

Financial Markets Daily

August 29, 2023

Main drivers for the financial markets today...

- **Stock markets and government bond yields mixed & USD slightly positive, waiting for more measures to boost China's economy, including cut the interest rates on existing mortgages for the first time since the global financial crisis, and US economic data to assess next Fed actions**
- **New regulations for midsize lenders by Federal Deposit Insurance Corporation (FDIC) are expected today. Banks with as little as US\$100 billion in assets have to issue enough long-term debt to cover capital if they ever failed. Moreover, UK Foreign Secretary will visit China for talks focused on Russia and Ukraine**
- **Regarding economic figures, the housing prices report for June and Conference Board's consumer confidence indicator for August will be released in the US. Barr from Fed will speak**
- **In Mexico, the INEGI published 2Q23 final GDP, coming in at 0.8% q/q (preliminary: 0.9%). In annual terms (nsa) activity stood at 3.6% (preliminary: 3.7%). By sectors, primary activities grew 0.7% q/q (1.9% y/y), with industry at +1.2% q/q (4.0% y/y), and services at +0.7% q/q (3.5% y/y)**
- **INEGI also released June's GDP-proxy IGAE, up 0.5% m/m (+4.1% y/y). By sectors, both industry (0.7% m/m) and services (+0.4%) grew, with primary activities (-1.0%) falling**

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economic forecasters, granted by Focus
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Gross domestic product - 2Q23 (F)	% y/y	3.7	3.8	3.7
8:00	Gross domestic product* - 2Q23 (F)	& q/q	1.0	1.0	0.9
8:00	Economic activity indicator (IGAE) - Jun	% y/y	4.2	4.2	4.3
8:00	Economic activity indicator (IGAE)* - Jun	% m/m	0.5	0.5	0.9
11:00	International reserves - Ago 25	US\$bn	--	--	203.5
13:30	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 5-year Mbono (Mar'29); 10-year Udibono (Nov'31) and 1-, 3-, and 7-year Bondes F				
<i>United States</i>					
9:00	S&P/CoreLogic housing prices - Jun	% y/y	--	-1.7	-1.7
10:00	Consumer confidence* - Aug	index	118.0	116.0	117.0
15:00	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	4,441.00	0.0%
Euro Stoxx 50	4,295.40	0.0%
Nikkei 225	32,226.97	0.2%
Shanghai Composite	3,135.89	1.2%
<i>Currencies</i>		
USD/MXN	16.81	0.1%
EUR/USD	1.08	-0.2%
DXY	104.25	0.2%
<i>Commodities</i>		
WTI	80.30	0.2%
Brent	84.98	0.7%
Gold	1,917.81	-0.1%
Copper	375.45	0.0%
<i>Sovereign bonds</i>		
10-year Treasury	4.23	3pb

Source: Bloomberg

Equities

- **Mixed movements in equity markets as investors continue to weigh the outlook for monetary policy and global economic growth**
- **In Asia, the markets closed positive, highlighting the Hang Seng's rise of almost 2% on the expectation of greater stimulus from China for the economy. In Europe stocks advance, the Eurostoxx adds 0.1%. Shares from real estate, utilities, and health care sectors lead gains. On the other hand, in the US the futures of main indices show little changes, although they point to a slightly negative opening by falling 0.1% on average. Best Buy's share price was up more than 2% on pre-market as it reported a 2Q23 that beat estimates, offsetting a reduction in growth outlook for the year**
- **In Mexico, the Mexbol Index may remain around the 53,400pts**

Sovereign fixed income, currencies and commodities

- **Mixed balance in sovereign bonds. The 10-year references in Europe adjust +/- 2bps, while Treasuries' curve print a steepening bias as a result of modest gains at the short-end and losses of 3bps at the long-end. Yesterday, short- and mid-term Mbonos registered a marginal advance and long-term ones recorded losses of 3bps**
- **Dollar slightly positive amid widespread losses in most of developed currencies, with JPY (-0.5%) as the weakest. In EM, the bias is mixed with THB (+0.4%) and RUB (-0.6%) at the extremes. Meanwhile, MXN trades at 16.81 per dollar (-0.1%), after yesterday's losses of 0.3%**
- **Crude-oil advances as further intervention by China to support its flagging market bolstered investors' confidence. In a similar fashion, copper and aluminum record gains of 0.5%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,559.98	0.6%
S&P 500	4,433.31	0.6%
Nasdaq	13,705.13	0.8%
IPC	53,442.64	0.5%
Ibovespa	117,120.98	1.1%
Euro Stoxx 50	4,293.69	1.4%
FTSE 100	7,338.58	0.0%
CAC 40	7,324.71	1.3%
DAX	15,792.61	1.0%
Nikkei 225	32,169.99	1.7%
Hang Seng	18,130.74	1.0%
Shanghai Composite	3,098.64	1.1%
<i>Sovereign bonds</i>		
2-year Treasuries	5.05	-3pb
10-year Treasuries	4.20	-3pb
28-day Cetes	11.31	0pb
28-day TIE	11.51	0pb
2-year Mbono	10.37	0pb
10-year Mbono	9.26	0pb
<i>Currencies</i>		
USD/MXN	16.79	0.3%
EUR/USD	1.08	0.2%
GBP/USD	1.26	0.2%
DX	104.06	0.0%
<i>Commodities</i>		
WTI	80.10	0.3%
Brent	84.42	-0.1%
Mexican mix	77.16	-0.7%
Gold	1,920.17	0.3%
Copper	379.20	0.2%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings commented that the financial metrics of the Mexican banking system will continue to be more affected by economic factors than by the political uncertainty of the presidential electoral cycle. The agency does not project significant alterations in the financial performance of banks or in credit growth as a smooth and orderly presidential transition is expected, regardless of the electoral outcome**
- **INVEX Controladora reported that it signed the sale of the solar energy portfolio called Jaguar Solar. The subsidiary INVEX Grupo Infraestructura has a 25.7% interest in this project, which consists of six photovoltaic parks in the state of Chihuahua. At the end of 2Q23, the participation in the portfolio had a value of approximately US\$50 million**

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

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