

Financial Markets Daily

August 28, 2023

Main drivers for the financial markets today...

- **Stock markets higher, government bond yields biased up, and USD mixed.** There was an initial impulse from a series of measures by the Chinese government to boost the stock market, including a cut on a levy to transactions and deposits for margin financing, along with the prohibition of sales by major stakeholders
- **Nevertheless, the rebound fade out on: (1) Skepticism about the economy, with industrial profits down 6.7% y/y in July, impacted also by climatological factors; and (2) the absence of clearer guidance by central bankers, albeit maintaining a hawkish tone**
- **Market attention this week on the economic agenda, including August's nonfarm payrolls, which we estimate at 190 thousand (consensus: 168k). Moreover, Banxico's Quarterly Inflation Report, forecasting an upward revision to 2023 GDP**
- **In addition, 2Q23 GDP in the US (2nd estimate), Mexico (final) and Brazil, along with August inflation in Germany and the Eurozone, and PMIs for the same month in China**
- **In monetary policy, decisions only in Hungary and Bulgaria. Also, comments from some Board members of the Fed and the ECB, with the latter also releasing the minutes of its latest meeting**
- **US data also includes housing prices (Jun), personal income & spending, PCE deflator, trade balance (Jul), consumer confidence, ADP employment, consumer confidence, ADP employment, ISM manufacturing, and vehicle sales (Aug)**
- **Lastly, Mexico's trade balance in August showed a US\$881.2 million deficit. Moreover, releases include the monthly GDP-proxy IGAE (Jun), public finance report, unemployment rate, banking credit, remittances (Jul), IMEF's PMI indicators (Aug), and Banxico's survey. In addition, Congress's ordinary period begins on September 1st**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	Monetary aggregates (M3)* - Jul	EURbn	--	0.0	0.6
<i>Mexico</i>					
8:00	Trade balance - Jul	US\$m	-1,676.9	-1,660.0	38.2
<i>United States</i>					
12:30	Fed's Barr Speaks About Banking Services				

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	4,422.25	0.2%
Euro Stoxx 50	4,265.72	0.7%
Nikkei 225	32,169.99	1.7%
Shanghai Composite	3,098.64	1.1%
<i>Currencies</i>		
USD/MXN	16.70	-0.3%
EUR/USD	1.08	0.1%
DX	104.10	0.0%
<i>Commodities</i>		
WTI	79.76	-0.1%
Brent	84.27	-0.2%
Gold	1,914.87	0.0%
Copper	377.20	0.3%
<i>Sovereign bonds</i>		
10-year Treasury	4.24	0pb

Source: Bloomberg

Equities

- The week begins with widespread gains due to some optimism generated by stimulus measures in China's stock market
- US futures with small changes, trading 0.3% above its theoretical value. Europe trades with average gains of 0.6%, while the UK stock market is closed due to a local holiday.
- In corporate news, 3M shares are up more than 5% after the company reached a settlement after recent lawsuits related to the sale of defective earplugs
- In Mexico, we expect the Mexbol to trade this week between 52,400 and 54,000 points, after closing at 53,192 points last Friday

Sovereign fixed income, currencies and commodities

- Mixed balance in sovereign bonds. European 10-year rates adjust +/-2bps, while US Treasuries show a flattening bias, with few changes at the short-end and gains of 3bps at the long-end. Last week, long-term Mbonos rallied 9bps on average, with the 10-year reference (May'33) closing at 9.24% (-11bps)
- USD little changed amid a favorable performance in G10 currencies, with SEK (+0.4%) leading. On the contrary, negative bias in EM, with losses of up to 0.5% in THB. However, MXN outperforms with an appreciation of 0.3% to 16.70 per dollar, after reaching its best intraday level during the month earlier today at 16.69
- Crude-oil virtually unchanged as China announced a series of stimulus measures and investors remain wary, assessing increased supply and monetary tightening in the US and Europe

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,346.90	0.7%
S&P 500	4,405.71	0.7%
Nasdaq	13,590.65	0.9%
IPC	53,191.53	0.2%
Ibovespa	115,837.20	-1.0%
Euro Stoxx 50	4,236.25	0.1%
FTSE 100	7,338.58	0.1%
CAC 40	7,229.60	0.2%
DAX	15,631.82	0.1%
Nikkei 225	31,624.28	-2.1%
Hang Seng	17,956.38	-1.4%
Shanghai Composite	3,064.08	-0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	5.08	5pb
10-year Treasuries	4.24	0pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	1pb
2-year Mbono	10.38	1pb
10-year Mbono	9.26	-2pb
<i>Currencies</i>		
USD/MXN	16.75	-0.5%
EUR/USD	1.08	-0.1%
GBP/USD	1.26	-0.2%
DX	104.08	0.1%
<i>Commodities</i>		
WTI	79.83	1.0%
Brent	84.48	1.3%
Mexican mix	77.73	1.6%
Gold	1,914.96	-0.1%
Copper	378.40	-0.3%

Source: Bloomberg

Corporate Debt

- For the last week of August, we expect the auction of four unsecured bonds by Orbia Advance Corporation and FEFA, for a target amount of \$10 billion. It is noteworthy that three of the bonds are tagged as sustainability-linked bonds or social gender bonds
- S&P Global Ratings affirmed the rating of Afirme Grupo Financiero and Corporación AGF at 'mxBBB' and the ratings of its main subsidiaries (Banca Afirme, Almacенadora Afirme, Arrendadora Afirme) at 'mxA-'. Moreover, the agency revised the outlook to Negative from Stable, reflecting the significant weakening in asset quality indicators, mainly during the second quarter of this year

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