

Financial Markets Daily

August 29, 2022

Main drivers for the financial markets today...

- **Stock markets lower, government bond yields up and USD strong –except against EUR and other European currencies–, after comments from ECB members on the need to act forcefully on inflation. This happens after last week's speech from Powell of the Fed at Jackson Hole, with a hawkish tone**
- **On the other hand, China is reimposing more significant COVID-19 lockdown restrictions in some areas around Beijing as well as other regions ahead of a key meeting of the Communist Party's top leaders, a situation that could lead to a new economic shock**
- **Market attention on August's nonfarm payrolls report in the US in a backdrop of high uncertainty about the next steps in the hiking cycle of the Fed. We will also listen closely to members' speeches. In data, PMIs will be released in various regions, while Banxico will publish its 2Q22 Quarterly Report**
- **No relevant monetary policy decisions this week. In other events, we will heed the closure of the Nord Stream pipeline for three days, with Russia arguing maintenance needs. Moreover, the voting period to elect the new UK Prime Minister will end, with results expected by September 5**
- **In the US, the economic agenda also includes housing prices (Jun), factory and durable goods orders (Jul), consumer confidence, vehicle sales and the ISM manufacturing indicator (Aug)**
- **Going to other regions, we highlight the unemployment rate (Jul), inflation and economic confidence (Aug) in the Eurozone; PMI indicators in China (Aug); and the unemployment rate, industrial production (Jul), and 2Q22 GDP in Brazil**
- **In Mexico, other releases will be the unemployment rate, public finance report, banking credit, remittances (Jul) and PMIs in August**

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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>United States</i>					
14:14	Fed's Brainard speaks at a FedNow Workshop				

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	4,025.00	-0.8%
Euro Stoxx 50	3,548.27	-1.5%
Nikkei 225	27,878.96	-2.7%
Shanghai Composite	3,240.73	0.1%
<i>Currencies</i>		
USD/MXN	20.07	0.1%
EUR/USD	1.00	0.2%
DXY	108.81	0.0%
<i>Commodities</i>		
WTI	93.57	0.5%
Brent	101.26	0.3%
Gold	1,729.05	-0.5%
Copper	358.65	-3.0%
<i>Sovereign bonds</i>		
10-year Treasury	3.10	6pb

Source: Bloomberg

Equities

- **Equity markets start the week in negative territory due to investors' concerns about a more aggressive stance from central banks after the Jackson Hole meeting, as inflation continues at high levels and risks of lower earnings growth for companies prevail**
- **In the US, Nasdaq futures anticipate a negative open of 1.2%, where the decline is more pronounced. In Europe, we also observe generalized adjustments lower, led by the technology and industrial sector. Meanwhile, Asian stock markets closed with losses after China once again imposed restrictions against COVID-19, highlighting the 2.7% drop in the Nikkei**
- **In Mexico, we expect the Mexbol's index trading range this week between 46,200 and 47,800 points**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European bonds lose 9bps on average, while the US Treasuries' curve adjusts up to +7bps at the belly. In Mexico, the Mbonos' yield curve flattened last week, with short- and mid-term securities selling off by 15bps on average**
- **Dollar advances amid a negative performance in most developed currencies, with JPY (-0.7%) as the weakest. In EM, the bias is negative except for HUF (+0.3%) and CZK (-0.1%). In addition, MXN trades at 20.07 per dollar (-0.1%), after a weekly depreciation of 0.7%**
- **Crude-oil futures advance as concerns over tight supply eclipse the Fed's rate stance. In particular, Libya could put oil output at risk and Iran's nuclear deal will drag on into next month. In metals, the balance is mixed**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,283.40	-3.0%
S&P 500	4,057.66	-3.4%
Nasdaq	12,141.71	-3.9%
IPC	47,272.11	-0.9%
Ibovespa	112,298.86	-1.1%
Euro Stoxx 50	3,603.68	-1.9%
FTSE 100	7,427.31	-0.7%
CAC 40	6,274.26	-1.7%
DAX	12,971.47	-2.3%
Nikkei 225	28,641.38	0.6%
Hang Seng	20,170.04	1.0%
Shanghai Composite	3,236.22	-0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	3.40	3pb
10-year Treasuries	3.04	2pb
28-day Cetes	8.61	-2pb
28-day TIIE	8.81	0pb
2-year Mbono	9.53	10pb
10-year Mbono	8.91	4pb
<i>Currencies</i>		
USD/MXN	20.04	0.6%
EUR/USD	1.00	-0.1%
GBP/USD	1.17	-0.7%
DX	108.80	0.3%
<i>Commodities</i>		
WTI	93.06	0.6%
Brent	100.99	1.7%
Mexican mix	89.73	0.3%
Gold	1,738.14	-1.2%
Copper	369.70	0.0%

Source: Bloomberg

Corporate Debt

- **Banco Inxex (Trustee) informed that August 31st is the due date to remedy the accelerated amortization trigger related to the rating downgrade of issuance CREALCB 17 . In case that the trigger is not offset at the latest on the aforementioned date, the total early amortization will take place on the next coupon date (September 5)**
- **Fitch Ratings downgraded Corporativo GBM's rating to 'A+(mex)' from 'AA-(mex)' and revised the outlook to Negative from Evolving. The downgrade is based on sustained net losses that keep stressing the company's capitalization and leveraging**
- **PCR Verum affirmed Fianciera Bepensa's ratings at 'AA+/M' with a Stable outlook, reflecting the strong propensity of support the company could receive from its holding company**

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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
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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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