

Financial Markets Daily

February 16, 2023

Main drivers for the financial markets today...



- **Stock markets higher, S&P500 futures with small changes, the USD and government bond yields negative, with investors encouraged by upbeat earnings reports and evidence of resilience in the economy. However, caution prevails over Fed actions and US-China tensions**
- **The debate on the debt ceiling in the US budget with declarations of House Speaker, Kevin McCarthy, regarding the need to “put the budget balance in order”. Meanwhile, President Biden has called on Republicans to show their plan for spending cuts**
- **China warned over possible retaliation against the US for violations of its sovereignty, after shooting down one Chinese balloon last week. This could negatively impact the possible meeting between the Secretary of State Blinken and China’s top diplomat, Wang Yi at the Munich Security Conference later this week**
- **On economic data, January’s PPI will be published in the US, as well as housing market indicators (permits and housing starts). We will also have the Philly Fed indicator and weekly jobless claims. On the monetary policy front, we will have speeches from Mester (Cleveland), Bullard (St. Louis) and Cook (Fed Board). On the other hand, Christine Lagarde reiterated that the ECB intends to increase its reference rate by 50bps next month**
- **In other news, part of a speech President Xi Jinping gave last December was published in China, where he indicated that it would be necessary to take “more forceful measures” to increase domestic spending. This is revealed in a context where the yuan falls for the sixth consecutive week, while the PBoC has injected 34 billion yuan via open market operations**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
8:30	Housing starts** - Jan	thousands	--	1,355	1,382
8:30	Building permits** - Jan	thousands	--	1,350	1,337
8:30	Philadelphia Fed* - Feb	index	-10.5	-7.5	-8.9
8:30	Producer prices* - Jan	% m/m	--	0.4	-0.4
8:30	Ex. food & energy* - Jan	% m/m	--	0.3	0.1
8:30	Initial jobless claims* - Feb 11	thousands	202	200	196
8:45	Fed's Mester Speaks at Global Interdependence Center Event				
13:30	Fed's Bullard Discusses the Economy and Monetary Policy				
18:15	Fed's Mester Discusses the Economic Outlook				

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	4,148.00	-0.2%
Euro Stoxx 50	4,303.44	0.5%
Nikkei 225	27,696.44	0.7%
Shanghai Composite	3,249.03	-1.0%
<i>Currencies</i>		
USD/MXN	18.59	0.0%
EUR/USD	1.07	0.1%
DX	103.73	-0.2%
<i>Commodities</i>		
WTI	78.68	0.1%
Brent	85.40	0.0%
Gold	1,840.01	0.2%
Copper	406.35	1.3%
<i>Sovereign bonds</i>		
10-year Treasury	3.79	-1pb

Source: Bloomberg

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Equities

- **Equity markets are mixed, with investors weighing the possibility of a higher terminal rate following economic data that proves the economy remains resilient. US futures are adjusted slightly lower, with the S&P500 index declining 0.2% prior to the open. Meanwhile, Europe is mostly positive as investors responded to strong corporate earnings**
- **On the corporate front, 18 S&P 500 companies will release their results today, highlighting Southern Company. On the other hand, in Mexico, Alfa and Alpek reported below expectations, both showing profitability pressures beyond estimates. Walmex report was in line with our forecasts, reflecting higher margin pressures due to cost increases and investment expenses in Mexico. Finally, Femsa announced a business plan to grow its key operations that could be well received by the market. At market close, we anticipate Cuervo and Oma's figures**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds. European assets fluctuates by +/-3bps. The Treasuries' curve gain up to 4bps at the short-end, while the 30-year benchmark trades with slight losses. Yesterday, the Mbonos' curve recorded a steepening bias due to 17bps gains at the short-end, while the long-end adjusted -2bps**
- **The dollar retreats, DXY (-0.2%), allowing most G10 currencies to trade in positive territory with JPY (+0.2%) leading the gains. In EM, the bias is mixed with CLP (+0.6%) and ZAR (-0.7%) at the extremes. Meanwhile, MXN depreciates 0.1% at 18.60 per dollar, after losing 0.3% yesterday**
- **Crude-oil futures advance moderately, as investor assess more information about demand in China. On the other hand, US inventories registered an increase of 16 million barrels. Metals trade with positive bias with copper gaining 1.4%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,128.05	0.1%
S&P 500	4,147.60	0.3%
Nasdaq	12,070.59	0.9%
IPC	53,422.24	1.4%
Ibovespa	109,600.14	1.6%
Euro Stoxx 50	4,280.04	1.0%
FTSE 100	7,997.83	0.6%
CAC 40	7,300.86	1.2%
DAX	15,506.34	0.8%
Nikkei 225	27,501.86	-0.4%
Hang Seng	20,812.17	-1.4%
Shanghai Composite	3,280.49	-0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	4.63	2pb
10-year Treasuries	3.80	6pb
28-day Cetes	11.02	-3pb
28-day TIE	11.24	1pb
2-year Mbono	10.69	-16pb
10-year Mbono	8.99	0pb
<i>Currencies</i>		
USD/MXN	18.59	0.3%
EUR/USD	1.07	-0.5%
GBP/USD	1.20	-1.2%
DXY	103.92	0.7%
<i>Commodities</i>		
WTI	78.59	-0.6%
Brent	85.38	-0.2%
Mexican mix	69.06	-0.6%
Gold	1,836.01	-1.0%
Copper	402.15	-1.7%

Source: Bloomberg

Corporate Debt

- **PCR Verum upgraded AERMXXCB 17 / 19 (ABS of Grupo Aeroméxico) issuances to 'A/M (e)' from 'BB/M (e)'. Also, it withdrew the Negative Watch and revised the outlook to Stable. According to the agency, the upgrade is due to the fact that, in December 2022, Grupo Aeroméxico received the final agreement to terminate its financial restructuring procedure, which reduces the risk of the airline operations cessation and would allow it to continue generating collections for the use of Visa and MasterCard cards to acquire its services, which is the source of payment for the bonds**
- **The AERMXXCB 17 / 19 issuances are backed by collection rights consisting of payment obligations in charge of credit card processors and have a joint outstanding amount of MXN 4.45 billion, maturing in 2024 and 2025**

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, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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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