft. Metlife and PayPal will publish its figures after the market closes**

## Sovereign fixed income, currencies and commodities

- **Risk aversion gives a slight boost to sovereign bonds. European assets trade with gains of up to 5bps meanwhile the Treasuries' yield curve trades with adjustments of up to +2bps, concentrated in the short-end and mid-end. Yesterday, the Mbonos' curve closed with losses of 4bps on average and the greatest pressures on the long-end**

- **The dollar trades with a positive bias (BBDXY +0.2%) while G10 and emerging market currencies show mixed movements. In the former group, NOK (+0.5%) and NZD (-0.6%) are at the ends and in the latter, trading is capped by HUF (+0.2%) and RUB (+1.2%). MXN dilutes the losses registered during the Asian session and trades with an appreciation of 0.1% at 16.87 per dollar**

- **Crude-oil futures gain 0.5% despite an increase in Chinese inventories. In metals, losses predominate, with nickel (-2.3%) standing out**

## Corporate Debt

- **CIBanco (Trustee) informed that on August 3, 2023 a partial principal repayment of the VANRTCB 21 issuance will be carried out, in accordance with the provisions of the section "Partial Principal Amortization upon Termination of the Revolving Period" of the Title. The amount available to carry out the partial principal repayment on the next payment date is MXN 21.1 million. The VANRTCB 21 bond is backed by the collection rights of a portfolio of leases. The issue currently has MXN 363 million outstanding and is scheduled to mature in June 2026**

- **Fitch Ratings affirmed Minera Frisco's long-term rating at 'A-(mex)' with a Stable outlook and its short-term rating at 'F2(mex)'. According to the agency, the ratings are based on the support and financial strength of its controlling shareholders and related companies that provide flexibility and financing alternatives**

Previous closing levels

| | Last | Daily chg. |
|---|---|---|
| *Equity indices* | | |
| Dow Jones | 35,630.68 | 0.2% |
| S&P 500 | 4,576.73 | -0.3% |
| Nasdaq | 14,283.91 | -0.4% |
| IPC | 54,210.62 | -1.1% |
| Ibovespa | 121,248.39 | -0.6% |
| Euro Stoxx 50 | 4,407.54 | -1.4% |
| FTSE 100 | 7,666.27 | -0.4% |
| CAC 40 | 7,406.08 | -1.2% |
| DAX | 16,240.40 | -1.3% |
| Nikkei 225 | 33,476.58 | 0.9% |
| Hang Seng | 20,011.12 | -0.3% |
| Shanghai Composite | 3,290.95 | 0.0% |
| *Sovereign bonds* | | |
| 2-year Treasuries | 4.90 | 3pb |
| 10-year Treasuries | 4.02 | 6pb |
| 28-day Cetes | 11.31 | 0pb |
| 28-day TIIE | 11.51 | 0pb |
| 2-year Mbono | 10.11 | 1pb |
| 10-year Mbono | 8.87 | 4pb |
| *Currencies* | | |
| USD/MXN | 16.88 | 0.8% |
| EUR/USD | 1.10 | -0.1% |
| GBP/USD | 1.28 | -0.5% |
| DXY | 102.30 | 0.4% |
| *Commodities* | | |
| WTI | 81.37 | -0.5% |
| Brent | 84.91 | -0.8% |
| Mexican mix | 77.79 | 1.6% |
| Gold | 1,944.29 | -1.1% |
| Copper | 390.85 | -2.5% |

Source: Bloomberg

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## 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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**Guide for investment recommendations.**

| | 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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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

