

Financial Markets Daily

September 4, 2023

Main drivers for the financial markets today...

- **Stock markets and government bond yields higher, while the USD losses against G10 currencies. There is optimism on signals that China's stimulus measures are supporting the economy, with weekend home sales in Shanghai and Beijing surging after the reduction of down-payments thresholds for purchases**
- **No data for the rest of today's session, with US markets closed in remembrance of Labor Day. Speech from Lagarde of the ECB. At night, China will release August's PMIs (Caixin) services and composite**
- **Market attention this week on Fed members' speeches in the aftermath of the August nonfarm payrolls report, which was above consensus, but with the unemployment rate up. In this backdrop, markets have reduced the probability of another rate hike during the rest of the year**
- **Monetary policy decisions in Australia, Chile, Canada, Poland, Malaysia, and Serbia. The Fed will publish the *Beige Book*, which summarizes businesses' views about the economy in jurisdictions of regional Fed banks**
- **US data includes the trade balance, factory orders, consumer credit (Jul) and ISM services (Aug). In other regions, industrial production (Jul) in Brazil and Germany; retail sales (Jul) in the Eurozone; as well as trade balance and inflation (Aug) in China**
- **In Mexico, gross fixed investment grew 3.1% m/m in June, while private consumption in the same month advanced 0.3%. Other figures for the same month in coming days include consumer confidence, inflation, and wage negotiations. Lastly, September 8th is the limit date for the Ministry of Finance to deliver the 2024 Budget Proposal to Congress**

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economic forecasters, granted by Focus
Economics



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A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,528.25	0.1%
Euro Stoxx 50	4,307.14	0.6%
Nikkei 225	32,939.18	0.7%
Shanghai Composite	3,177.06	1.4%
<i>Currencies</i>		
USD/MXN	17.07	-0.1%
EUR/USD	1.08	0.2%
DXY	104.04	-0.2%
<i>Commodities</i>		
WTI	85.51	0.0%
Brent	88.55	0.0%
Gold	1,941.83	0.1%
Copper	378.50	-0.7%
<i>Sovereign bonds</i>		
10-year Treasury	4.18	0pb

Source: Bloomberg

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
	Markets closed for Labor Day				
<i>Mexico</i>					
8:00	Gross fixed investment - Jun	% y/y	28.5	24.4	22.5
8:00	Gross fixed investment* - Jun	% m/m	2.6	--	6.0
8:00	Private consumption - Jun	% y/y	5.1	--	5.5
8:00	Private consumption* - Jun	% m/m	0.7	--	0.1
<i>China</i>					
21:45	Services PMI (Caixin)* - Aug	index	--	53.7	54.1
21:45	Composite PMI (Caixin)* - Aug	index	--	--	51.9

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

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Equities

- **The week starts with gains on measures to support the real estate sector in China that favor sentiment. No activity in the US due to the holiday, which might affect trading volumes in other markets**
- **In Asia, the stock markets closed higher, with the Hang Seng rising 2.5%, driven by the real estate sector. Country Garden's share price advanced 15% after obtaining approval to extend its debt payments. In Europe, the Eurostoxx trades with gains of 0.6%, led by technology and consumer discretionary stocks**
- **In Mexico's rebalancing of the Mexbol index, the exit of Ctaxtel was confirmed and the integration of Chdraui to replace Livepol was a surprise, which will add strong volatility to the price of both stocks. For this week, we anticipate a range for the index between 52,500 and 54,400pts**

Sovereign fixed income, currencies and commodities

- **Low trading volume due to Labor Day. In Europe, 10-year sovereigns record losses of 4bps on average. In Mexico, the Mbonos' curve bear steepened, with a sell-off of up to 19bps at the long-end last week. The 10-year benchmark closed at 9.32% (+8bps). Today, we expect rates with few changes considering low liquidity**
- **Dollar with modest losses amid a favorable performance in G10, with GBP (+0.3%) leading. Mixed bias in EM, with HUF (+0.5%) and ZAR (-0.7%) at the extremes. Meanwhile, MXN trades at 17.14 per dollar, equivalent to a 0.3% depreciation, after losing 2.0% last week**
- **Crude-oil trades virtually unchanged after a 7% rally in the WTI a week ago on expectations that supply cuts by OPEC+ will keep tightening the market, as well as low inventories in the US**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,837.71	0.3%
S&P 500	4,515.77	0.2%
Nasdaq	14,031.81	0.0%
IPC	53,145.36	0.2%
Ibovespa	117,892.96	1.9%
Euro Stoxx 50	4,282.64	-0.3%
FTSE 100	7,464.54	0.3%
CAC 40	7,296.77	-0.3%
DAX	15,840.34	-0.7%
Nikkei 225	32,710.62	0.3%
Hang Seng	18,382.06	0.0%
Shanghai Composite	3,133.25	0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	4.88	2pb
10-year Treasuries	4.18	7pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.37	2pb
10-year Mbono	9.34	5pb
<i>Currencies</i>		
USD/MXN	17.09	0.3%
EUR/USD	1.08	-0.6%
GBP/USD	1.26	-0.7%
DX-Y	104.24	0.6%
<i>Commodities</i>		
WTI	85.55	2.3%
Brent	88.55	1.9%
Mexican mix	79.96	0.0%
Gold	1,940.06	0.0%
Copper	385.20	0.8%

Source: Bloomberg

Corporate Debt

- **We expect activity to continue in September, with up to MXN 11.1 billion scheduled for issuance, highlighting the return of well-known participants such as CEMEX and PACCAR Financial Mexico, as well as the presence of new issuers such as Corporación AGF (Afirme)**
- **S&P Global Ratings revised Alfa's outlook from Positive to Stable and affirmed its long-term global scale rating at 'BBB-'. According to the agency, with its revised baseline scenario, Alfa will not meet the requirements for a rating upgrade. The issuer's credit indicators did not meet previous performance expectations due to the less favorable business conditions at its subsidiary Alpek, while its other subsidiary, Sigma Alimentos, continues to report stable results**

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