

Financial Markets Daily

August 14, 2023

Main drivers for the financial markets today...

- **Stock markets higher except for Asia, government bond yields mixed, and USD stronger.** Investors anticipate that Chinese regulators will be able to contain renewed problems in the real estate sector after the developer Country Garden Holdings said it is looking to extend a maturing bond for the first time. Moreover, this came as the banking sector regulator in said country announced that it would set up a task force to examine risks at Zhongzhi Enterprise Group, which missed payments on investment products sold to high net-worth clients
- **No relevant data for today's trading session.** Nevertheless, releases at night include Japan's 2Q23 GDP and China's economic activity figures for July (retail sales, industrial production, and gross fixed investment). No 2Q23 earnings reports in the US
- **Market attention this week on the Fed minutes, with markets unconvinced about another rate hike of the Fed funds rate.** In addition, to July's inflation in the UK, and 2Q23 GDP in the Eurozone due to heightened risks of recession in this region
- **Also, few monetary policy decisions, such as in New Zealand, Philippines, and Norway, as well as 1- and 5-year prime loan rates in China.** There will be few speeches by Fed members
- **Meanwhile, in events, we only highlight the visit of South Korean president Yoon Suk Yeol and Japan's Prime Minister Fumio Kishida to US President at Camp David**
- **Other US data includes retail sales, housing starts, industrial production (Jul) and regional manufacturing indicators Empire and Philly Fed. In other regions, the unemployment rate (Jun) and inflation (Jul) in the UK; ZEW survey (Aug) in Germany; and the trade balance and industrial production (Jun) in the Eurozone**
- **In Mexico, retail sales (Jun) and the Timely Indicator of Eco Activity (Jul)**

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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|--------------|------------------------------------|-------|---------|--------|----------|
| Japan | | | | | |
| 19:50 | Gross domestic product* - 2Q23 (P) | % q/q | -- | 0.7 | 0.7 |
| China | | | | | |
| 22:00 | Industrial production - Jul | % y/y | -- | 4.3 | 4.4 |
| 22:00 | Retail sales - Jul | % y/y | -- | 4.2 | 3.1 |
| 22:00 | Gross fixed investment (YTD) - Jul | % y/y | -- | 3.8 | 3.8 |

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. |
|------------------------|-----------|------------|
| Equity indices | | |
| S&P 500 Futures | 4,487.75 | 0.2% |
| Euro Stoxx 50 | 4,326.78 | 0.1% |
| Nikkei 225 | 32,059.91 | -1.3% |
| Shanghai Composite | 3,178.43 | -0.3% |
| Currencies | | |
| USD/MXN | 17.03 | 0.1% |
| EUR/USD | 1.09 | -0.1% |
| DXY | 102.92 | 0.1% |
| Commodities | | |
| WTI | 82.73 | -0.6% |
| Brent | 86.38 | -0.5% |
| Gold | 1,912.65 | -0.1% |
| Copper | 371.15 | -0.2% |
| Sovereign bonds | | |
| 10-year Treasury | 4.17 | 2pb |

Source: Bloomberg

Equities

- Mixed movements with a positive bias as investors assess the monetary outlook and risks in China's real estate sector, where intervention by the respective authorities is expected. Meanwhile, the US corporate earnings season is coming to an end, with only 17 S&P500 companies expected this week, including some big retailers (Home Depot, Target, and Walmart)
- Asian markets closed negative, highlighting a 1.6% drop in the Hang Seng. In Europe most stocks advance, with the Eurostoxx up 0.1%. Shares from communication services and financial sectors lead. In turn, US futures of main indices point to a slightly positive opening (+0.1% on average)
- In Mexico, following the Mexbol's closing at 53,242pts last Friday, we expect this week a trading range between 52,500 - 54,300pts

Sovereign fixed income, currencies and commodities

- Mixed balance in sovereign bonds. European 10-year benchmarks gain 2bps, on average while the US Treasuries yield curve flattens with a sell-off of up to 4bps at the short-end. Last week, Mbonos adjusted up to +10bps at the extremes and the 10-year reference closed at 9.07% (+4bps)
- Dollar strengthens against all G10, with SEK (-0.6%) as the weakest. In EM, the bias is also negative with RUB leading losses. Meanwhile, MXN trades at 17.03 per dollar, equivalent to a 0.1% depreciation, after gaining 0.4% yesterday
- Widespread losses in commodities amid lower market confidence and a worsening demand outlook driven by renewed problems in China's property sector. Crude-oil loses around 0.7% and copper trades at 1-month lows, falling 6.2% from its highest level reached during 2H23

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| Equity indices | | |
| Dow Jones | 35,281.40 | 0.3% |
| S&P 500 | 4,464.05 | -0.1% |
| Nasdaq | 13,644.85 | -0.7% |
| IPC | 53,242.16 | -1.2% |
| Ibovespa | 118,065.14 | -0.2% |
| Euro Stoxx 50 | 4,321.33 | -1.4% |
| FTSE 100 | 7,524.16 | -1.2% |
| CAC 40 | 7,340.19 | -1.3% |
| DAX | 15,832.17 | -1.0% |
| Nikkei 225 | 32,473.65 | 0.0% |
| Hang Seng | 19,075.19 | -0.9% |
| Shanghai Composite | 3,189.25 | -2.0% |
| Sovereign bonds | | |
| 2-year Treasuries | 4.89 | 5pb |
| 10-year Treasuries | 4.15 | 5pb |
| 28-day Cetes | 11.31 | 0pb |
| 28-day TIE | 11.50 | 0pb |
| 2-year Mbono | 10.19 | 3pb |
| 10-year Mbono | 9.07 | 5pb |
| Currencies | | |
| USD/MXN | 17.01 | -0.7% |
| EUR/USD | 1.09 | -0.3% |
| GBP/USD | 1.27 | 0.2% |
| DXY | 102.84 | 0.3% |
| Commodities | | |
| WTI | 83.19 | 0.4% |
| Brent | 86.81 | 0.5% |
| Mexican mix | 79.82 | 0.3% |
| Gold | 1,913.76 | 0.1% |
| Copper | 371.90 | -1.2% |

Source: Bloomberg

Corporate Debt

- This week we expect the first auctions of long-term corporate bonds in August, with issuances by Fibra Educa (new issuer), Fibra Danhos and BeGrand, which intend to place five unsecured notes for an amount of up to MXN 7.3 billion
- Crédito Real informed that the advisors for the bondholders did not achieve, within the stipulated period which expired on August 10th, 2023, the consent of the majority contemplated in the Restructuring Support Agreement
- S&P Global Ratings assigned 'mxAAA' ratings to FEFA's proposed issuances, FEFA 23G and 23-2, which it intends to issue for up to MXN 7.5 billion and terms of 3 and 1.8 years, respectively

Certification of Analysts.

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