| Research and Strategy | | | |
|---|---|---|---|
| Alejandro Padilla Santana | Chief Economist and Head of Research | alejandro.padilla@banorte.com | (55) 1103 - 4043 |
| Raquel Vázquez Godinez | Assistant | raquel.vazquez@banorte.com | (55) 1670 - 2967 |
| Itzel Martínez Rojas | Analyst | itzel.martinez.rojas@banorte.com | (55) 1670 - 2251 |
| Lourdes Calvo Fernandez | Analyst (Edition) | lourdes.calvo@banorte.com | (55) 1103 - 4000 x 2611 |
| María Fernanda Vargas Santoyo | Analyst | maria.vargas.santoyo@banorte.com | (55) 1103 - 4000 |
| **Economic Research** | | | |
| Juan Carlos Alderete Macal, CFA | Executive Director of Economic Research and Financial Markets Strategy | juan.alderete.macal@banorte.com | (55) 1103 - 4046 |
| Francisco José Flores Serrano | Director of Economic Research, Mexico | francisco.flores.serrano@banorte.com | (55) 1670 - 2957 |
| Katia Celina Goya Ostos | Director of Economic Research, Global | katia.goya@banorte.com | (55) 1670 - 1821 |
| Yazmín Selene Pérez Enríquez | Senior Economist, Mexico | yazmin.perez.enriquez@banorte.com | (55) 5268 - 1694 |
| Cintia Gisela Nava Roa | Senior Economist, Mexico | cintia.nava.roa@banorte.com | (55) 1103 - 4000 |
| Luis Leopoldo López Salinas | Manager Global Economist | luis.lopez.salinas@banorte.com | (55) 1103 - 4000 x 2707 |
| **Market Strategy** | | | |
| Manuel Jiménez Zaldivar | Director of Market Strategy | manuel.jimenez@banorte.com | (55) 5268 - 1671 |
| **Fixed income and FX Strategy** | | | |
| Leslie Thalía Orozco Vélez | Senior Strategist, Fixed Income and FX | leslie.orozco.velez@banorte.com | (55) 1670 - 1698 |
| Isaías Rodríguez Sobrino | Strategist, Fixed Income, FX and Commodities | isaias.rodriguez.sobrino@banorte.com | (55) 1670 - 2144 |
| **Equity Strategy** | | | |
| Marissa Garza Ostos | Director of Equity Strategy | marissa.garza@banorte.com | (55) 1670 - 1719 |
| José Itzamna Espitia Hernández | Senior Strategist, Equity | jose.espitia@banorte.com | (55) 1670 - 2249 |
| Carlos Hernández García | Senior Strategist, Equity | carlos.hernandez.garcia@banorte.com | (55) 1670 – 2250 |
| Víctor Hugo Cortés Castro | Senior Strategist, Technical | victorh.cortes@banorte.com | (55) 1670 - 1800 |
| Juan Carlos Mercado Garduño | Strategist, Equity | juan.mercado.garduno@banorte.com | (55) 1103 - 4000 x 1746 |
| **Corporate Debt** | | | |
| Hugo Armando Gómez Solís | Senior Analyst, Corporate Debt | hugoa.gomez@banorte.com | (55) 1670 - 2247 |
| Gerardo Daniel Valle Trujillo | Analyst, Corporate Debt | gerardo.valle.trujillo@banorte.com | (55) 1670 - 2248 |
| **Quantitative Analysis** | | | |
| Alejandro Cervantes Llamas | Executive Director of Quantitative Analysis | alejandro.cervantes@banorte.com | (55) 1670 - 2972 |
| José Luis García Casales | Director of Quantitative Analysis | jose.garcia.casales@banorte.com | (55) 8510 - 4608 |
| Miguel Alejandro Calvo Domiguez | Senior Analyst, Quantitative Analysis | miguel.calvo@banorte.com | (55) 1670 - 2220 |
| José De Jesús Ramírez Martínez | Senior Analyst, Quantitative Analysis | jose.ramirez.martinez@banorte.com | (55) 1103 - 4000 |
| Daniel Sebastián Sosa Aguilar | Senior Analyst, Quantitative Analysis | daniel.sosa@banorte.com | (55) 1103 - 4000 |
| Jazmin Daniela Cuautencos Mora | Strategist, Quantitative Analysis | jazmin.cuautencos.mora@banorte.com | (55) 1103 - 4000 |
| Andrea Muñoz Sánchez | Analyst, Quantitative Analysis | andrea.munoz.sanchez@banorte.com | (55) 1103 - 4000 |
| **Wholesale Banking** | | | |
| Armando Rodal Espinosa | Head of Wholesale Banking | armando.rodal@banorte.com | (55) 1670 - 1889 |
| Alejandro Aguilar Ceballos | Head of Asset Management | alejandro.aguilar.ceballos@banorte.com | (55) 5004 - 1282 |
| Alejandro Eric Faesi Puente | Head of Global Markets and Institutional Sales | alejandro.faesi@banorte.com | (55) 5268 - 1640 |
| Alejandro Frigolet Vázquez Vela | Head of Sólida Banorte | alejandro.frigolet.vazquezvela@banorte.com | (55) 5268 - 1656 |
| Arturo Monroy Ballesteros | Head of Investment Banking and Structured Finance | arturo.monroy.ballesteros@banorte.com | (55) 5004 - 5140 |
| Carlos Alberto Arciniega Navarro | Head of Treasury Services | carlos.arciniega@banorte.com | (81) 1103 - 4091 |
| Gerardo Zamora Nanez | Head of Transactional Banking, Leasing and Factoring | gerardo.zamora@banorte.com | (81) 8173 - 9127 |
| Jorge de la Vega Grajales | Head of Government Banking | jorge.delavega@banorte.com | (55) 5004 - 5121 |
| Luis Pietrini Sheridan | Head of Private Banking | luis.pietrini@banorte.com | (55) 5249 - 6423 |
| Lizza Velarde Torres | Executive Director of Wholesale Banking | lizza.velarde@banorte.com | (55) 4433 - 4676 |
| Osvaldo Brondo Menchaca | Head of Specialized Banking Services | osvaldo.brondo@banorte.com | (55) 5004 - 1423 |
| Raúl Alejandro Arauzo Romero | Head of Transactional Banking | alejandro.arauzo@banorte.com | (55) 5261 - 4910 |
| René Gerardo Pimentel Ibarrola | Head of Corporate Banking | pimentelr@banorte.com | (55) 5004 - 1051 |
| Ricardo Velázquez Rodríguez | Head of International Banking | rvelazquez@banorte.com | (55) 5004 - 5279 |
| Víctor Antonio Roldan Ferrer | Head of Commercial Banking | victor.roldan.ferrer@banorte.com | (55) 1670 - 1899 |