

Financial Markets Daily

August 26, 2022

Main drivers for the financial markets today...

- **Stock markets with negative bias, government bond yields up and USD down, as investors remain cautious ahead of Powell's speech to discuss the economic outlook at Jackson Hole symposium, looking for any clues on the magnitude of the likely rate hike in September**
- **We expect Powell to maintain a hawkish stance, in line with interventions from other members of the central bank at the event. On the one hand, the president of the St. Louis Fed, James Bullard, maintained his recent position and said that they should raise the rate quickly and take it to a range between 3.75%-4.00% by year end. Meanwhile, Esther George of the Kansas City Fed, said that the central bank has not yet raised rates to levels that affect economic activity and will probably have to place them above 4.0% for some time**
- **Regarding economic figures, markets will be attentive to the report on personal income and spending for July in the US, with special attention to the PCE Core deflator. Likewise, the trade balance for the seventh month of the year and the final consumer sentiment figures from the University of Michigan for August will be released**
- **In Mexico, INEGI released July's trade balance, posting a US\$5,959.5 million deficit. Exports fell 0.3% m/m (13.6% y/y), with a mixed performance in manufacturing. Imports backtracked 3.1% m/m (16.7% y/y), dragged by oil**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted by
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Trade balance - Jul	US\$m	-4,256.3	-4,992.5	-3,957.2
<i>United States</i>					
8:30	Trade balance* - Jul	US\$bn	--	-98.3	-98.6
8:30	Personal income* - Jul	% m/m	--	0.6	0.6
8:30	Personal spending* - Jul	% m/m	--	0.5	1.1
8:30	Real personal spending* - Jul	% m/m	0.3	0.4	0.1
8:30	PCE Deflator* - Jul	% m/m	--	0.1	1.0
8:30	Core* - Jul	% m/m	--	0.3	0.6
8:30	PCE Deflator - Jul	% y/y	--	6.4	6.8
8:30	Core - Jul	% y/y	--	4.7	4.8
10:00	Fed's Powell to discuss the economic outlook at Jackson Hole				
10:00	U. of Michigan Confidence* - Aug (F)	index	55.1	55.3	55.1

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	4,183.50	-0.4%
Euro Stoxx 50	3,660.81	-0.4%
Nikkei 225	28,641.38	0.6%
Shanghai Composite	3,236.22	-0.3%
<i>Currencies</i>		
USD/MXN	19.92	0.0%
EUR/USD	1.00	0.3%
DXY	108.28	-0.2%
<i>Commodities</i>		
WTI	93.75	1.3%
Brent	100.94	1.6%
Gold	1,746.55	-0.7%
Copper	376.55	1.8%
<i>Sovereign bonds</i>		
10-year Treasury	3.07	4pb

Source: Bloomberg

Equities

- **The week concludes with a negative bias in stock markets, hoping that Powell's comments will help clarify somewhat the next Fed's move to help contain inflation and its impact on growth, and with a bulging economic agenda in the US. Futures anticipate a negative opening, with the S&P500 trading 0.4% below its theoretical value, following yesterday's rally, and with investors very cautious**
- **In Europe, we see widespread declines, led by adjustments in Media and Travel stocks. In contrast, the Mining sector is advancing supported by the latest stimuli implemented in China. In Asia we see mixed closes, with falls of 0.3% on average in the main indices of China, and contrasting with the rise of 0.6% of the Nikkei in Japan and 1.0% of the Hang Seng in Hong Kong**
- **In Mexico, we believe that the Mexbol Index may continue consolidating close to 48,000pts**

Sovereign fixed income, currencies and commodities

- **Pressures in sovereign bonds. European rates adjust +3bps, while the US Treasuries' curve register losses of 4bps, on average. In Mexico, the Mbonos' yield curve recorded a flattening bias yesterday with a 10bps rally at the long-end. The 10-year reference closed at 8.84% (-10bps)**
- **Dollar weakens amid a mixed performance in developed currencies delimited by +/-0.3%. In EM, RUB (+0.9%) and THB (-0.5%) stand at the extremes, while MXN trades virtually unchanged at 19.93 per dollar, after a depreciation of 0.2% yesterday**
- **Crude-oil set for a weekly gain amid a tightening supply outlook. As a result, Brent trades above 100\$/bbl. The energy crisis in Europe worsens with natural gas reaching fresh highs due to supply disruptions**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,291.78	1.0%
S&P 500	4,199.12	1.4%
Nasdaq	12,639.27	1.7%
IPC	47,724.23	0.6%
Ibovespa	113,531.72	0.6%
Euro Stoxx 50	3,674.54	0.2%
FTSE 100	7,479.74	0.1%
CAC 40	6,381.56	-0.1%
DAX	13,271.96	0.4%
Nikkei 225	28,479.01	0.6%
Hang Seng	19,968.38	3.6%
Shanghai Composite	3,246.25	1.0%
<i>Sovereign bonds</i>		
2-year Treasuries	3.37	-2pb
10-year Treasuries	3.03	-8pb
28-day Cetes	8.63	11pb
28-day TIE	8.81	1pb
2-year Mbono	9.43	-2pb
10-year Mbono	8.87	-8pb
<i>Currencies</i>		
USD/MXN	19.93	0.2%
EUR/USD	1.00	0.1%
GBP/USD	1.18	0.3%
DX	108.47	-0.2%
<i>Commodities</i>		
WTI	92.52	-2.5%
Brent	99.34	-1.9%
Mexican mix	89.45	-1.8%
Gold	1,758.71	0.4%
Copper	369.80	1.4%

Source: Bloomberg

Corporate Debt

- **Unifin Financiera announced the creation of a Restructuring Committee. Also, it informed that due to the limited access to financing, the company has suspended the origination of new leasing and credit contracts while they finalize the financial model, as well as to negotiate and implement the terms of an ordained restructuring proposal**
- **Moody's Local MX downgraded Operadora de Servicios Mega's ratings to 'A-.mx' from 'A.mx' and changed the outlook to Negative, from Stable. The downgrade reflects a shift in the agency's stance on the deterioration of the non-bank financial institutions' financing conditions and accessibility through the local and international markets**

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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, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Oscar Rodolfo Olivios Ortiz, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia 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
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
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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