BANORTE
GRUPO FINANCIERO

Banorte Research and Strategy

Financial Markets Daily

August 16, 2023

Main drivers for the financial markets today…

- **Stock markets mixed, government bond yields down and USD stable. China's economic woes continue to weigh on markets despite stimulus measures. China's central bank set a stronger yuan benchmark and made a new cash injection into the financial system. Measures announced so far do not seem to be enough to restore markets' confidence. More fiscal stimulus and further monetary easing are needed through cuts in reserve requirements**

- **On top of this, UK inflation accelerated to 6.8% y/y and industrial production came in above expectations so the restrictive stance may remain in place for longer. As a result, markets incorporate cumulative implied hikes of +74bps to February 2024**

- **In the US, housing starts and building permits stood at 3.9% m/m and 0.1% in July, respectively, amid rising demand and low inventories as homeowners do not want to sell given high mortgage rates. Later, the industrial production report for July will be released**

- **Attention is on the publication of the FOMC's last meeting minutes, looking for signs of the next actions of the central bank, after no *forward guidance* was given at said meeting, seeking to maintain the greatest possible flexibility**

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

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

www.banorte.com/analisiseconomico

@analisis_fundam

The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone and UK					
2:00	UK Consumer prices - Jul	% y/y	--	6.8	7.9
2:00	Core - Jul	% y/y	--	6.8	6.9
5:00	EZ Gross domestic product - 2Q23	% y/y	--	0.6	0.6
5:00	EZ Gross domestic product* - 2Q23	% q/q	--	0.3	0.3
5:00	EZ Industrial production* - Jun	% m/m	--	0.0	0.2
United States					
8:30	Housing starts** - Jul	thousands	--	1,445	1,434
8:30	Building permits** - Jul	thousands	--	1,469	1,441
9:15	Industrial production* - Jul	% m/m	0.4	0.3	-0.5
9:15	Manufacturing production* - Jul	% m/m	0.1	0.0	-0.3
14:00	FOMC Meeting Minutes				

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	4,450.25	-0.1%
Euro Stoxx 50	4,286.26	-0.1%
Nikkei 225	31,766.82	-1.5%
Shanghai Composite	3,150.13	-0.8%
Currencies		
USD/MXN	17.10	-0.3%
EUR/USD	1.09	0.0%
DXY	103.15	-0.1%
Commodities		
WTI	81.12	0.2%
Brent	85.20	0.4%
Gold	1,902.76	0.0%
Copper	366.30	-0.1%
Sovereign bonds		
10-year Treasury	4.21	0pb

Source: Bloomberg

BANORTE
GRUPO FINANCIERO

Equities

- **Mixed movements in equity markets as investors await further clues on the monetary outlook and shoe concern over the performance of China's economy. Meanwhile, fears were renewed in the US financial sector after Fitch warned that it could downgrade the credit rating of a dozen banks**

- **In Asia the markets closed negative. In Europe stocks are mixed, the Eurostoxx remains practically unchanged. Shares from technology and materials sectors lead gains, while those from health care and financials superhead losses. In turn, in the US the futures of main indices are mixed and show little changes**

- **Out of the 5 S&P500 companies scheduled to report today, 2 has already updated investors, including Target, which is up more than 6% on pre-market as it significantly beat earnings expectations and despite cutting its growth guidance. Cisco will publish its figures after the market close**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. European rates trade with gains of 2bps, except for GILTS which post losses following the inflation report. Treasuries post gains of 3bps on average with the largest adjustments in the short- and mid-end. Yesterday, the Mbonos' curve flattened, with 2bps pressures at the short-end**

- **USD trades little changed on BBDXY as most G10 currencies post gains and EMs trade mixed. In the first group NOK (+0.3%) is the strongest. In the second, RUB (+2.0%) and KRW (-0.5%) are at the ends of the spectrum. MXN strengthens 0.3% to 17.10 per dollar**

- **Crude-oil futures gain 0.2% on expectations of strong demand for the remainder of the year despite uncertainty in China. Metals prices are mixed, with nickel (+1.9%) standing out**

Corporate Debt

- **Today we expect activity in the banking market with a bond issue by Scotiabank. The bank issuance will be placed for an amount of MXN 4 billion, which can be increased at the book closing date to MXN 8 billion through an over-allotment option. The bond will have a 2.5-year term and will pay a floating rate pegged to TIIE-28. The amortization will be made through a bullet payment at maturity and the ratings assigned were 'mxAAA' and 'AAA(mex)' by S&P Global Ratings and Fitch Ratings, respectively**

- **S&P Global Ratings confirmed 'BBB' and 'mxAAA' ratings for Red de Carreteras de Occidente; the outlook remains stable. According to the agency, it maintains its expectation of solid traffic volumes, considering the strong traffic growth in 2022 of around 10.5% (which had already surpassed pre-pandemic levels)**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,946.39	-1.0%
S&P 500	4,437.86	-1.2%
Nasdaq	13,631.05	-1.1%
IPC	53,568.32	0.5%
Ibovespa	116,171.42	-0.5%
Euro Stoxx 50	4,288.57	-1.0%
FTSE 100	7,389.64	-1.6%
CAC 40	7,267.70	-1.1%
DAX	15,767.28	-0.9%
Nikkei 225	32,238.89	0.6%
Hang Seng	18,581.11	-1.0%
Shanghai Composite	3,176.18	-0.1%
Sovereign bonds		
2-year Treasuries	4.95	-1pb
10-year Treasuries	4.21	2pb
28-day Cetes	11.31	0pb
28-day TIIE	11.49	0pb
2-year Mbono	10.30	5pb
10-year Mbono	9.15	-1pb
Currencies		
USD/MXN	17.15	0.5%
EUR/USD	1.09	0.0%
GBP/USD	1.27	0.2%
DXY	103.21	0.0%
Commodities		
WTI	80.99	-1.8%
Brent	84.89	-1.5%
Mexican mix	77.93	-1.7%
Gold	1,902.00	-0.3%
Copper	370.55	-1.4%

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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

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.*

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

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