

Financial Markets Daily

August 7, 2023

Main drivers for the financial markets today...

- **Stock markets mixed, government bond yields higher at the long end, and USD biased up. Recent pressures in longer-term tenors of rate curves extend after the increase in Treasury supply, the sovereign rating cut by Fitch, and the nonfarm payrolls report in the US**
- **Germany's industrial production stood at -1.5% m/m in June, inducing some weakness in industrial companies in the country**
- **In the agenda today, speeches from Bostic and Bowman of the Fed. In addition, consumer credit (Jun) in the US, along with wage negotiations and the banking sector survey in our country. At night, China will release the trade balance (Jul)**
- **Market attention this week on July inflation in the US (Banorte: 0.2% m/m; consensus: 0.2%), Mexico, China, and Brazil. Also, Banxico's monetary policy decision, in which we expect an unchanged reference rate at 11.25%, and 2Q23 GDP in the UK**
- **Other US data includes trade balance (Jun), producer prices (Jul), and U. of Michigan consumer confidence (Aug). In other regions, we only note industrial production (Jun) in the United Kingdom; as well as retail sales (Jun), and COPOM minutes in Brazil**
- **Lastly, July's consumer confidence in Mexico reached 46.2pts, higher than the 45.3pts of the previous month. Other releases include industrial production (Jun) and ANTAD's same-store sales (Jul)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Consumer confidence* - Jul	index	45.0	--	45.2
16:30	Survey of expectations (Citibanamex)	0.0			
	Wage negotiations - Jul	% y/y	--	--	7.3
<i>United States</i>					
8:30	Fed's Bostic Speaks at Fed Listens Event				
8:30	Fed's Bowman Speaks at Fed Listens Event				
15:00	Consumer credit* - Jun	USDbn	--	13.5	7.2
<i>China</i>					
23:00	Trade balance - Jul	USDbn	--	68.0	70.6
23:00	Exports - Jul	% y/y	--	-12.6	-12.4
23:00	Imports - Jul	% y/y	--	-5.5	-6.8

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	4,509.75	0.3%
Euro Stoxx 50	4,319.85	-0.3%
Nikkei 225	32,254.56	0.2%
Shanghai Composite	3,268.83	-0.6%
<i>Currencies</i>		
USD/MXN	17.07	-0.1%
EUR/USD	1.10	-0.2%
DXY	102.26	0.2%
<i>Commodities</i>		
WTI	82.07	-0.9%
Brent	85.54	-0.8%
Gold	1,935.88	-0.4%
Copper	385.30	-0.4%
<i>Sovereign bonds</i>		
10-year Treasury	4.10	6pb

Source: Bloomberg

Equities

- The week kicks off with negative sentiment as investors assess the possible impact of higher interest rates on economic growth
- US futures anticipate a slightly higher opening, with the S&P500 up 0.3% above its theoretical value. Europe trades lower, with the Eurostoxx dropping 0.3%, dragged by utilities. Asia closed mixed, although the Shanghai fell 0.6%. In Mexico, Lab reported progress in obtaining licenses to start production and sale of goods produced in its own manufacturing facilities. For the Mexbol Index, we anticipate a weekly trading range between 53,000 and 54,900pts
- On the corporate front, this week we have 33 companies from the S&P500, including Duke Energy, Eli Lilly, and Walt Disney

Sovereign fixed income, currencies and commodities

- Sovereign bonds start the week with widespread losses. European assets are pressured up to +6bps in 10-year benchmarks. Meanwhile, Treasuries lose 5bps on average. Last week, the Mbonos' curve steepened, with losses of up to 18bps on longer maturities
- The USD trades with a positive bias (BBDXY +0.1%), albeit with mixed changes among G10 and EM currencies. In the first group, NZD (+0.2%) and CHF (-0.4%) are at the extremes of the spectrum. In the second, ZAR (-0.9%) leads losses, followed by RUB (-0.6%). MXN trades little changed at 17.07 per dollar
- Crude-oil futures lose around 1.0%, with investors weighing the risks of the tightening cycle and attacks on Russian vessels by Ukraine. In metals, losses predominate

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,065.62	-0.4%
S&P 500	4,478.03	-0.5%
Nasdaq	13,909.24	-0.4%
IPC	53,991.42	1.0%
Ibovespa	119,507.68	-0.9%
Euro Stoxx 50	4,332.91	0.7%
FTSE 100	7,564.37	0.5%
CAC 40	7,315.07	0.8%
DAX	15,951.86	0.4%
Nikkei 225	32,192.75	0.1%
Hang Seng	19,539.46	0.6%
Shanghai Composite	3,288.08	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	4.76	-12pb
10-year Treasuries	4.03	-14pb
28-day Cetes	11.31	0pb
28-day TIIE	11.50	0pb
2-year Mbono	10.14	-3pb
10-year Mbono	9.02	1pb
<i>Currencies</i>		
USD/MXN	17.08	-1.4%
EUR/USD	1.10	0.5%
GBP/USD	1.27	0.3%
DX	102.02	-0.5%
<i>Commodities</i>		
WTI	82.82	1.6%
Brent	86.24	1.3%
Mexican mix	79.18	1.8%
Gold	1,942.91	0.5%
Copper	386.75	-0.8%

Source: Bloomberg

Corporate Debt

- In August's first week, auction activity was concentrated in the banking sector, with two social bonds issued by Nacional Financiera. It is worth noting that these issuances attracted demand of 1.80x with the maximum amount of MXN 7.5 billion. Hence, the issuer carried out a reopening for an additional MXN 3 billion. However, the demand for the latter was only 0.57x, bringing the total amount to MXN 9 billion
- Auction activity will be concentrated in the second half of the month on seven unsecured notes, totaling MXN 12.3 billion. Within the pipeline, the balance between fixed and variable rates stands out, as well as the recent inclusion of real fixed rate bonds, so we believe it will be important to watch investors' preference, which in recent months has been more balanced

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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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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