

# Financial Markets Daily

August 18, 2023

## Main drivers for the financial markets today...

- Stock markets negative, government bond yields down and USD with small changes, with investors worried about how long will interest rates remain high and restless about the uncertainty surrounding China's outlook
- Caution will prevail today on scarce economic data though with high volatility on monthly options expiration and with few catalysts before *Jackson Hole's* symposium next week where Powell is expected to give clearer signals of the Fed's actions in the following meetings
- Given the positive surprises in recent indicators, economists surveyed by Bloomberg raised their US growth estimate for 3Q23 from 0.5% previously to 1.8% and also adjusted 4Q23 upwards from -0.4% to +0.4%, expecting that there will be no recession
- Regarding economic figures, the final inflation report for July in the Eurozone was in line with expectations and unchanged from the preliminary data (5.3% y/y), with the Core at 5.5%, although it remains unclear if the ECB will raise rates at the September meeting
- In Mexico, INEGI released July's Timely Indicator of Economic Activity, expecting 0.2% m/m (3.4% y/y sa). Inside, industry (0.3% m/m) and services (0.2%) would climb, consistent with positive signals for the period
- INEGI also published May's retail sales, rebounding 2.3% m/m (5.9% y/y). 7 out of the 9 sectors increased, with strength centered in internet sales (30.5% m/m) and clothing and shoes (4.4%)

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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
<b>Eurozone</b>					
5:00	Consumer prices - Jul (F)	% y/y	--	5.3	5.3
5:00	Core - Jul (F)	% y/y	--	5.5	5.5
<b>Mexico</b>					
8:00	Retail sales - Jun	% y/y	4.9	3.0	2.6
8:00	Retail sales* - Jun	% m/m	1.7	--	-0.5
8:00	Timely Indicator of Economic Activity* - Jul	% y/y	--	--	4.0

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.
<b>Equity indices</b>		
S&P 500 Futures	4,364.75	-0.5%
Euro Stoxx 50	4,189.84	-0.9%
Nikkei 225	31,450.76	-0.6%
Shanghai Composite	3,131.95	-1.0%
<b>Currencies</b>		
USD/MXN	17.09	-0.1%
EUR/USD	1.09	-0.1%
DXY	103.51	-0.1%
<b>Commodities</b>		
WTI	79.90	-0.6%
Brent	83.56	-0.7%
Gold	1,893.58	0.2%
Copper	367.30	-0.5%
<b>Sovereign bonds</b>		
10-year Treasury	4.23	-4pb

Source: Bloomberg

## Equities

- The week concludes with widespread falls in the stock markets, with a lot of caution among investors and few clear catalysts. Europe trades with average adjustments of ~1%, while in Asia the 2.1% fall of the Hang Seng stands out
- US futures anticipate a negative opening, with the S&P500 trading 0.5% below its theoretical value and the Nasdaq following 0.8%. High volatility is anticipated before the monthly options expiration and with little clarity among the shorts/puts that could be triggered, given the uncertainty that remains among how much more could the stock markets may adjust given the backdrop of high rates and the challenges that have been added
- In the US, the earnings season is almost over. With ~94% of the results of companies in the S&P500 a 7.7% drop in profits has been accumulated vs -9.0%. The positive surprises rate remains at 79.9%. The focus will now remain on whether growth may return in 3Q23 or if it will be until 4Q23 as expectations point out

## Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds. European rates register gains of up to 11bps on 10-year benchmarks. The Treasuries yield curve trades with an adjustment of -4bps on average, with the largest gains seen in the mid- and long-end. Yesterday, Mbonos lost 9bps on average and the new 5-year benchmark (Mar'29) was placed at 9.37%
- The dollar trades little changed while developed currencies lose ground and emerging currencies post mixed movements. In the first group, NOK (-0.6%) is the weakest and in the second, trading is capped by PHP (+1.1%) and PLN (-0.2%). Mexican peso appreciates 0.2% to 17.07 per dollar
- Crude-oil futures fall 0.6% on average on higher economic and financial risks in China that could affect energy demand. Industrial metals perform negatively

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	34,474.83	-0.8%
S&P 500	4,370.36	-0.8%
Nasdaq	13,316.93	-1.2%
IPC	53,201.44	-1.2%
Ibovespa	114,982.30	-0.5%
Euro Stoxx 50	4,227.83	-1.3%
FTSE 100	7,310.21	-0.6%
CAC 40	7,191.74	-0.9%
DAX	15,676.90	-0.7%
Nikkei 225	31,626.00	-0.4%
Hang Seng	18,326.63	0.0%
Shanghai Composite	3,163.74	0.4%
<b>Sovereign bonds</b>		
2-year Treasuries	4.93	-4pb
10-year Treasuries	4.27	2pb
28-day Cetes	11.31	0pb
28-day TIE	11.49	-1pb
2-year Mbono	10.39	8pb
10-year Mbono	9.31	12pb
<b>Currencies</b>		
USD/MXN	17.11	-0.2%
EUR/USD	1.09	-0.1%
GBP/USD	1.27	0.1%
DXY	103.57	0.1%
<b>Commodities</b>		
WTI	80.39	1.3%
Brent	84.12	0.8%
Mexican mix	77.11	0.8%
Gold	1,889.43	-0.1%
Copper	372.95	0.9%

Source: Bloomberg

## Corporate Debt

- Monex informed the bondholders of the MONEX 21 senior notes, as established in the "Voluntary early redemption" section of the security, that the notes will be fully redeemed on August 25, 2023. It is important to note that they will be amortized at an average price of MXN 100.397688, therefore the amount to be amortized is MXN 1,506 million
- Fitch Ratings affirmed the rating of the State of Mexico sustainable issuance, EDOMEX 22X, at 'AAA(mex)vra'. According to the agency, the rating is closely linked to the State's credit quality ('AA+(mex)' Stable Outlook), as well as to the irrevocable allocation of 5.30% of the Contribution Fund for the Strengthening of Federal Entities

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, 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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<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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