Banorte Research and Strategy

Financial Markets Daily

August 10, 2023

Main drivers for the financial markets today…

- **Stock markets positive, government bond yields mixed and USD weaker after the release of inflation in the US (with favorable results). In addition, there is some momentum due to the announcement that China will lift travel restrictions**

- **July's inflation in the US showed a 0.2% m/m increase for both the headline and core. As such, the annual metric for the former came in at 3.2% –slightly lower than expected– with the second at 4.7%. This seems to be supporting bets that the Fed would not have to keep raising rates**

- **On the monetary front, we highlight Banxico's decision, expecting the reference rate to stand unchanged at 11.25%. Back to the US, we will have speeches from Bostic (Atlanta), Daly (San Francisco) and Harker (Philadelphia)**

- **In Mexico, the Ministry of Economy published FDI for 1H23, with a cumulative total of US$29.0 billion. Investment centered on the manufacturing sector, with most flows coming from the US**

- **In other news, the White House narrowed the limits of US investment in China. New restrictions focus on companies specialized on the development of semiconductors, quantum computing, and artificial intelligence. In China, plans to reactivate the economy continue, with the announcement that the ban on group travel is lifted (this includes trips to the US and Japan), after three years of restrictions. In addition, meetings between the government and developers are still underway, aiming to solve the real estate crisis**

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The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
United States					
8:30	Consumer prices* - Jul	% m/m	0.2	0.2	0.2
8:30	Ex. food & energy* - Jul	% m/m	0.2	0.2	0.2
8:30	Consumer prices - Jul	% y/y	3.2	3.3	3.0
8:30	Ex. food & energy - Jul	% y/y	4.8	4.8	4.8
8:30	Initial jobless claims* - Aug 5	thousands	227	230	227
15:00	Fed's Bostic Gives Remarks at Event About Employment				
16:15	Fed's Harker Speaks on Employment				
Mexico					
15:00	Monetary policy decision (Banxico)	%	11.25	11.25	11.25
	ANTAD same-store sales - Jul	% y/y	--	--	9.3
Peru					
19:00	Monetary policy decision (BCRP)	%	--	7.75	7.75

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	4,514.25	0.6%
Euro Stoxx 50	4,350.42	0.8%
Nikkei 225	32,473.65	0.8%
Shanghai Composite	3,254.56	0.3%
Currencies		
USD/MXN	16.94	-0.7%
EUR/USD	1.10	0.6%
DXY	102.06	-0.4%
Commodities		
WTI	84.09	-0.4%
Brent	87.39	-0.2%
Gold	1,926.39	0.6%
Copper	381.25	0.8%
Sovereign bonds		
10-year Treasury	3.97	-4pb

Source: Bloomberg

Equities

- **Positive equity markets, where investors are assessing the possible favorable effect that the lifting of China's travel restrictions will have on consumption. In addition, participants continue to determine the direction of monetary policy after the recent inflation data in the US**

- **Asia closed with increases, with the Nikkei rising 0.8%, supported by the prospect of greater mobility in China. In turn, US futures anticipate a bullish opening with the S&P500 climbing 0.6% above its theoretical value. Finally, Europe trades with gains and the Eurostoxx is increasing 0.8%, driven by the real estate and financial sector. In addition, some luxury brands such as LVMH are up 1.8% after China's statements. On the corporate front, today we only have 2 companies from the S&P500: Ralph Lauren (being better than expected) and News Corp with figures at market close**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds after the inflation report in the US. European assets fluctuate between +/-2bps. The Treasuries' yield curve gains 4bps at the short- and mid-end, while the long-end gains 1bp. Yesterday, the Mbonos' yield curve adjusted -9bps, on average, with the 10-year benchmark at 9.0% (-11bps)**

- **The dollar retreats, while G10 currencies trade in positive domain with AUD (+0.8%) leading the gains. In EM, the bias is also positive with HUF (+1.6%) as the strongest. The MXN appreciates 0.4% trading below the psychological level of 17.00 per dollar, after gaining 0.3% yesterday**

- **Crude-oil fluctuates with slight losses, but trading near nine-month highs. In this sense, the WTI and Brent are trading at 84 $/bbl and 87 $/bbl, respectively. Metals trade in positive domain, highlighting an advance in gold and copper of 0.2% and 0.5%, respectively**

Corporate Debt

- **Fitch Ratings affirmed the ratings of Cetelem's long-term and short-term certificates programme at 'AAA(mex)' and 'F1+(mex)', respectively. In the agency's view, the announcement of the agreement for the acquisition of 80% of Cetelem's equity by Banco Inbursa does not have an immediate impact on the program's national ratings**

- **Genomma Lab reported that on August 4 it made the voluntary early repayment of the second tranche of its guaranteed loan with the IFC. The payment amounted to approximately MXN 272.2 million. The loan helped the Company to finance the construction of its first manufacturing plant in Mexico**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	35,123.36	-0.5%
S&P 500	4,467.71	-0.7%
Nasdaq	13,722.02	-1.2%
IPC	54,220.74	1.0%
Ibovespa	118,408.77	-0.6%
Euro Stoxx 50	4,317.33	0.7%
FTSE 100	7,587.30	0.8%
CAC 40	7,322.04	0.7%
DAX	15,852.58	0.5%
Nikkei 225	32,204.33	-0.5%
Hang Seng	19,246.03	0.3%
Shanghai Composite	3,244.49	-0.5%
Sovereign bonds		
2-year Treasuries	4.81	6pb
10-year Treasuries	4.01	-1pb
28-day Cetes	11.31	0pb
28-day TIIE	11.50	1pb
2-year Mbono	10.08	-5pb
10-year Mbono	9.01	-9pb
Currencies		
USD/MXN	17.06	-0.3%
EUR/USD	1.10	0.2%
GBP/USD	1.27	-0.2%
DXY	102.49	0.0%
Commodities		
WTI	84.40	1.8%
Brent	87.55	1.6%
Mexican mix	79.21	0.0%
Gold	1,914.46	-0.6%
Copper	378.35	0.5%

Source: Bloomberg

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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HOLD	*When the share expected performance is similar to the MEXBOL estimated performance.*
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