Banorte Research and Strategy

Financial Markets Daily

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Main drivers for the financial markets today…

- **Stock markets positive, government bond yields up, and the USD with small changes, with investors cautious ahead of comments from Powell and Lagarde at the Jackson Hole annual symposium, looking for clues on the next steps for monetary policy and the outlook on interest rates**

- **In China, there are new policies aimed at boosting the economy. Today, the government established a set of rules to facilitate house purchases and to avoid further damage to the real estate market. Among the measures, the one that stands out classifies people who have previously bought a property as first buyers, reducing their tax burden**

- **Regarding economic figures, Germany released the final print for 2Q23 GDP, standing at 0.0% q/q; avoiding a technical recession. However, August's IFO business confidence index fell to its lowest level so far in 2023 (85.7pts). Later, we expect data on consumer confidence from the U. of Michigan for the month of August in the US and Mexico's current account balance in 2Q23**

- **Finally, at the Jackson Hole symposium, the spotlight will be on Powell and his speech. Attention will be focused on when will the tightening cycle end and for how long the rate will stay at that level. His words are expected to revolve around a strategy of patience and data dependency. Lagarde will be the point of attention latter on, with the expectation that she will speak on ECB's forward guidance with more clarity, although possibly noting that rate increases will continue**

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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
Germany					
2:00	Gross domestic product* - 2Q23 (F)	% q/q	--	0.0	0.0
4:00	IFO Survey (business climate)* - Aug	index	--	86.8	87.3
Brazil					
8:00	Consumer prices -Aug	% m/m	--	0.17	-0.07
8:00	Consumer prices - Aug	% y/y	--	4.12	3.19
United States					
9:00	Fed's Harker interview with Bloomberg				
10:00	U. of Michigan Confidence* - Aug (F)	index	71.2	71.2	71.2
10:05	Fed's Powell speaks at Jackson Hole Symposium				
Mexico					
11:00	Current account - 2Q23	US$bn	4.3	3.4	-14.3

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	4,401.00	0.3%
Euro Stoxx 50	4,256.59	0.6%
Nikkei 225	31,624.28	-2.1%
Shanghai Composite	3,064.08	-0.6%
Currencies		
USD/MXN	16.77	-0.3%
EUR/USD	1.08	0.0%
DXY	103.99	0.0%
Commodities		
WTI	80.07	1.3%
Brent	84.40	1.2%
Gold	1,917.92	0.1%
Copper	379.20	0.6%
Sovereign bonds		
10-year Treasury	4.24	0pb

Source: Bloomberg

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Equities

- **Positive bias prevails in the stock markets, although investors remain very cautious betting on less hawkish comments from Powell, and the discussion continues framed on which sectors would be less sensitive to an environment of high rates for longer**

- **In the US, futures anticipate a positive opening, reacting to yesterday's falls, with the S&P500 trading 0.3% above its theoretical value and the Nasdaq doing the same at just 0.1%. Yesterday's reaction to Nvidia's report, which, despite far exceeding expectations, triggered profit taking, continues to cause skepticism about how sustainable valuations are despite the strong performance that is expected to continue in artificial intelligence stocks.**

- **In Europe, stock markets are trading up on average of ~0.5%, with commodities-related stocks leading the gains. Asia closed negative aligned with yesterday's falls, highlighting the 2.0% decline in the Nikkei**

Sovereign fixed income, currencies and commodities

- **Negative bias in sovereign bonds while awaiting more information. European rates adjust up to +6bps on 10-year benchmarks while the Treasuries yield curve trades little changed. Yesterday, Mbonos ended the session with losses of 5bps on average and the largest adjustments in the mid-end**

- **The USD trades little changed on the BBDXY while G10 and emerging market currencies post mixed changes. In developed, NOK (+0.5%) and SEK (-0.1%) are at the ends of the spectrum. On the emerging currencies' side, trading is capped by ZAR (+0.9%) and TRY (-2.5%). The Mexican peso appreciates 0.3% to trade at 16.77 per dollar**

- **Crude-oil futures gain 1.2% with investors weighing supply concerns and demand uncertainty. In metals, the positive bias prevails, with copper (+0.6%) leading the gains**

Corporate Debt

- **Fitch Ratings affirmed Comisión Federal de Electricidad's (CFE) long- and short-term national ratings at 'AAA(mex)' and 'F1+(mex)', respectively. At the same time, it affirmed the international issuer default ratings (IDR) at 'BBB-'. The ratings outlook is Stable**

- **Fitch Ratings also maintained its assessment of CFE's Standalone Credit Profile at 'bb-'**

- **CFE's ratings are equalized with the Mexican sovereign rating, based on Fitch's methodology criteria. The strength of the linkage is considered 'Very Strong' to 'Strong' due to the assessment of the status, ownership and control by the government of Mexico and the support track record**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,099.42	-1.1%
S&P 500	4,376.31	-1.3%
Nasdaq	13,463.97	-1.9%
IPC	53,109.83	-1.0%
Ibovespa	117,025.60	-0.9%
Euro Stoxx 50	4,232.22	-0.8%
FTSE 100	7,333.63	0.2%
CAC 40	7,214.46	-0.4%
DAX	15,621.49	-0.7%
Nikkei 225	32,287.21	0.9%
Hang Seng	18,212.17	2.1%
Shanghai Composite	3,082.24	0.1%
Sovereign bonds		
2-year Treasuries	5.02	6pb
10-year Treasuries	4.24	5pb
28-day Cetes	11.31	0pb
28-day TIIE	11.49	0pb
2-year Mbono	10.36	9pb
10-year Mbono	9.27	3pb
Currencies		
USD/MXN	16.83	0.2%
EUR/USD	1.08	-0.5%
GBP/USD	1.26	-1.0%
DXY	103.98	0.5%
Commodities		
WTI	79.05	0.2%
Brent	83.36	0.2%
Mexican mix	76.53	0.3%
Gold	1,916.91	0.1%
Copper	379.35	-1.1%

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.

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	Reference
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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.*

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