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Banorte Research and Strategy

Financial Markets Daily

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Main drivers for the financial markets today…

- **Stock markets positive, USD higher, and government bond yields negative, with investors reacting to ECB minutes and Eurozone inflation data, which has stopped decelerating, as well as waiting for non-farm payrolls tomorrow in the US, providing signals about upcoming actions from the central bank**

- **In China, PMIs suggest that weakness in manufacturing could being to reverse, with the figure better than anticipated. Today the Caixin index will be published, which could reaffirm this trend, although it is still expected to be below the 50pts threshold**

- **In the US, July's PCE deflator came in at 3.3% y/y, with the core at 4.2%, both in line with expectations. Also, figures on income and spending were released with mixed results. Lastly, initial jobless claims decreased at the margin**

- **On the monetary policy front, Bostic (Atlanta) said that policy makers should be cautious, avoiding excessive tightening of monetary policy. Tonight we await comments from Collins (Boston)**

- **In Mexico, INEGI released July's employment report. The unemployment rate rose to 3.13% (+48bps), with 774.2 thousand jobs gained. With seasonally adjusted figures the rate came in at 2.88% (+21bps)**

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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
Mexico					
8:00	Unemployment rate - Jul	%	2.93	2.92	2.65
11:00	Banking credit - Jul	% y/y	5.0	--	5.0
United States					
3:15	Fed's Bostic Gives Speech in South Africa				
8:30	Personal income* - Jul	% m/m	--	0.3	0.3
8:30	Personal spending* - Jul	% m/m	--	0.7	0.5
8:30	Real personal spending* - Jul	% m/m	0.4	0.4	0.4
8:30	PCE Deflator* - Jul	% m/m	0.2	0.2	0.2
8:30	Core* - Jul	% m/m	0.2	0.2	0.2
8:30	PCE Deflator - Jul	% y/y	3.3	3.3	3.0
8:30	Core - Jul	% y/y	4.2	4.2	4.1
8:30	Initial jobless claims* - Aug 26	thousands	233	235	230
9:00	Fed's Collins speaks on Community Colleges				
China					
21:45	Manufacturing PMI (Caixin)* - Aug	index	--	49.2	49.2

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	4,532.25	0.2%
Euro Stoxx 50	4,330.76	0.4%
Nikkei 225	32,619.34	0.9%
Shanghai Composite	3,119.88	-0.6%
Currencies		
USD/MXN	16.73	-0.1%
EUR/USD	1.09	-0.5%
DXY	103.53	0.4%
Commodities		
WTI	82.57	1.2%
Brent	86.71	1.0%
Gold	1,945.29	0.2%
Copper	377.65	-0.2%
Sovereign bonds		
10-year Treasury	4.10	-2pb

Source: Bloomberg

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Equities

- **Positive movements in most equity markets with investors digesting the flow of economic data, while sentiment is boosted by UBS's record 2Q23 profits, following the acquisition of Credit Suisse, exceeding expectations. Higher volatility is anticipated due to the quarterly rebalancing of MSCI indices, whose changes will be effective prior to tomorrow's opening**

- **In Asia the markets closed mixed. In Europe stocks advance, the Eurostoxx adds 0.4%. Shares from real estate, communication services, and materials sectors lead gains. In the US the futures of main indices point to a positive opening by climbing 0.3% on average. Salesforce's stock price was up more than 6% on pre-market after results and 3Q23 guidance that beat estimates, while Dollar General Corporation fell more than 15% on pre-market as it cut its growth outlook**

- **In Mexico, the Mexbol Index may stand around the 54,500pts**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. European assets gain up to 7bps. The Treasuries' yield curve trades with gains of 2bps on average. Yesterday, the Mbonos' yield curve recorded losses of 6bps, on average, with the largest adjustments at the mid- and long-end. The 10-year benchmark closed at 9.30% (+7bps)**

- **The dollar advances, causing the majority of G10 currencies to trade in negative domain with EUR (-0.4%) leading the losses. In EM, the bias is mixed with CNY (+0.3%) and HUF (-0.6%) at the extremes. The MXN appreciates 0.1% trading at 16.72 per dollar, after gaining 0.3% yesterday**

- **Crude-oil futures advance on expectations that Saudi Arabia will extend its production cut of 1 million barrels to October, while the US inventories decreased by 10.6 million barrels, reaching their lowest level in the year. Metals trade with mixed bias, highlighting a decrease in copper of 0.5%**

Corporate Debt

- **HR Ratings affirmed Bepensa Bebidas' ratings at 'HR AAA' with Stable Outlook and 'HR+1' for the short term. According to the agency, the ratification of the ratings is based on the reported and expected levels of DSCR (Debt Service Coverage Ratio) metrics, DSCR with cash, as well as net debt relative to the level of Free Cash Flow. These metrics were at the strongest levels of the curve for each metric during the last two observed periods and in most of the projected periods**

- **HR Ratings affirmed Banco del Bajío's ratings at 'HR AAA' with Stable Outlook and 'HR+1' for the short term. According to the agency, the ratification of the ratings is based on the strength of the Bank's capitalization indicators, where the capitalization ratio stood at 15.7% as of 2Q23, which remains at high levels, despite dividend payments**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,890.24	0.1%
S&P 500	4,514.87	0.4%
Nasdaq	14,019.31	0.5%
IPC	54,390.74	0.2%
Ibovespa	117,535.10	-0.7%
Euro Stoxx 50	4,315.31	-0.3%
FTSE 100	7,473.67	0.1%
CAC 40	7,364.40	-0.1%
DAX	15,891.93	-0.2%
Nikkei 225	32,333.46	0.3%
Hang Seng	18,482.86	0.0%
Shanghai Composite	3,137.14	0.0%
Sovereign bonds		
2-year Treasuries	4.89	-1pb
10-year Treasuries	4.11	-1pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.37	6pb
10-year Mbono	9.31	7pb
Currencies		
USD/MXN	16.74	-0.3%
EUR/USD	1.09	0.4%
GBP/USD	1.27	0.6%
DXY	103.16	-0.4%
Commodities		
WTI	81.63	0.6%
Brent	85.86	0.4%
Mexican mix	78.53	0.6%
Gold	1,942.32	0.2%
Copper	384.40	0.1%

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
BUY	*When the share expected performance is greater than the MEXBOL estimated performance.*
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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