

Financial Markets Daily

September 15, 2023

Main drivers for the financial markets today...

- **Stock markets positive, government bond yields up and USD down, with investors assimilating better-than-expected economic data in China, while awaiting Fed's next week decision with the data underpinning the expectation of a final rate increase in November, after a pause at next week's meeting**
- **United Auto Workers (UAW) in the US decided to go on strike after failing to reach an agreement with the three Detroit giants (General Motors, Ford and Stellantis). The union is demanding a 36% pay increase over the next four years**
- **In terms of monetary policy, after yesterday's ECB meeting, Lagarde will speak today in Spain**
- **Regarding economic figures, China's domestic demand data in August was positive. In our opinion, this does not necessarily mean that the economy will advance at a more solid pace in the coming months**
- **In the US, import prices were +0.5% m/m, above the consensus estimate of +0.3%, although with a downward revision the previous month. With this, the annual variation stood -3.0% from -4.6% previously. The regional Empire Manufacturing indicator for September exceeded expectations at +1.9pts from -19.0pts previously, adding to the signs that the economy remains resilient. Industrial production for the eighth month of the year will be published later, where we estimate an advance of +0.1% m/m. Likewise, the preliminary consumer sentiment indicator from the University of Michigan for September will be released. We expect it at 69pts**

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#1 OVERALL FORECASTER - MEXICO



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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Trade balance* - Jul	EURbn	--	--	12.5
<i>Brazil</i>					
8:00	Retail sales - Jul	% y/y	--	2.0	1.3
8:00	Retail sales* - Jul	% m/m	--	0.5	0.0
<i>United States</i>					
8:30	Empire manufacturing* - Sep	index	-14.0	-10.0	-19.0
9:15	Industrial production* - Aug	% m/m	0.1	0.1	1.0
9:15	Manufacturing production* - Aug	% m/m	0.0	0.1	0.5
10:00	U. of Michigan Confidence* - Sep (P)	index	69.0	69.2	69.5

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.
<i>Equity indices</i>		
S&P 500 Futures	4,560.25	0.1%
Euro Stoxx 50	4,321.79	1.0%
Nikkei 225	33,533.09	1.1%
Shanghai Composite	3,117.74	-0.3%
<i>Currencies</i>		
USD/MXN	17.09	-0.1%
EUR/USD	1.07	0.2%
DXY	105.30	-0.1%
<i>Commodities</i>		
WTI	90.37	0.2%
Brent	93.87	0.2%
Gold	1,917.87	0.4%
Copper	378.05	-0.1%
<i>Sovereign bonds</i>		
10-year Treasury	4.32	3pb

Source: Bloomberg

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Equities

- Widespread increases in main stock indices reacting to the data published in China. However, caution among investors remains, with futures in the US showing small changes, given the strike initiated in the automotive sector and affecting sentiment towards companies related
- In Europe, gains are averaging 0.8%, while in Asia, Japan's Nikkei rose 1.1% and the Hang Seng rose 0.8%, while the Shanghai index adjusted 0.3%
- We expect high volatility in today's trading session as it is 'Triple Witching Day' –major expiration of options & futures contracts in US– and coinciding with S&P Dow Jones Indices rebalancing of benchmark indexes. Changes to the S&P 500 sample include the entry of *Blackstone* and *Airbnb* replacing *Lincoln National* and *Newell Brands*. In Mexico Chdraui enters the Mexbol sample, while Ctaxtel and Livepol will leave. All are effective prior to the opening of next Monday

Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. European securities lose up to 7bps in 10-year benchmarks while the Treasuries yield curve trades with 2bps pressures on average. Yesterday, the Mbonos' curve closed with +/-2bps adjustments and the 10-year benchmark ended unchanged at 9.61%
- The USD trades little changed on the BBDXY while the rest of the currencies trade with mixed changes. In the G10, trading is capped by SEK (+0.3%) and JPY (-0.2%). In emerging markets, CZK (+0.3%) is the strongest while IDR (-0.2%) is at the opposite end of the spectrum. The Mexican peso appreciated 0.1% to trade at 17.09 per dollar
- Crude-oil futures gain 0.4% on the effects of lower supply, low inventories, and higher refining volume in China. Metals prices are positive and silver stands out printing an advance of 2.4%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,907.11	1.0%
S&P 500	4,505.10	0.8%
Nasdaq	13,926.05	0.8%
IPC	51,755.68	0.5%
Ibovespa	119,391.55	1.0%
Euro Stoxx 50	4,279.75	1.3%
FTSE 100	7,673.08	2.0%
CAC 40	7,308.67	1.2%
DAX	15,805.29	1.0%
Nikkei 225	33,168.10	1.4%
Hang Seng	18,047.92	0.2%
Shanghai Composite	3,126.55	0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	5.01	4pb
10-year Treasuries	4.29	4pb
28-day Cetes	11.31	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.46	-2pb
10-year Mbono	9.62	1pb
<i>Currencies</i>		
USD/MXN	17.11	-0.2%
EUR/USD	1.06	-0.8%
GBP/USD	1.24	-0.6%
DXY	105.41	0.6%
<i>Commodities</i>		
WTI	90.16	1.9%
Brent	93.70	2.0%
Mexican mix	86.86	1.9%
Gold	1,910.79	0.1%
Copper	382.15	0.8%

Source: Bloomberg

Corporate Debt

- Desarrollos Hidráulicos de Cancún announced that on September 22, 2023 a partial Voluntary Early Amortization of its DHIC 22B bond in the amount of MXN 88.88 million will be paid. The issuance has an outstanding amount of MXN 1.18 billion and is scheduled to mature in May 2026. The bond is currently rated 'AA+(mex)' by Fitch Ratings and 'HR AA+' by HR Ratings
- HR Ratings affirmed Grupo Palacio de Hierro's ratings at 'HR AAA' with a Stable outlook. According to the agency, the ratification is based on the solid Free Cash Flow (FCF) generation expected during the forecast period and that the Company presents a minimum debt service in the short term, with the next relevant maturity in 4Q25

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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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