BANORTE
GRUPO FINANCIERO

Banorte Research and Strategy

Financial Markets Daily

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Main drivers for the financial markets today…

- **Stock markets with few changes, with government bond yields climbing, and the USD somewhat stable after the release of CPI in the US, with the upside surprise in the core initially impacting market dynamics**

- **In the US, August's CPI came in at 0.6% m/m, with the core at -0.3%, with the latter an inch higher than anticipated. With this, the annual print for the headline accelerated to 3.8%, with the core at 4.3%**

- **Regarding other figures, economic activity in the UK in July surprised to the downside (-0.5% m/m), highlighting declines in both services (-0.5%) and industrial production (-0.8%). A similar situation was observed for the Eurozone, with industry declining more than expected in the same month by -1.1% m/**

- **On the monetary front, bets on a 25bp hike by the ECB in tomorrow's decision have increased in recent days on the back of rising energy prices. However, the situation for the monetary authority is still complex as the German government is expected to cut its GDP estimate for this year, anticipating a contraction of around 0.3%**

- **On trade, the European Union will investigate China's subsidies for electric vehicles, citing competition concerns for the local industry**

- **In the US, automakers and the UAW have failed to reach an agreement on new labor contracts –noting now the rejection of Stellantis' proposal. According to people familiar with the matter, this could initially result in targeted strikes at some plant**

The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone and UK					
2:00	UK Industrial production* - Jul	% m/m	--	-0.7	1.8
5:00	EZ Industrial production* - Jul	% m/m	--	-0.8	0.5
United States					
8:30	Consumer prices * - Aug	% m/m	0.6	0.6	0.2
8:30	Ex. food & energy* - Aug	% m/m	0.2	0.2	0.2
8:30	Consumer prices - Aug	% y/y	3.8	3.6	3.2
8:30	Ex. food & energy - Aug	% y/y	4.3	4.3	4.7

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	4,506.00	-0.2%
Euro Stoxx 50	4,209.24	-0.8%
Nikkei 225	32,706.52	-0.2%
Shanghai Composite	3,123.07	-0.4%
Currencies		
USD/MXN	17.22	0.0%
EUR/USD	1.07	-0.1%
DXY	104.63	-0.1%
Commodities		
WTI	89.13	0.3%
Brent	92.37	0.3%
Gold	1,909.63	-0.2%
Copper	374.95	-0.1%
Sovereign bonds		
10-year Treasury	4.31	3pb

Source: Bloomberg

Equities

- **Widespread declines in major stock indexes reacting to recently released inflation data**

- **US futures anticipate a negative opening trading 0.3% below their theoretical value on average. In Europe, losses persist with the Eurostoxx down 0.8%, and the largest adjustments in the utilities and industrial sectors. In Asia, the stock markets closed lower as key data from Japan and South Korea were assimilated**

- **In corporate news, Arm's IPO pricing is expected today and could even be above the high end of the proposed range of $47 - $51 per share. Else, American Airlines and Spirit Airlines shares fall ~3% in pre-market trading after warning an increase in their costs**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,645.99	-0.1%
S&P 500	4,461.90	-0.6%
Nasdaq	13,773.61	-1.0%
IPC	51,860.45	-0.8%
Ibovespa	117,968.12	0.9%
Euro Stoxx 50	4,242.27	-0.3%
FTSE 100	7,527.53	0.4%
CAC 40	7,252.88	-0.3%
DAX	15,715.53	-0.5%
Nikkei 225	32,776.37	1.0%
Hang Seng	18,025.89	-0.4%
Shanghai Composite	3,137.06	-0.2%
Sovereign bonds		
2-year Treasuries	5.02	3pb
10-year Treasuries	4.28	-1pb
28-day Cetes	11.31	0pb
28-day TIIE	11.50	-1pb
2-year Mbono	10.55	-5pb
10-year Mbono	9.75	-2pb
Currencies		
USD/MXN	17.22	-0.3%
EUR/USD	1.08	0.0%
GBP/USD	1.25	-0.2%
DXY	104.71	0.1%
Commodities		
WTI	88.84	1.8%
Brent	92.06	1.6%
Mexican mix	85.27	1.7%
Gold	1,913.67	-0.4%
Copper	379.20	-0.4%

Source: Bloomberg

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. Rates in Europe registered pressures of up to 5bps on 10-year benchmarks, with the exception of GILTS, which gained 1bp. Meanwhile, the Treasuries yield curve adjusts +1bp on average. Yesterday, the Mbonos' curve ended the session with gains of 4bp and the 10-year benchmark closed at 9.73% (-4bps)**

- **The USD trades little changed on the BBDXY. G10 currencies lose ground with SEK (-0.4%) the weakest. In emerging markets, trading is capped by PLN (+0.6%) and RUB (-1.6%). Mexican peso apreciates 0.1% to 17.22 per dollar and trades at its 100-day MA**

- **Crude-oil futures are up 0.5% with the IEA warning that cuts by Saudi Arabia and Russia will create a significant supply shortfall and increase volatility. In metals, the bias is negative and silver stands out, down 0.9%**

Corporate Debt

- **Fibra Mty informed that it entered into a simple unsecured bank loan agreement with Scotiabank, which will be used for the expansion of industrial properties, up to a principal amount of US$63 million at a 3-month floating rate reviewable at a margin of less than 150bps**

- **Ford Credit de México informed that in recent days, Fitch Ratings published the upgrade of the rating of its guarantor Ford Motor Credit Company LLC, to 'BBB-' from 'BB+' by Fitch Ratings. According to the agency, the upgrade of Ford's ratings reflects the agency's view that the supply chain challenges and resulting volatility in production over the past two years have been significantly reduced**

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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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