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Banorte Research and Strategy

Financial Markets Daily

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Main drivers for the financial markets today…

- **Stock markets lower, government bond yields down, USD higher and commodities backtracking, with concerns over the economy and the financial system. Sentiment is affected by negative figures out of China and actions from Moody's on US banks**

- **In China, July's trade balance figures disappointed again, highlighting declines of 14.5% y/y in exports and 12.4% in imports, adding to other signs of a slowdown. In the evening, we will be watching inflation in the country, with the annual comparison potentially turning negative**

- **In other news, Moody's downgraded the rating of 10 medium and small banks, highlighting concerns about higher funding costs, possible weakness in regulatory capital, and exposure to the commercial real estate. In addition, they noted that these actions could extend to some large institutions**

- **On the monetary front, the BCB minutes showed some division on the magnitude of the latest cut, pointing to a less dovish tone than perceived at the time of the decision. In the US focus will be on comments from Harker (Philadelphia) and Barkin (Richmond)**

- **In Italy, the cabinet approved a 'surprise' tax on extra profits for banks with the goal of funding other tax cuts and supporting mortgage lending. Revenues from this measure are expected to reach EUR 2 billion**

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Winners of the 2023 award for best Mexico economic forecasters, granted by Focus Economics

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The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Germany					
2:00	Consumer prices - Jul (F)	% y/y	--	6.2	6.2
Brazil					
7:00	COPOM minutes				
United States					
8:15	Fed's Harker Speaks on Economic Outlook in Philadelphia				
8:30	Trade balance* - Jun	US$bn	--	-65.0	-69.0
Mexico					
11:00	International reserves - Aug 4	US$bn	--	--	204.2
13:30	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes; 10-year Mbono (May'33); 30-year Udibono (Nov'50) and 2-, 5-, and 10-year Bondes F				
China					
21:30	Consumer prices - Jul	% y/y	--	-0.4	0.0

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

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,504.00	-0.7%
Euro Stoxx 50	4,274.99	-1.4%
Nikkei 225	32,377.29	0.4%
Shanghai Composite	3,260.62	-0.3%
Currencies		
USD/MXN	17.19	0.7%
EUR/USD	1.09	-0.5%
DXY	102.62	0.6%
Commodities		
WTI	80.71	-1.5%
Brent	84.09	-1.5%
Gold	1,926.42	-0.5%
Copper	375.85	-2.0%
Sovereign bonds		
10-year Treasury	4.01	-7pb

Source: Bloomberg

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Equities

- **Negative movements in equity markets due to weak economic data in China and drops in bank share prices after Italy announced a windfall profits tax and Moody's downgraded the credit ratings of 10 US banks (including M&T Bank and Pinnacle Financial), placing BNY Melon and State Street under review**

- **In Asia most markets closed negative. In Europe stocks decline, the Eurostoxx sheds 1.4%. Shares from financial, energy, and real estate sectors lead losses. In turn, in the US the futures of main indices point to a negative opening (-0.8% on average)**

- **Out of the 18 S&P500 companies scheduled to report today, 10 have already updated investors with most outperforming estimates. UPS stock price falls 5% on pre-market after disappointing on revenues and lowering its full-year revenue guidance. In Mexico, Asur's July passenger data showed moderate growth due to weakness in Colombia**

Sovereign fixed income, currencies and commodities

- **Rally in sovereign bonds amid a risk off mood. The 10-year references in Europe print gains of up to 15bps, while Treasuries' curve register a flattening bias with a 10bps rally at the long-end. In México, long-term Mbonos began the week with a sell-off of 11bps and the May'33 closed at 9.12% (+10bps)**

- **Dollar strengthens, hitting 1-month highs. With this, all development and emerging currencies depreciate, with NOK (-1.6%) and PLN (-1.1%) as the weakest in each group. Meanwhile, MXN is trading at 17.19 per dollar, equivalent to a 0.7% depreciation, after gaining 0.1% yesterday**

- **Widespread losses in commodities lead by crude-oil and copper due to China's exports and imports plunged more than expected. Crude-oil fall around 1.5% after reaching 3-month highs yesterday and copper retreats 2.0% to 1-month low**

Corporate Debt

- **Fitch Ratings affirmed Inversiones CMPC's international rating at 'BBB' and its national rating at 'AAA(mex)'. The outlook is stable. The ratings reflect its solid business position as the third largest pulp producer in the world and its low-cost structure that allows it to generate positive free cash flow during downturns in the price cycle**

- **Genomma Lab Internacional informed that it received the approval of the Sanitary License for the operation of its OTC manufacturing lines at its production plant in the State of Mexico**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	35,473.13	1.2%
S&P 500	4,518.44	0.9%
Nasdaq	13,994.40	0.6%
IPC	54,032.83	0.1%
Ibovespa	119,379.50	-0.1%
Euro Stoxx 50	4,337.50	0.1%
FTSE 100	7,554.49	-0.1%
CAC 40	7,319.76	0.1%
DAX	15,950.76	0.0%
Nikkei 225	32,254.56	0.2%
Hang Seng	19,537.92	0.0%
Shanghai Composite	3,268.83	-0.6%
Sovereign bonds		
2-year Treasuries	4.76	0pb
10-year Treasuries	4.09	5pb
28-day Cetes	11.31	0pb
28-day TIIE	11.50	0pb
2-year Mbono	10.16	2pb
10-year Mbono	9.11	9pb
Currencies		
USD/MXN	17.06	-0.1%
EUR/USD	1.10	0.0%
GBP/USD	1.28	0.3%
DXY	102.05	0.0%
Commodities		
WTI	81.94	-1.1%
Brent	85.34	-1.0%
Mexican mix	78.48	-0.9%
Gold	1,936.56	-0.3%
Copper	383.50	-0.8%

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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	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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