

Financial Markets Daily

August 17, 2023

Main drivers for the financial markets today...

- Stock markets negative, with S&P Futures up, USD down and government bond yields up on investors' expectation of a possible hike by the Fed after some officials' comments in yesterday's minutes considering tighter policy
- China also continues to weigh on confidence, with the real estate and financial market outlook likely to be worse than official reports show and increasing efforts to stem losses in its currency. Regarding other issues, the Asian country said they are evaluating the impact of Biden's executive order to limit US investment in China and explained that they will take the necessary measures
- In terms of economic figures, in the US the *Philly Fed* regional manufacturing indicator for August was published posting a surprise rise to +12pts, well above the consensus estimate of -10.4 and also above the previous month's -13.5. The new orders sub-index, which is an indicator of future growth, rose from -15.9 to +16.0. Jobless claims stood at 239k in the week ending August 12, below the previous figure of 250k. The largest declines were seen in California, Texas and Michigan, while increases were reported in Virginia

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forecasters, granted by Focus Economics



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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,436.25	0.4%
Euro Stoxx 50	4,267.07	-0.4%
Nikkei 225	31,626.00	-0.4%
Shanghai Composite	3,163.74	0.4%
Currencies		
USD/MXN	17.10	-0.2%
EUR/USD	1.09	0.3%
DXY	103.16	-0.3%
Commodities		
WTI	80.17	1.0%
Brent	84.21	0.9%
Gold	1,899.35	0.4%
Copper	370.15	1.2%
Sovereign bonds		
10-year Treasury	4.29	4pb

Source: Bloomberg

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Trade balance* - Jun	EURbn	--	--	-0.9
United States					
8:30	Initial jobless claims* - Aug 12	thousands	235	240	248
8:30	Philadelphia Fed* - Aug	index	-12.0	-10.5	-13.5

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

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Equities

- Negative bias in stock markets, while uncertainty continues surrounding a backdrop where interest rates could remain high for longer, and under the complex context that prevails in China
- However, futures in the US are on the rise, reacting to the falls observed yesterday, with both the S&P500 and the Nasdaq trading 0.4% above their theoretical values. Today the focus remains on the results of consumer companies, highlighting the figures of Walmart who increased its profit guidance for second consecutive quarter, supported by new sales gains upon bargain-hunting US Shoppers. In other news, Cisco Systems shares reacted favorably after commenting on an outlook that helped assuage concerns about slowing revenue
- In Europe, the falls average ~0.3%, while Asia closed mixed, where the falls in Japan contrast with some gains in China's stock markets

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds. European assets adjust up to +4bps. The Treasuries' yield curve gains 1bp at the short-end, while the long-end loses 3bps. Yesterday, the Mbonos' yield curve adjusted +3bps, on average, with the 10-year benchmark, May'33, at 9.18% (+4bps)
- The dollar retreats, allowing all G10 currencies to trade in positive domain with NOK (+0.5%) leading the gains. In EM, the bias is also positive with RUB (+2.8%) as the strongest. The MXN appreciates 0.3% trading at 17.08 per dollar, after gaining 0.1% yesterday
- Crude-oil futures are up nearly 1.0%, following a 6 million barrel drop in US inventories. In this sense, the WTI returns to trade above 80 \$/bbl. Metals trade in positive domain, highlighting an advance in copper and platinum of 1.3% and 2.3%, respectively

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,765.74	-0.5%
S&P 500	4,404.33	-0.8%
Nasdaq	13,474.63	-1.1%
IPC	53,827.71	0.5%
Ibovespa	115,591.52	-0.5%
Euro Stoxx 50	4,284.27	-0.1%
FTSE 100	7,356.88	-0.4%
CAC 40	7,260.25	-0.1%
DAX	15,789.45	0.1%
Nikkei 225	31,766.82	-1.5%
Hang Seng	18,329.30	-1.4%
Shanghai Composite	3,150.13	-0.8%
Sovereign bonds		
2-year Treasuries	4.97	1pb
10-year Treasuries	4.25	4pb
28-day Cetes	11.31	0pb
28-day TIIE	11.50	2pb
2-year Mbono	10.31	2pb
10-year Mbono	9.19	4pb
Currencies		
USD/MXN	17.14	-0.1%
EUR/USD	1.09	-0.2%
GBP/USD	1.27	0.2%
DXY	103.43	0.2%
Commodities		
WTI	79.38	-2.0%
Brent	83.45	-1.7%
Mexican mix	76.49	-1.8%
Gold	1,891.81	-0.5%
Copper	369.55	-0.3%

Source: Bloomberg

Corporate Debt

- Financiera Bepensa (Finbe) informed the bondholders of the FINBE 20 senior notes, as established in the "Voluntary early redemption" section of the security, that it will carry out the total amortization of the notes on August 24, 2023, with its own resources. It is important to note that Finbe's issuance has an outstanding amount of MXN 1.7 billion and the legal maturity date is September 21, 2023
- HR Ratings assigned a rating of 'HR AAA' with Stable Outlook for the SHF 23 issuance for a target amount of MXN 3 billion and a maximum amount of up to MXN 4 billion. According to the agency, SHF's rating is based on the explicit support provided by the Federal Government to its passive operations. Regarding the Bank's financial situation, it maintains solid solvency levels, with a capitalization ratio and an outstanding portfolio to net debt ratio of 28.7% and 2.0x, respectively, as of 2Q23

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