

# Financial Markets Daily

August 23, 2023

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

- **Stock markets positive, government bond yields down and USD up. Investors are awaiting the results of Nvidia being a key element of the rally in technology stocks related to Artificial Intelligence. In the last days investors positioned anticipating a very good report**
- **The PMI manufacturing indicators in the Eurozone and the UK came in below consensus. Contraction in the Eurozone activity slowed further leading to higher market bets for an ECB pause in September**
- **In the US, August's PMI and new home sales for July will be published. In the latter, a slight advance of +1.0% m/m is expected, after a contraction of -2.5% the previous month. Likewise, the revision to the non-farm payroll series in the year until March 2023 will be released, were 500k fewer jobs are expected (-40k per month in the last 12 months). Despite the review, the average monthly job creation would remain high at around 300k. Because of this, we expect the perception that the labor market remains very solid to remain**
- **At night there will be a debate between the Republican candidates seeking the nomination to represent the party in the 2024 presidential elections. There will be 8 and most likely Donald Trump will not attend**

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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
<i>Eurozone</i>					
3:30	GER Composite PMI* - Aug (P)	index	--	48.0	48.5
4:00	EZ Composite PMI* - Aug (P)	index	--	48.5	48.6
10:00	EZ Consumer confidence* - Aug (P)	index	--	-14.5	-15.1
<i>United States</i>					
9:45	Manufacturing PMI* - Aug (P)	index	48.8	49.0	49.0
9:45	Services PMI* - Aug (P)	index	--	52.0	52.3
9:45	Composite PMI* - Aug (P)	index	--	51.5	52.0
10:00	New home sales** - Jul	thousands	--	704	697
10:00	Preliminary benchmark Revision to Establishment Survey Data				
<i>South Korea</i>					
	Monetary policy decision (Central bank S. Korea)	%	--	3.50	3.50

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.
<i>Equity indices</i>		
S&P 500 Futures	4,405.75	0.1%
Euro Stoxx 50	4,260.94	0.0%
Nikkei 225	32,010.26	0.5%
Shanghai Composite	3,078.40	-1.3%
<i>Currencies</i>		
USD/MXN	16.90	-0.1%
EUR/USD	1.08	-0.4%
DXY	103.92	0.3%
<i>Commodities</i>		
WTI	78.35	-2.5%
Brent	82.71	-1.6%
Gold	1,903.91	0.3%
Copper	378.90	0.9%
<i>Sovereign bonds</i>		
10-year Treasury	4.28	-5pb

Source: Bloomberg

## Equities

- **Stock markets trading with positive bias, although the publication of some earnings results with disappointing updates, mitigate the upward performance**
- **In particular, futures in the US anticipate a positive opening, with the S&P500 trading 0.1% above its theoretical value and the Nasdaq doing the same at 0.1%. In Asia we observed mixed closures, but pressures continue in China (Shanghai - 1.3%), despite signs of recovery in technology giants**
- **Investors are focused on Nvidia's report after the market close, expecting the chipmaker's revenue to beat the projections it anticipated three months ago, supporting appetite for AI stocks. Meanwhile, on the downside, Foot Locker shares are down ~30% after cutting their 2023 revenue projections and halting dividend distribution. Similarly, Peloton Interactive falls ~20% after disappointing results**

## Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. European 10-year benchmarks gain up to 11bps on weak PMI indicators. The Treasuries curve trades with gains of 4bps on average. Yesterday, Mbonos ended with adjusted -1bp on average and the 10-year benchmark closed at 9.44% (-1bp)**
- **The dollar trades with a positive bias (BBDXY +0.1%). Most G10 currencies lose ground with GBP (-0.8%) as the weakest. In the EM group, performance is mixed with ZAR (+0.6%) and PHP (-0.6%) at the extremes. Mexican peso extends yesterday's gains appreciating 0.1% to 16.90 per dollar**
- **Crude-oil futures fall 2.0% on average reflecting weak economic activity in the Eurozone and uncertainty in China. Metals trade with gains and silver stands out with an advance of 1.9%**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,288.83	-0.5%
S&P 500	4,387.55	-0.3%
Nasdaq	13,505.87	0.1%
IPC	53,127.93	0.0%
Ibovespa	116,156.01	1.5%
Euro Stoxx 50	4,260.37	0.8%
FTSE 100	7,270.76	0.2%
CAC 40	7,240.88	0.6%
DAX	15,705.62	0.7%
Nikkei 225	31,856.71	0.9%
Hang Seng	17,791.01	1.0%
Shanghai Composite	3,120.33	0.9%
<i>Sovereign bonds</i>		
2-year Treasuries	5.05	5pb
10-year Treasuries	4.32	-1pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	1pb
2-year Mbono	10.42	-3pb
10-year Mbono	9.45	-2pb
<i>Currencies</i>		
USD/MXN	16.91	-0.6%
EUR/USD	1.08	-0.5%
GBP/USD	1.27	-0.2%
DXY	103.56	0.3%
<i>Commodities</i>		
WTI	80.35	-0.5%
Brent	84.03	-0.5%
Mexican mix	77.02	-0.6%
Gold	1,897.48	0.1%
Copper	378.85	0.9%

Source: Bloomberg

## Corporate Debt

- **Fitch Ratings affirmed Financiera Bepensa's primary financial asset manager rating at 'AAFC3+(mex)' and changed the outlook to Positive from Stable. The outlook change considers the sustained improvement observed in senior management expertise, the continued positive growth of the portfolio in recent years, and the integration of internal processes and systems with its group**
- **Fitch Ratings affirmed the ratings of the CBs named CEDEVIS, CDVITOT and FHIPOCB 17U. The CBs are mostly backed by mortgage loans originated by Infonavit ['AAA(mex)'; Stable Outlook]**

## Certification of Analysts.

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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	Reference
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<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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