BANORTE

Economic and Financial Markets Research
Economic Research and Market Strategy

Financial Markets Daily

Main drivers for the financial markets today…

- Stock markets negative, government bond yields down and USD with small changes, as geopolitical tensions in the Middle East keep escalating. On scarce economic data in the US, market attention will be focused on corporate earnings and comments from Harker and Mester from the Federal Reserve

- In China, the PBoC pumped the most short-term cash into the banking system to keep funding costs low and supporting the economy, though the positive reaction on markets was short-lived. The measure was also destined to support the cash demands of the upcoming tax season

- According to a top union negotiator General Motors and the United Auto Workers are moving toward a tentative agreement that would put and end to the strike

- In Mexico, INEGI published August's retail sales, falling 0.4% m/m (+3.2% y/y). 5 out of the 9 sectors declined, with weakness centered in supermarket and department store (-1.1% m/m) and clothing and shoes (-0.9%). Later, the banking sector expectations survey will be published

- The Lower House approved the 2024 Revenue Law, which now will be discussed by the Senate

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,289.50	-0.3%
Euro Stoxx 50	4,046.27	-1.1%
Nikkei 225	31,259.36	-0.5%
Shanghai Composite	2,983.06	-0.7%
Currencies		
USD/MXN	18.44	0.6%
EUR/USD	1.06	-0.2%
DXY	106.24	0.0%
Commodities		
WTI	90.50	1.3%
Brent	93.38	1.1%
Gold	1,974.95	0.0%
Copper	356.85	-0.9%
Sovereign bonds		
10-year Treasury	4.99	0pb

Source: Bloomberg

The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
	Limit date for the approval of the Revenue Law in the Lower House				
8:00	Retail sales - Aug	% y/y	4.5	4.2	5.1
8:00	Retail sales* - Aug	% m/m	0.3	--	0.2
16:30	Survey of expectations (Citibanamex)				
United States					
9:00	Fed's Harker Speaks on Economic Outlook				
12:15	Fed's Mester Speaks at Manhattan Institute for Policy Research				

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

Equities

- **Risk-off sentiment prevails among investors, reflected in widespread declines in stock indices**

- **US futures anticipate a negative opening, with the S&P 500 trading 0.2% below its theoretical value. In Europe, the declines average below -1.0%, while in Asia, the adjustments of -0.7% in the Shanghai and Hang Seng indices stood out. In Mexico, the new regulatory basis on tariffs for mexican airports was disclosed. The Mexbol Index may remain close to 49,000pts**

- **Today we have the reports of 6 companies of the S&P 500, among which the figures of *American Express* stand out, after better than expected numbers with record revenues and profits. So far, ~16% of the companies in the S&P 500 have reported and there is an increase in profits of +1.7% vs -1.1%e, while the positive surprises rate stands at 75.0%**

Sovereign fixed income, currencies and commodities

- **Positive bias in sovereign bonds. Rates in Europe trade with few changes, except for GILTS which lose 2bps on the 10-year benchmark. Meanwhile, the Treasuries yield curve posts gains of 3bps on average. Yesterday, the Mbonos' curve steepened after 3bp gains on the short-end and 3bps losses on the long-end. The 10-year benchmark closed at 10.00% (+1bp)**

- **USD trades little changed on the BBDXY. Meanwhile, G10 and emerging market currencies show mixed movements. In the first group, CAD (+0.2%) and NZD (-0.3%) are at the ends of the spectrum. In the second, RUB (+1.3%) is the strongest and IDR (-0.4%) leads the decliners. The Mexican peso depreciates 0.2% to 18.36%**

- **Crude-oil futures rise 1.2% as tensions in the Middle East escalate. In metals, the bias is negative, except for gold (+0.2%) and silver (+0.4%), which act as safe-haven assets**

Corporate Debt

- **S&P Global Ratings upgraded Grupo Aeromexico's rating to 'B' from 'B-' with a Stable outlook. The airline maintained solid margins despite rising inflation and fuel prices. The agency believes that its leading position in domestic and international routes, as well as its strategic position in Mexico, will allow the company to maintain its competitive advantage, while further strengthening load factors and maximizing fleet investments**

- **HR Ratings upgraded Alsea's rating to 'HR A+' from 'HR A-' while maintaining a Stable outlook. The upward revision to Alsea's rating was based on the presence of positive Free Cash Flow (FCF) during the two historical periods, compared to the previous review where the agency observed a period with negative FCF**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,414.17	-0.7%
S&P 500	4,278.00	-0.8%
Nasdaq	13,186.17	-1.0%
IPC	48,804.61	-1.0%
Ibovespa	114,004.30	0.0%
Euro Stoxx 50	4,090.33	-0.4%
FTSE 100	7,499.53	-1.2%
CAC 40	6,921.37	-0.6%
DAX	15,045.23	-0.3%
Nikkei 225	31,430.62	-1.9%
Hang Seng	17,295.89	-2.5%
Shanghai Composite	3,005.39	-1.7%
Sovereign bonds		
2-year Treasuries	5.16	-6pb
10-year Treasuries	4.99	7pb
28-day Cetes	11.10	4pb
28-day TIIE	11.51	0pb
2-year Mbono	11.02	0pb
10-year Mbono	10.01	0pb
Currencies		
USD/MXN	18.32	0.4%
EUR/USD	1.06	0.4%
GBP/USD	1.21	0.0%
DXY	106.25	-0.3%
Commodities		
WTI	89.37	1.2%
Brent	92.38	1.0%
Mexican mix	84.86	0.9%
Gold	1,974.46	1.4%
Copper	360.10	0.4%

Source: Bloomberg

Analyst Certification.

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
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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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