

Financial Markets Daily

August 30, 2023

Main drivers for the financial markets today...

- Stock markets mixed, government bond yields positive and USD with small changes. Cautiousness given adverse inflation signals in some Eurozone countries, adding pressure on the ECB to continue its monetary tightening
- In addition, nervousness given the request from Chinese regulators to examine the shadow bank Zhongrong, possibly setting the groundwork for a government bailout for the troubled institution. Meanwhile, the city of Guangzhou announced an easing on mortgage curbs, aiming to support a market which faces important risks
- Inflation in Germany in August came in above expectations at 6.4% y/y, while economic confidence in the Eurozone moderated to 93.3pts. In the US, 2Q23 GDP was revised down to 2.1%, with a negative adjustment also on private consumption (to 1.7%). In addition, ADP's employment report showed a creation of 177k positions, slightly below consensus
- In Mexico we await Banxico's Quarterly Report, expecting an upside revision to this year's GDP and looking into comments within the press conference. Tonight, we will have China's PMIs for August
- In other news, US Commerce Secretary, Gina Raimondo, finished her visit to China, showing a more conciliatory tone regarding trade, expecting some progress to start materializing in the next few months

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
8:15	ADP employment* - Aug	thousands	250	200	324
8:30	Gross domestic product** - 2Q23	& q/q	2.4	2.4	2.4
8:30	Personal consumption** - 2Q23	& q/q	1.6	1.8	1.6
8:30	Trade balance* - Jul	US\$bn	--	-90.0	-88.8
Mexico					
14:30	Banxico's Quarterly Report				
16:30	Public finances (PSBR, year-to-date) - Jul	MXNmn	--	--	-496.9
China					
21:30	Manufacturing PMI* - Aug	index	--	49.1	49.3
21:30	Non-manufacturing PMI* - Aug	index	--	51.0	51.5
21:30	Composite PMI* - Aug	index	--	--	51.1

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.
Equity indices		
S&P 500 Futures	4,508.50	0.0%
Euro Stoxx 50	4,318.77	-0.2%
Nikkei 225	32,333.46	0.3%
Shanghai Composite	3,137.14	0.0%
Currencies		
USD/MXN	16.74	-0.3%
EUR/USD	1.09	0.3%
DXY	103.29	-0.2%
Commodities		
WTI	81.52	0.4%
Brent	85.91	0.5%
Gold	1,943.36	0.3%
Copper	378.25	-0.3%
Sovereign bonds		
10-year Treasury	4.11	-1pb

Source: Bloomberg

Equities

- Cautious sentiment prevails among investors, with mixed returns in main stock indices, although negative biased, as economic figures are assimilated
- Futures in the US anticipate a marginally negative opening, with both the S&P500 and the Nasdaq trading 0.1% below their theoretical value, reflecting some profit-taking after yesterday's rise. In corporate news, the announcement of *HP Inc* stands out, after cutting its full-year cash flow and profit outlook
- Europe trades mixed, but downward adjustments predominate. The utilities sector leads the declines in the Eurostoxx, with the shares of the Danish energy company *Orsted* falling more than 20% due to a significant impairments in its US portfolio. In Asia, both Hong Kong and China closed with marginal variations, while Japan stood out with an advance of 0.3% in the Nikkei

Sovereign fixed income, currencies and commodities

- Negative performance in sovereign bonds. European assets trade with losses of up to 6bps on 10-year benchmarks. Meanwhile, the Treasuries yield curve loses 1bps on average. Yesterday, the Mbonos' curve gained 2bps on average with the largest adjustments at the belly and the 10-year benchmark closed at 9.23% (-3bps)
- The dollar trades little changed on the BBDXY. G10 and emerging market currencies trade with mixed changes. In the first group, GBP (+0.3%) and NOK (-0.2%) are at the ends of the spectrum. In the second group, trading is capped by HUF (+0.4%) and RUB (-0.7%). The Mexican peso trades at 16.76 per dollar, representing an appreciation of 0.2%
- Crude-oil futures are up 0.5% on average on expectations of lower inventories and the potential impact of hurricane Idalia. Metals prices print mixed changes, while nickel is down 1.0%

Corporate Debt

- Initiation of arbitration proceedings in the US against Grupo Vasconia and Almexa for alleged payment defaults under certain aluminum supply contracts entered into between Almexa as purchaser and Perennial as supplier
- Fitch Ratings affirmed Corporativo GBM's long-term and short-term national ratings at 'A+(mex)' and 'F1+(mex)' and, at the same time, revised the outlook to Stable from Negative. According to the agency, the outlook revision reflects Fitch's expectation that the entities will maintain at a consolidated level the improvement shown in revenue generation from stable sources of customer operations and asset management that will continue to partially mitigate operating and valuation losses from its proprietary position

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,852.67	0.8%
S&P 500	4,497.63	1.5%
Nasdaq	13,943.76	1.7%
IPC	54,261.33	1.5%
Ibovespa	118,403.61	1.1%
Euro Stoxx 50	4,326.47	0.8%
FTSE 100	7,464.99	1.7%
CAC 40	7,373.43	0.7%
DAX	15,930.88	0.9%
Nikkei 225	32,226.97	0.2%
Hang Seng	18,484.03	1.9%
Shanghai Composite	3,135.89	1.2%
Sovereign bonds		
2-year Treasuries	4.89	-15pb
10-year Treasuries	4.12	-8pb
28-day Cetes	11.31	0pb
28-day TIE	11.51	0pb
2-year Mbono	10.31	-7pb
10-year Mbono	9.24	-2pb
Currencies		
USD/MXN	16.80	0.0%
EUR/USD	1.09	0.6%
GBP/USD	1.26	0.3%
DXY	103.53	-0.5%
Commodities		
WTI	81.16	1.3%
Brent	85.49	1.3%
Mexican mix	78.07	1.2%
Gold	1,937.54	0.9%
Copper	383.90	1.2%

Source: Bloomberg

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
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