

Financial Markets Daily

September 1, 2022

Main drivers for the financial markets today...

- **Negative stock markets, USD and government bond yields up with investors nervous due to fears of an economic downturn alongside with a restrictive monetary policy to choke inflation and a new lockdown in China to contain a COVID-19 outbreak**
- **Markets' focus will be on the Fed speakers' agenda, which includes a speech by Bostic from the Atlanta Fed. Yesterday Loretta Mester of the Cleveland Fed said that she expects rates to be significantly above 4% and sees no rate cuts in 2023**
- **Regarding economic figures, in the US, jobless claims for the week ending August 27 will be released, as well as the ISM manufacturing for August where we expect the figure to moderate compared to the previous month. While, in Brazil, 2Q22 GDP will be published**
- **In Mexico, Banxico will release its survey of economic expectations and its family remittances report for July. Likewise, IMEF will publish its monthly indicators. We expect both PMIs to moderate in August after a relevant rebound in the previous month, with additional challenges –both externally and domestically– also dragging these figures. However, we expect them to remain in expansion**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted
by Refinitiv



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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Brazil</i>					
8:00	Gross domestic product - 2Q22	% y/y	--	2.8	1.7
8:00	Gross domestic product* - 2Q22	% q/q	--	0.9	1.0
<i>United States</i>					
8:30	Initial jobless claims* - Aug 27	thousands	247	250	243
9:45	Manufacturing PMI* - Aug (F)	index	51.3	51.3	51.3
10:00	ISM manufacturing* - Aug	index	52.0	52.0	52.8
15:30	Fed's Bostic Speaks to Business School Students				
	Total vehicle sales** - Aug	thousands	--	13.5	13.4
<i>Mexico</i>					
10:00	Family remittances - Jul	US\$bn	5,131.8	5,118.6	5,152.5
10:00	Survey of expectations (Banxico)				
13:00	PMI manufacturing (IMEF)* - Aug	index	50.9	--	52.2
13:00	PMI non-manufacturing (IMEF)* - Aug	index	51.6	--	52.2

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	3,941.75	-0.4%
Euro Stoxx 50	3,481.18	-1.0%
Nikkei 225	27,661.47	-1.5%
Shanghai Composite	3,184.98	-0.5%
<i>Currencies</i>		
USD/MXN	20.18	0.2%
EUR/USD	1.00	-0.5%
DX	109.14	0.4%
<i>Commodities</i>		
WTI	88.50	-1.2%
Brent	94.47	-2.1%
Gold	1,701.09	-0.6%
Copper	345.90	-1.7%
<i>Sovereign bonds</i>		
10-year Treasury	3.19	0pb

Source: Bloomberg

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Equities

- **Negative stock markets as investors weigh recent hawkish comments from central banks, which continue to show no signs of flexibility in interest rate hikes**
- **US futures anticipate a negative opening, with the S&P500 trading 0.6% below its theoretical value and the Nasdaq at -0.6%. Likewise, Europe is trading with widespread losses, led by the adjustments in real estate and consumer discretionary stocks, with the Eurostoxx decreasing -1.0%. Finally, Asia closed to the downside, after China announced another lockdown in the city of Chengdu to contain an outbreak of COVID-19, highlighting the Hang Seng's decrease of 1.8%**
- **In Mexico, the Mexbol Index slid into bear market yesterday, hitting a 20.7% drop from its all-time closing high on April 1. Today, it could consolidate around the 44,500pts**

Sovereign fixed income, currencies and commodities

- **Mixed balance in sovereign bonds. European rates lose up to 9bps. Meanwhile, the Treasury curve gains 2bps at the short- and mid-end. Yesterday, the Mbonos curve flattened with 2bps pressure on the short-end and 6bps gains on the long-end**
- **The dollar advances while all developed currencies trade with negative returns with NOK (-0.7%) leading the losses. In EM, the bias is also negative with RUB(+1.0%) and KRW (-1.2%) at the extremes. Meanwhile, MXN depreciates 0.1% to 20.16 per dollar**
- **Crude-oil fall 1.4% to record three consecutive days with losses amid increase fears of an economic slowdown. Metals trade in negative territory with copper losing 1.5% due to lower expected demand after lockdowns in Chengdu, China**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,510.43	-0.9%
S&P 500	3,955.00	-0.8%
Nasdaq	11,816.20	-0.6%
IPC	44,919.22	-2.2%
Ibovespa	109,522.88	-0.8%
Euro Stoxx 50	3,517.25	-1.3%
FTSE 100	7,284.15	-1.1%
CAC 40	6,125.10	-1.4%
DAX	12,834.96	-1.0%
Nikkei 225	28,091.53	-0.4%
Hang Seng	19,954.39	0.0%
Shanghai Composite	3,202.14	-0.8%
<i>Sovereign bonds</i>		
2-year Treasuries	3.49	5pb
10-year Treasuries	3.19	9pb
28-day Cetes	8.61	26pb
28-day TIE	8.82	0pb
2-year Mbono	9.74	4pb
10-year Mbono	9.06	-4pb
<i>Currencies</i>		
USD/MXN	20.14	-0.1%
EUR/USD	1.01	0.4%
GBP/USD	1.16	-0.3%
DXY	108.70	-0.1%
<i>Commodities</i>		
WTI	89.55	-2.3%
Brent	96.49	-2.8%
Mexican mix	85.96	-3.0%
Gold	1,711.04	-0.8%
Copper	351.85	-0.9%

Source: Bloomberg

Corporate Debt

- **HR Ratings affirmed ION Financiera's long-term and short-term ratings at 'HR BBB-' and 'HR3', respectively, and placed them on Negative Observation. According to the agency, the Negative Observation is based on a higher risk of refinancing its liabilities from the Program itself, coupled with adverse market conditions that have impacted access to this source of financing**
- **Moody's Investors Service assigned the international rating of 'B1' to Financiera Independencia. Outlook is Stable. According to the agency, the rating acknowledges the company's adequate liquidity profile supported by diversified portfolio of lines from banks that has improved the company's asset and liability management over the past two years**

Certification of Analysts.

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, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Oscar Rodolfo Olivos 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>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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