

Financial Markets Daily

September 8, 2023

Main drivers for the financial markets today...

- **Stock markets and USD negative, with government bond yields positive as trade tensions between China and the US continue, now after a probe against a Huawei chip, while investors remain cautious on scarce economic data that may help today to define how long will rates continue elevated**
- **Regarding this weekend G20 summit in India, President Biden is expected to arrive tonight. Russia accused the G7 group of pressuring India to aim the summit's joint statement to reflect the G7's opinion on the war in Ukraine**
- **Natural gas workers strike in Australia pressured natural gas prices, especially in Europe, a region that doesn't have Russian fuel supply. The plants under the strike account for about 7% of global LNG supply**
- **In China, imports of coal and copper reached record highs in August, while crude oil marked its best since June 2022. Likewise, iron purchases registered their highest level in almost three years and there is a maximum of 19 months on natural gas imports. This provides certain signs of optimism regarding the Chinese economy**
- **The Japanese economy in 2Q23 grew 4.8% y/y, with growth centered almost entirely on external demand. Therefore, implemented economic and monetary support measures for households and firms could be more aggressive**
- **On the economic agenda, August's inflation in Germany came in at 6.1% y/y, with energy prices increasing. In US, we await consumer credit, with CPI in China being released tonight. Finally, in Mexico we will be waiting for the 2024 Budget Proposal**

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economic forecasters, granted by Focus
Economics



#1 OVERALL FORECASTER - MEXICO



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A glimpse to the main financial assets

| | Last | Daily chg. |
|------------------------|-----------|------------|
| <i>Equity indices</i> | | |
| S&P 500 Futures | 4,451.25 | -0.1% |
| Euro Stoxx 50 | 4,212.18 | -0.2% |
| Nikkei 225 | 32,606.84 | -1.2% |
| Shanghai Composite | 3,116.72 | -0.2% |
| <i>Currencies</i> | | |
| USD/MXN | 17.47 | -0.7% |
| EUR/USD | 1.07 | 0.1% |
| DX | 104.99 | -0.1% |
| <i>Commodities</i> | | |
| WTI | 87.55 | 0.8% |
| Brent | 90.65 | 0.8% |
| Gold | 1,922.93 | 0.2% |
| Copper | 368.40 | -1.1% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 4.25 | 1pb |

Source: Bloomberg

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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|---|-------|---------|--------|----------|
| <i>Mexico</i> | | | | | |
| | Deadline for the delivery of the 2024 Budget Proposal to Congress | | | | |
| | Wage negotiations - Aug | % y/y | -- | -- | 8.9 |
| <i>Germany</i> | | | | | |
| 2:00 | Consumer prices - Aug (F) | % y/y | -- | 6.4 | 6.4 |
| <i>United States</i> | | | | | |
| 15:00 | Consumer credit* - Jul | USDbn | -- | 17.0 | 17.8 |
| <i>China</i> | | | | | |
| 21:30 | Consumer prices - Aug | % y/y | -- | 0.2 | -0.3 |

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

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Equities

- We conclude the week with widespread falls in stock markets, with few clear catalysts in sight and a lot of caution among investors
- In the US, futures anticipate a negative opening, with the S&P500 trading 0.1% below its theoretical value and the Nasdaq doing the same at 0.4%. Uncertainty continues towards the technology sector, after the US banned a Chinese-made chip used in a *Huawei* smartphone, sparking a debate on the effectiveness of restrictions against the semiconductor industry manufactured in the Asian country
- In Europe, declines averaged 0.4%, as the Eurostoxx headed into its eighth day of declines, the longest streak since 2016, on fears of an economic slowdown. In Asia, the 1.2% drop of the Nikkei in Japan stands out, while Hong Kong remained closed in the face of the storms that continue. In Mexico, the Mexbol Index may consolidate over 52,400pts

Sovereign fixed income, currencies and commodities

- Negative performance in sovereign bonds. European rates register 1bp losses in 10-year benchmarks while the Treasuries yield curve trades with adjustments of +1bp concentrated in the long-end. Yesterday, the Mbonos' curve ended the session with gains of 1bp, on average, and the 10-year benchmark at 9.50% (-1bp)
- The dollar trades with slight losses (BBDXY -0.1%) while developed currencies print gains and emerging currencies post mixed movements. In the G10, NZD (+0.5%) leads the gains while in EM, CZK (-0.3%) is the weakest. The Mexican peso appreciates 0.8% to 17.47 per dollar, the strongest among its peers
- Crude-oil futures advance 0.8% with investors weighing the effects that the strikes in Australia could have on natural gas supply. In metals, losses predominate, with nickel (-1.3%) standing out

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 34,500.73 | 0.2% |
| S&P 500 | 4,451.14 | -0.3% |
| Nasdaq | 13,748.83 | -0.9% |
| IPC | 52,482.97 | -0.9% |
| Ibovespa | 115,985.34 | 0.0% |
| Euro Stoxx 50 | 4,221.02 | -0.4% |
| FTSE 100 | 7,441.72 | 0.2% |
| CAC 40 | 7,196.10 | 0.0% |
| DAX | 15,718.66 | -0.1% |
| Nikkei 225 | 32,991.08 | -0.8% |
| Hang Seng | 18,202.07 | -1.3% |
| Shanghai Composite | 3,122.35 | -1.1% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 4.95 | -7pb |
| 10-year Treasuries | 4.24 | -4pb |
| 28-day Cetes | 11.31 | 0pb |
| 28-day TIE | 11.50 | 0pb |
| 2-year Mbono | 10.50 | 1pb |
| 10-year Mbono | 9.51 | 0pb |
| <i>Currencies</i> | | |
| USD/MXN | 17.60 | 0.1% |
| EUR/USD | 1.07 | -0.3% |
| GBP/USD | 1.25 | -0.3% |
| DX | 105.06 | 0.2% |
| <i>Commodities</i> | | |
| WTI | 86.87 | -0.8% |
| Brent | 89.92 | -0.8% |
| Mexican mix | 83.27 | -0.6% |
| Gold | 1,919.68 | 0.2% |
| Copper | 376.20 | -0.6% |

Source: Bloomberg

Corporate Debt

- Fitch Ratings assigned 'AA(mex)' ratings to Cemex's proposed issuances with tickers CEMEX 23L and 23-2L, for an aggregate amount of up to MXN 6.0 billion. The ratings reflect continued improvements in Cemex's operating cash flows, which could lead to higher free cash flow generation, and bring leverage ratios to a level in line with investment grade peers
- HR Ratings affirmed GM Financial Mexico's ratings at 'HR AAA' with Stable outlook and its short-term ratings at 'HR+1'. The affirmation was based on the operational and financial support from its parent company (General Motors Financial Company), which has a market rating of 'BBB' with Stable outlook

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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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