

Financial Markets Daily

September 7, 2022

Main drivers for the financial markets today...

- **Stock markets lower, albeit with S&P 500 futures higher, government bond yields negative, and the USD strengthens, reflecting concerns over the implementation of a restrictive monetary policy in an environment of strong inflationary pressures and with upside risks from the energy crisis in Europe and lockdowns in China**
- **The energy situation in Europe remains tense, with President Putin mentioning that his country will not export fuels if price ceilings are set for his country's exports. Meanwhile, the European Commission outlined a plan to cap non-gas generated electricity at €200 MWh**
- **On economic data, 2Q22 GDP in the Eurozone was revised higher to 0.8% q/q from 0.6%, boosted by higher dynamism in consumption. In Germany, July's IP fell 0.3%, being better than expected. In China, August's trade balance showed some weakness, with both exports and imports disappointing lower. In the US we will be looking into July's trade balance and the Beige Book**
- **On the monetary policy front, we will have comments from Barkin (Richmond), Mester (Cleveland), Brainard (Fed Vice Chair) and Barr (Fed's Board), while in the UK we highlight the testimony from BoE Governor, Andrew Bailey, before Parliament. Finally, we will have a rate decision in Canada, expecting a 75bps hike to 3.25%**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
2:00	GER Industrial production* - Jul	% m/m	--	-0.6	0.4
5:00	EZ Gross domestic product - 2Q22 (F)	% y/y	--	3.9	3.9
5:00	EZ Gross domestic product* - 2Q22 (F)	% q/q	--	0.6	0.6
<i>United States</i>					
8:30	Trade balance* - Jul	USDbn	--	-70.3	-79.6
9:00	Fed's Barkin speaks at MIT				
10:00	Fed's Mester speaks at virtual event				
12:35	Fed's Brainard discusses the Economic Outlook				
14:00	Beige Book				
<i>Japan</i>					
19:50	Gross domestic product* - 2Q22 (F)	% q/q	--	0.7	0.5

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	3,916.75	0.2%
Euro Stoxx 50	3,490.55	-0.3%
Nikkei 225	27,430.30	-0.7%
Shanghai Composite	3,246.29	0.1%
<i>Currencies</i>		
USD/MXN	20.12	-0.1%
EUR/USD	0.99	-0.1%
DX	110.59	0.3%
<i>Commodities</i>		
WTI	87.08	0.2%
Brent	92.98	0.2%
Gold	1,703.31	0.1%
Copper	345.65	-0.4%
<i>Sovereign bonds</i>		
10-year Treasury	3.32	-2pb

Source: Bloomberg

Equities

- **Stock markets registering generalized declines, investors remain cautious and weigh a decrease in global economic growth given a more aggressive monetary tightening, while the risks associated with the energy crisis in Europe and the COVID-19 closures in China prevail, impacting the outlook**
- **Futures in the US anticipate a majorly unchanged opening with the S&P500 trading 0.2% above its theoretical value. In Europe, generalized falls are recorded, the Eurostoxx declines 0.3%, with the largest adjustments in the consumer staples and financial sectors. In turn, Asia closed with losses, highlighting the Hang Seng drop of 0.8% and the Nikkei's of 0.7%, after weaker export and import data stagnated in China**
- **On the corporate front, Asur confirmed a favorable outlook for traffic advance, standing out once again as the group with the highest passenger rise, while Oma had the most important boost in domestic traffic**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds reversing some of yesterday's losses. European assets trade with gains of up to 10bps while the Treasuries yield curve registers an appreciation of 2bps on average. Yesterday, the Mbonos' curve closed with losses of 8bps on average and the 10-year benchmark at 9.07% (+9bps)**
- **The dollar strengthens with the DXY up 0.3% as G-10 currencies trade in negative territory and emerging currencies with mixed changes. In the former group, JPY (-1.2%) leads the declines while in the latter, trading is capped by HUF (+0.5%) and KRW (-0.8%). The Mexican peso is one of the few with gains, appreciating 0.1% to trade at 20.12 per dollar**
- **Crude oil futures advanced 0.7% on average in view of President Putin's threat to suspend supply due to the G-7 decision to establish price caps. In metals, the negative bias prevails due to the weakness of exports and imports in China**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,145.30	-0.6%
S&P 500	3,908.19	-0.4%
Nasdaq	11,544.91	-0.7%
IPC	45,902.89	-0.3%
Ibovespa	109,763.77	-2.2%
Euro Stoxx 50	3,500.14	0.3%
FTSE 100	7,300.44	0.2%
CAC 40	6,104.61	0.2%
DAX	12,871.44	0.9%
Nikkei 225	27,626.51	0.0%
Hang Seng	19,202.73	-0.1%
Shanghai Composite	3,243.45	1.4%
<i>Sovereign bonds</i>		
2-year Treasuries	3.50	12pb
10-year Treasuries	3.35	16pb
28-day Cetes	8.58	-12pb
28-day TIE	8.82	0pb
2-year Mbono	9.74	8pb
10-year Mbono	9.08	7pb
<i>Currencies</i>		
USD/MXN	20.14	0.8%
EUR/USD	0.99	-0.3%
GBP/USD	1.15	0.0%
DXY	110.21	0.6%
<i>Commodities</i>		
WTI	86.88	0.0%
Brent	92.83	-3.0%
Mexican mix	83.13	0.0%
Gold	1,702.14	-0.5%
Copper	346.20	1.4%

Source: Bloomberg

Corporate Debt

- **PCR Verum downgraded Corpovael's (CADU) rating to 'BBB-/M' from 'A-/M' and changed the outlook to Negative from Stable. The downgrade follows that on the last quarters, the recovery in the company's operative and financial performance has remained below the agency's initial expectations**
- **HR Ratings placed on Negative Watch the 'HR A+ (E)' rating for issuance PRTMXCB 21 due to the risks associated with the cash flow separation between the Trustor and the Issue Trust. As of July 2022, 30.1% of the aggregated collection has been received in the Trustor's accounts and afterwards it is transferred by them in the Collection Account established in the Trust**

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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>
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