

Financial Markets Daily

February 20, 2023

Main drivers for the financial markets today...



- **Stock markets lower, government bond yields broadly unchanged, and USD skewed down. Lower liquidity helps explain the lack of conviction. Nonetheless, cautiousness prevails about the possibility of higher rates by the Fed, albeit also with bets that China will keep growing despite geopolitical issues**
- **US markets will be closed today because of Presidents Day. In the Eurozone, releases include February's consumer confidence. Meanwhile, no relevant information in Mexico for the rest of the day**
- **Market attention this week on PMI indicators for February in the US, Eurozone, and the UK, amid stronger economic data that has reduced bets of a global recession. Moreover, the latest meeting minutes from the Fed and Banxico, which will likely remain hawkish**
- **In monetary policy, decisions in Israel, New Zealand, Korea, and Turkey. Moreover, minutes of the RBA and comments from members of the BoE and ECB**
- **In upcoming events, a meeting of G20 finance ministers and central bankers in India, a hearing of the BoJ-governor nominee at the lower house, and an expected speech by Putin days before the anniversary of Russia's invasion of Ukraine**
- **US data includes also final 4Q22 GDP, existing and new home sales, personal income & spending, PCE deflator (Jan), final U. of Michigan consumer confidence, and the Philly Fed indicator (Feb)**
- **In Mexico, 4Q22 GDP and current account, GDP-monthly proxy IGAE, retail sales (Dec), inflation in 1H-Feb, and the banking sector survey**

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The most relevant economic data...

Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>				
Markets closed due to Presidents' Day holiday				
<i>Eurozone</i>				
10:00 Consumer Confidence-Feb (P)	index	--	-19.0	-20.9

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	4,083.50	-0.1%
Euro Stoxx 50	4,274.93	0.0%
Nikkei 225	27,531.94	0.1%
Shanghai Composite	3,290.34	2.1%
<i>Currencies</i>		
USD/MXN	18.42	0.2%
EUR/USD	1.07	-0.1%
DXY	103.87	0.0%
<i>Commodities</i>		
WTI	76.77	0.6%
Brent	83.54	0.7%
Gold	1,843.84	0.1%
Copper	414.55	0.9%
<i>Sovereign bonds</i>		
10-year Treasury	3.81	0pb

Source: Bloomberg

Equities

- **Equity markets kick off this week with mixed movements, reflecting uncertainty due to fears of higher interest rates for longer than expected. There will be no activity in the US due to the holiday, which might affect trading volumes in other markets**
- **In Asia, most markets closed positive on increased optimism about China's economic recovery. Europe shows a negative bias, albeit with the Eurostoxx broadly unchanged. Shares from technology and industrials sectors lead losses. In Mexico, we expect the Mexbol index this week with a trading range between 52,800 - 55,000pts**
- **On the corporate front, this week will gradually decrease the flow of reports, with results from 62 S&P500 companies. In Mexico, information will be more abundant with 11 companies from the Mexbol index releasing earnings. Gap will publish its figures after the market closes**

Sovereign fixed income, currencies and commodities

- **In Europe, bonds trade with few changes. Last week, the Mbonos yield curve showed a steepening bias as a result of a 23bps sell-off at the long-end. The 10-year benchmark closed at 9.10% (+28bps)**
- **USD with slight gains amid a positive performance in developed currencies, with SEK (+0.9%) as the strongest. In EM, the bias is mixed, with PHP (+0.5%) and RUB (-0.6%) at the extremes. The MXN trades at 18.42 per dollar, equivalent to a 0.2% depreciation, after reaching its best intraday level at 18.33 last week**
- **Crude-oil futures higher on hopes that the rebound in Chinese demand is picking up steam. However, the prospect of further monetary tightening from the Fed to curb inflation keeps limiting prices. Favorable balance in metals, with copper up 0.9%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,826.69	0.4%
S&P 500	4,079.09	-0.3%
Nasdaq	11,787.27	-0.6%
IPC	53,789.64	-0.4%
Ibovespa	109,176.92	-0.7%
Euro Stoxx 50	4,274.92	-0.5%
FTSE 100	8,004.36	-0.1%
CAC 40	7,347.72	-0.3%
DAX	15,482.00	-0.3%
Nikkei 225	27,513.13	-0.7%
Hang Seng	20,719.81	-1.3%
Shanghai Composite	3,224.02	-0.8%
<i>Sovereign bonds</i>		
2-year Treasuries	4.62	-2pb
10-year Treasuries	3.81	-5pb
28-day Cetes	11.06	0pb
28-day TIIE	11.25	0pb
2-year Mbono	10.78	9pb
10-year Mbono	9.11	5pb
<i>Currencies</i>		
USD/MXN	18.37	-0.8%
EUR/USD	1.07	0.2%
GBP/USD	1.20	0.4%
DXY	103.86	0.0%
<i>Commodities</i>		
WTI	76.34	-2.7%
Brent	83.00	-2.5%
Mexican mix	66.68	-3.1%
Gold	1,842.36	0.3%
Copper	410.50	-0.4%

Source: Bloomberg

Corporate Debt

- **Grupo Industrial Saltillo (GISSA) informed that the Federal Economic Competition Commission (COFECE) gave its approval to the sale of its coatings business 'Vitromex' to Mohawk Industries, in accordance with the terms of the agreement announced on June 3, 2022**
- **Moody's Investors Service downgraded Financiera Independencia's international scale rating to 'B2' from 'B1' and changed the outlook to Negative from Stable. According to the agency, the downgrade reflects a growing reliance on secured debt financing in the coming months to support its operations, in times of difficult funding conditions for finance companies in Mexico. It is important to remember that, on January 25th, HR Ratings placed Financiera Independencia's 'HR A' and 'HR2' ratings under Review in Process following the announcement of the Exchange Offer**

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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, 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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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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