

Financial Markets Daily

August 30, 2022

Main drivers for the financial markets today...

- **Stock markets with a positive bias, with government bond yields, USD, and energy lower, with markets still assimilating that Fed is determined to contain inflation and also focusing on the balance sheet reduction**
- **Energy prices fall due to efforts in Europe to save and increase their reserves. In Germany prices have dropped 26% after new highs last week. However, risks remain, with gas deliveries to France being reduced today**
- **On the virus, all 31 of China's provinces reported at least one contagion in the last 10 days, which marks the broadest exposure since February 2021. This could trigger new lockdowns and, therefore, additional disruptions on production chains**
- **On economic data, in Mexico the unemployment rate rose to 3.43%, with 8.6 thousand new jobs in July. In the US, consumer confidence for August will be released and we will be attentive to the speeches from Williams (New York) and Barkin (Richmond). Tonight, in China, we will have the August's PMIs**
- **In other news, the US is preparing to sell military equipment to Taiwan for US\$1.1 billion. Although the Chinese government has not yet commented on this, it is expected to trigger an increase in tensions**

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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	Unemployment rate - Jul	%	3.56	3.45	3.35
10:00	International reserves - Aug 26	US\$bn	--	--	199.0
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 10-year Mbono (May'31); 10-year Udibono (Nov'31) and 1-, 3-, and 7-year Bondes F				
15:30	Public finances (PSBR, year-to-date) - Jul	MXNmn	--	--	-266.5
<i>United States</i>					
8:00	Fed's Barkin discusses economic outlook				
9:00	S&P/CoreLogic housing prices - Jun	% y/y	--	19.2	20.5
10:00	Consumer confidence* - Aug	index	98.0	97.4	95.7
11:00	Fed's Williams speaks on US economic outlook				
<i>China</i>					
21:30	Manufacturing PMI* - Aug	index	--	49.3	49.0
21:30	Non-manufacturing PMI* - Aug	index	--	52.2	53.8
21:30	Composite PMI* - Aug	index	--	--	52.5

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	4,058.75	0.7%
Euro Stoxx 50	3,622.19	1.4%
Nikkei 225	28,195.58	1.1%
Shanghai Composite	3,227.22	-0.4%
<i>Currencies</i>		
USD/MXN	19.97	-0.3%
EUR/USD	1.00	0.3%
DX	108.52	-0.3%
<i>Commodities</i>		
WTI	94.33	-2.8%
Brent	101.70	-3.2%
Gold	1,731.96	-0.3%
Copper	354.85	-1.8%
<i>Sovereign bonds</i>		
10-year Treasury	3.08	-2pb

Source: Bloomberg

Equities

- **Positive equity markets, where stock exchanges' advances show a moderate recovery in investor's confidence, although they remain cautious about the outlook for more aggressive monetary policies and while they evaluate the impact on corporate results**
- **US futures anticipate a positive opening with the S&P500 trading 0.7% above its theoretical value. In Europe, the Eurostoxx rises 1.4%, led by the real estate and financial sectors, offsetting declines in energy. Meanwhile, in Asia, movements were mixed, with the Nikkei advancing 1.1% which helped to counteract the setback suffered by Chinese technology shares**
- **In Mexico, the Mexbol index may be consolidating near 46,800 pts, after yesterday's close of 46,322 pts**

Sovereign fixed income, currencies and commodities

- **Favorable balance in sovereign bonds, with European rates printing gains of 6bps, on average, while the US Treasury curve adjusts up to -5bps at the long-end. Yesterday, the Mbonos' curve closed with losses of 7bps on average and the Mbono May'31 at 9.00% (+11bps)**
- **The dollar weakens amid a positive performance in most of the G10 currencies except for CHF (-0.2%). In emerging markets, the positive bias prevails, with RUB (+1.0%) as the strongest, while MXN appreciates 0.3% to 19.97 per dollar after gaining 0.1% yesterday**
- **Crude-oil prices fall after signs that Iraq has the capacity to boost oil exports to all destinations and won't refuse any requests for more oil despite violence in the country. Also, the market is focused on the Nord Stream gas pipeline shutdown tomorrow. In this sense, energy, metals and grains have a negative balance**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,098.99	-0.6%
S&P 500	4,030.61	-0.7%
Nasdaq	12,017.67	-1.0%
IPC	46,322.11	-2.0%
Ibovespa	112,323.12	0.0%
Euro Stoxx 50	3,570.51	-0.9%
FTSE 100	7,427.31	0.0%
CAC 40	6,222.28	-0.8%
DAX	12,892.99	-0.6%
Nikkei 225	27,878.96	-2.7%
Hang Seng	20,023.22	-0.7%
Shanghai Composite	3,240.73	0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	3.42	3pb
10-year Treasuries	3.10	6pb
28-day Cetes	8.53	-8pb
28-day TIIE	8.81	0pb
2-year Mbono	9.61	8pb
10-year Mbono	9.01	9pb
<i>Currencies</i>		
USD/MXN	20.02	-0.1%
EUR/USD	1.00	0.3%
GBP/USD	1.17	-0.3%
DX	108.84	0.0%
<i>Commodities</i>		
WTI	97.01	4.2%
Brent	105.09	4.1%
Mexican mix	93.38	4.1%
Gold	1,737.09	-0.1%
Copper	361.05	-2.3%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings affirmed the rating on the residential mortgage backed securities originated by Metrofinanciera. The METROCB04U issuance at 'AAA(mex)', METROCB06U at 'CC(mex)', MTROCB 07U and 08U at 'C(mex)'. According to the agency, Metrofinanciera maintains adequate activities of administration, reporting and recovery of its portfolio**
- **Fitch Ratings assigned 'AAA(mex)' rating to the proposed issuance of Grupo de Palacio de Hierro, GPH 22, for an amount of up to MXN 2 billion. According to the agency, the rating reflects the company's strong position in the market, brand recognition in Mexico, financial flexibility and conservative financial profile. They also consider business diversification, partner support and successful business strategy to maintain market position in an increasingly competitive environment**

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