

Financial Markets Daily

August 15, 2023

Main drivers for the financial markets today...

- Stock markets negative, government bond yields up as dollar trades at a loss and commodities fall amid concerns that China's faltering recovery and debt woes will spread into the global economy, even after measures to revive growth
- Surprisingly, the central bank of China cut the rate on its one-year loans (medium term lending facility) by 15bp (the biggest reduction since 2020), placing it at 2.5%, which means the second cut since June. While the short-term rate was also cut by 10bp. The decision was announced shortly before disappointing figures for July were released
- In addition, Russia's central bank raised interest rates sharply to 12% from 8.5%. The emergency meeting was called to reverse declines in the ruble amid one of the steepest depreciations in emerging markets
- In the US, July retail sales exceeded estimates posting a +0.7% m/m growth, while the control group stood at +1.0%, also above expectations. Import prices for the seventh month of the year were also above consensus estimate, standing at +0.4% m/m. The Empire Manufacturing regional indicator for August came in at -19pts (estimate -1.0) As for interventions by Fed members, the attention will be on Neel Kashkari of Minneapolis

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Germany and UK					
2:00	UK Unemployment rate* - Jun	%	--	4.0	4.0
5:00	GER ZEW Survey (Expectations) - Aug	index	--	-15.0	-14.7
United States					
8:30	Retail sales* - Jul	% m/m	0.4	0.4	0.2
8:30	Ex autos & gas* - Jul	% m/m	--	0.4	0.3
8:30	Control group* - Jul	% m/m	0.4	0.5	0.6
8:30	Empire manufacturing* - Aug	index	2.5	-1.0	1.1
11:00	Fed's Kashkari speaks at API conference				
Mexico					
11:00	International reserves - Aug 11	US\$b	--	--	203.9
13:30	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 3-year Mbono (Sep'26); 3-year Udibono (Dec'26) and 1-, and 3-year Bondes F				

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.
Equity indices		
S&P 500 Futures	4,481.75	-0.5%
Euro Stoxx 50	4,294.44	-0.8%
Nikkei 225	32,238.89	0.6%
Shanghai Composite	3,176.18	-0.1%
Currencies		
USD/MXN	17.09	0.2%
EUR/USD	1.09	0.3%
DXY	102.86	-0.3%
Commodities		
WTI	81.72	-1.0%
Brent	85.61	-0.7%
Gold	1,904.57	-0.1%
Copper	369.50	-0.8%
Sovereign bonds		
10-year Treasury	4.20	1pb

Source: Bloomberg

Equities

- Negative equity markets, reflecting economic concerns among investors as China's recovery is at risk. Meanwhile in the US, Home Depot beat market estimates suggesting that home improvement spending remains slightly better than expected, however, the company still expect a slight contraction in their comparable sales this fiscal year. In turn, the average of the major US index futures anticipate a negative opening by declining 0.5% below their theoretical value. On the corporate front, out of the 4 S&P500 companies scheduled to report today, 2 have released their results, being better than expected
- Europe trades mainly with declines, with the Eurostoxx adjusting -0.8%, dragged down by the real estate and consumer staples sector. Asia closed mixed, but the Hang Seng fell 1.0% and the Nikkei rose 0.6%

Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. The 10-year references in Europe print losses of 10bps, on average, while Treasuries print a 4bps sell-off at the long-end. In México, Mbonos began the week with a sell-off of 7bps, on average, and the May'33 closed at 9.15% (+9bps)
- Dollar slightly negative amid a mixed performance in developed currencies with GBP (+0.2%) and SEK (-0.5%) at the extremes. In EM, the bias is negative and MXN trades at 17.09 per dollar (-0.2%), extending yesterday's depreciation of 0.3%
- Widespread losses in commodities lead by crude-oil and copper due to disappointing economic data in China. Crude-oil fall around 1.0% and copper retreats 1.1% to 1-month low

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	35,307.63	0.1%
S&P 500	4,489.72	0.6%
Nasdaq	13,788.33	1.1%
IPC	53,282.04	0.1%
Ibovespa	116,809.55	-1.1%
Euro Stoxx 50	4,330.23	0.2%
FTSE 100	7,507.15	-0.2%
CAC 40	7,348.84	0.1%
DAX	15,904.25	0.5%
Nikkei 225	32,059.91	-1.3%
Hang Seng	18,773.55	-1.6%
Shanghai Composite	3,178.43	-0.3%
Sovereign bonds		
2-year Treasuries	4.97	7pb
10-year Treasuries	4.19	4pb
28-day Cetes	11.31	0pb
28-day TIE	11.49	-1pb
2-year Mbono	10.25	6pb
10-year Mbono	9.16	8pb
Currencies		
USD/MXN	17.06	0.3%
EUR/USD	1.09	-0.4%
GBP/USD	1.27	-0.1%
DX	103.19	0.3%
Commodities		
WTI	82.51	-0.8%
Brent	86.21	-0.7%
Mexican mix	79.24	-0.7%
Gold	1,907.10	-0.3%
Copper	375.85	0.0%

Source: Bloomberg

Corporate Debt

- Fitch Ratings ratified CASC 22U rating (FF of Concesionaria de Autopistas del Sureste) at 'AAA(mex)' with a Stable outlook. According to the agency, the rating reflects the risk related to three highway sections in an area of low economic development and limited competition. It also considers the ability to make annual rate increases above inflation during 2023 and at inflation levels in the following years
- HR Ratings affirmed Corporativo GBM ratings at 'HR AA+' with Stable Outlook and 'HR+1'. According to the rating agency, the ratification is based on the generation of net income in the last 12 months, which improved the average ROA by 0.9% in 2Q23. Additionally, the Corporate received a capital injection in the last twelve months of MXN 1.32 billion, which allowed it to offset the losses generated

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