

# Financial Markets Daily

February 17, 2023

## Main drivers for the financial markets today...

- **Stock markets lower, government bond yields positive and the USD strengthens, as investors keep assimilating hawkish comments from Fed and ECB members, while uncertainty regarding terminal rates continues in the midst of mixed economic data and continued price pressures**
- **President Biden expects to have a call with Xi Jinping soon regarding the downing of a Chinese balloon pledging to manage the dispute responsibly and prevent it from escalating into conflict. In this sense, the possibility of a meeting between Secretary of State, Anthony Blinken, and his counterpart, Wang Yi, at the Munich Security Conference, has increased**
- **On economic figures, in Mexico, INEGI published its Timely Indicator of Economic Activity for January, with 0.4% m/m expansion (2.8% y/y sa) in activity. By sectors, they expect industry at +0.5% m/m, with services more modest at +0.3% m/m**
- **Regarding monetary policy, the market will pay attention to speeches from Barkin (Richmond) and Bowman (Fed Board), especially after yesterday's hawkish comments from Mester (Cleveland) and Bullard (St. Louis) on the magnitude of the next rate hike. In China, the PBoC has continued its liquidity injections, now offering 835 billion yuan (US\$121 billion) in seven-day repo operations to address liquidity problems**
- **Finally, British Prime Minister Rishi Sunak told Northern Ireland politicians that progress has been made to reach a trade deal with the European Union. He is expected to meet with the President of the European Commission, Ursula von der Leyen, over the weekend to continue discussions on the matter**

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## The most relevant economic data...

|                      | Event/Period                                 | Unit  | Banorte | Survey | Previous |
|----------------------|--|-------|---------|--------|----------|
| <i>Eurozone</i>      |  |       |         |        |          |
| 4:00                 | Current account* - Dec                       | EURbn | --      | --     | 13.6     |
| <i>Mexico</i>        |  |       |         |        |          |
| 7:00                 | Timely Indicator of Economic Activity* - Jan | % y/y | --      | --     | 2.7      |
| <i>United States</i> |  |       |         |        |          |
| 8:30                 | Fed's Barkin Discusses the US Labor Market   |       |         |        |          |
| 8:45                 | Fed's Bowman speaks at banking conference    |       |         |        |          |

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        | 4,074.50  | -0.6%      |
| Euro Stoxx 50          | 4,251.87  | -1.1%      |
| Nikkei 225             | 27,513.13 | -0.7%      |
| Shanghai Composite     | 3,224.02  | -0.8%      |
| <i>Currencies</i>      |           |            |
| USD/MXN                | 18.64     | 0.6%       |
| EUR/USD                | 1.06      | -0.5%      |
| DXY                    | 104.61    | 0.7%       |
| <i>Commodities</i>     |           |            |
| WTI                    | 75.92     | -3.3%      |
| Brent                  | 82.51     | -3.1%      |
| Gold                   | 1,826.43  | -0.5%      |
| Copper                 | 406.95    | -1.6%      |
| <i>Sovereign bonds</i> |           |            |
| 10-year Treasury       | 3.88      | 2pb        |

Source: Bloomberg

## Equities

- **Widespread stock market declines, as investors remain fearful of the effects that a scenario with prolonged high rates could have on economic growth and corporate earnings**
- **As such, futures in the US anticipate a negative opening with the S&P500 trading 0.6% below its theoretical value. In Europe, declines average around 0.8%, while technology stocks, being more sensitive to rising rates, lead the adjustments.**
- **On the corporate front we already have the results of just over 80% of S&P500 companies and a decrease in profits of 2.6% vs. -3.1% is accumulated. The positive surprises rate stands at 68.2%. Today CenterPoint Energy In, Deere & Co and PPL Corp will release its figures. In Mexico, yesterday Oma reported relevant advances in its results, aligned with expectations, while the outlook improves supported by nearshoring**

## Sovereign fixed income, currencies and commodities

- **Sovereign bond pressures reflecting the hawkish tone of central banks. European assets trade with 4bps losses and the Treasuries yield curve is pressured by 3bps, on average. Yesterday, the Mbonos' curve closed with 10bps losses and a steepening bias. The 10-year benchmark ended the session at 9.04% (+21bps) a level not seen since the beginning of the year**
- **The dollar strengthens (DXY +0.7%) as developed and emerging currencies trade with losses. In the first group NOK (-1.1%) leads declines and in the second HUF (-1.2%) is the weakest. The Mexican peso reverses yesterday's gains, trading at 18.65 per dollar, representing a 0.7% depreciation**
- **Crude oil falls 3.1% on risk aversion sentiment and gas in Europe falls below €50 MWh for the first time in 17 months. Metals print losses, among which copper falls 1.4%**

## Corporate Debt

- **CIBanco (Trustee) informed that Invex Controladora intends to carry out the full early amortization of the bond INVEX 20, on February 24, 2023, at their nominal value for the amount of MXN 500 million, plus accrued and not paid interest. According to the statement, the early amortization will not generate any premium payment over the face value**
- **The INVEX 20 issuance is currently below par (FV: MXN 100.00) with a Clean Price of MXN 99.9402. According to the supplement, the issuer will not be required to pay a premium for early amortization, as it is carried out after the twenty-fifth payment date. The bond is rated 'mxA' by S&P Global and 'A+(mex)' by Fitch Ratings**

## Previous closing levels

|                        | Last       | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i>  |            |            |
| Dow Jones              | 33,696.85  | -1.3%      |
| S&P 500                | 4,090.41   | -1.4%      |
| Nasdaq                 | 11,855.83  | -1.8%      |
| IPC                    | 54,015.82  | 1.1%       |
| Ibovespa               | 109,941.46 | 0.3%       |
| Euro Stoxx 50          | 4,297.24   | 0.4%       |
| FTSE 100               | 8,012.53   | 0.2%       |
| CAC 40                 | 7,366.16   | 0.9%       |
| DAX                    | 15,533.64  | 0.2%       |
| Nikkei 225             | 27,696.44  | 0.7%       |
| Hang Seng              | 20,987.67  | 0.8%       |
| Shanghai Composite     | 3,249.03   | -1.0%      |
| <i>Sovereign bonds</i> |            |            |
| 2-year Treasuries      | 4.64       | 1pb        |
| 10-year Treasuries     | 3.86       | 6pb        |
| 28-day Cetes           | 11.06      | 4pb        |
| 28-day TIE             | 11.24      | 0pb        |
| 2-year Mbono           | 10.69      | 0pb        |
| 10-year Mbono          | 9.06       | 6pb        |
| <i>Currencies</i>      |            |            |
| USD/MXN                | 18.52      | -0.3%      |
| EUR/USD                | 1.07       | -0.1%      |
| GBP/USD                | 1.20       | -0.3%      |
| DXY                    | 103.86     | -0.1%      |
| <i>Commodities</i>     |            |            |
| WTI                    | 78.49      | -0.1%      |
| Brent                  | 85.14      | -0.3%      |
| Mexican mix            | 68.82      | -0.3%      |
| Gold                   | 1,836.36   | 0.0%       |
| Copper                 | 412.15     | 2.5%       |

Source: Bloomberg

## Certification of Analysts.

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, 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  |
|------|--|
| BUY  | <i>When the share expected performance is greater than the MEXBOL estimated performance.</i> |
| 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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