

# Financial Markets Daily

February 21, 2023

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



- **Stock markets lower, with government bond yields and oil positive, while the USD strengthens slightly, this in a backdrop of increased concerns over rates remaining high for longer and geopolitical tensions. This took away some of the optimism over China's economic recovery**
- **Russian President, Vladimir Putin, vowed to continue with the invasion of Ukraine until his country's goals have been met given that they are fighting for "historic lands". In addition, he also announced the end of a nuclear agreement with the US which limited the proliferation of weapons of this nature**
- **In the monetary policy front, attention on Christine Lagarde's speech later, as well as the policy decision in New Zealand tonight, were +50bps to 4.75% are expected**
- **Regarding indicators, PMIs in Europe were somewhat mixed, albeit with weakness in manufacturing being more than compensated by strength in services, resulting in progress in composite indices for both Germany and the Eurozone as a whole. In the US we will be looking into these same indicators along figures from the housing market**
- **In Mexico, December's retail sales advanced 0.1% m/m (2.5% y/y), driven by glass and hardware and internet sales. In addition, we await the expectations survey from the banking sector**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
5:00	ZEW Survey (Expectations) - Feb	index	--	23.0	16.9
<i>Mexico</i>					
7:00	Retail sales - Dec	% y/y	3.7	3.2	2.4
7:00	Retail sales* - Dec	% m/m	0.7	--	-0.2
10:00	International reserves - Feb 17	US\$bn	--	--	200.7
12:30	Government weekly auction: 1-, 3-, 6-, and 12- month CETES; 10-year Mbono (May'33); 30-year UdiBono (Nov'50) and 2-, 5-, and 10-year Bondes F				
15:30	Survey of expectations (Citibanamex)				
<i>United States</i>					
9:45	Manufacturing PMI* - Feb (P)	index	47.3	47.4	46.9
9:45	Services PMI* - Feb (P)	index	48.0	47.3	46.8
9:45	Composite PMI* - Feb (P)	index	--	47.5	46.8
10:00	Existing home sales** - Jan	millions	--	4.1	4.0

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	4,058.75	-0.7%
Euro Stoxx 50	4,249.24	-0.5%
Nikkei 225	27,473.10	-0.2%
Shanghai Composite	3,306.52	0.5%
<i>Currencies</i>		
USD/MXN	18.40	0.1%
EUR/USD	1.07	-0.2%
DXY	103.98	0.1%
<i>Commodities</i>		
WTI	76.77	0.6%
Brent	83.56	-0.6%
Gold	1,833.38	-0.4%
Copper	419.45	2.1%
<i>Sovereign bonds</i>		
10-year Treasury	3.88	7pb

Source: Bloomberg

## Equities

- **Negative movements in equity markets with investors concerned about the potential effect of higher interest rates for longer on economic growth and earnings generation, while assimilating corporate reports with mixed signals. Thus, in Asia the markets closed mixed. In Europe stocks drop, the Eurostoxx sheds 0.5%. In turn, in the US operations will resume after yesterday's holiday and the futures of main indices point to a negative open by falling 0.9% on average**
- **Out of the 13 S&P500 companies scheduled to report today, 5 have already updated investors with outperforming estimates, including Home Depot and Walmart. However, the former disappointed by anticipating flat sales for 2023 and the latter by forecasting lower-than-expected profits. In Mexico, Gap reported significant operating progress as positive outlook strengthens. Figures from Chdraui, Livepol, and Volar are expected today**

## Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European rates adjust +4bps, while the US Treasury curve registers a sell-off of up to 7bps in the belly. Yesterday, the Mbonos' curve register losses of 9bps between the 5- and 10-year zone. The 10-year reference, May'33, closed at 9.18% (+8bps)**
- **The dollar advances (BBDXY +0.2%) against most of G10 and EM currencies. In the former, GBP (+0.5%) is the only in positive territory and in the latter, ZAR (-0.9%) is the weakest. The Mexican peso trades at 18.40 per dollar, equivalent to a 0.1% depreciation**
- **WTI gains 0.6%, while Brent falls 0.6% amid increased geopolitical tensions between Russia and Ukraine. Moreover, Russian oil flows to China stand at highest since the beginning of the war. The balance of metals is mixed, with copper and aluminum adjusting -0.3% and +0.8%, respectively**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,826.69	0.0%
S&P 500	4,079.09	0.0%
Nasdaq	11,787.27	0.0%
IPC	53,908.55	0.2%
Ibovespa	109,176.92	0.0%
Euro Stoxx 50	4,271.18	-0.1%
FTSE 100	8,014.31	0.1%
CAC 40	7,335.61	-0.2%
DAX	15,477.55	0.0%
Nikkei 225	27,531.94	0.1%
Hang Seng	20,886.96	0.8%
Shanghai Composite	3,290.34	2.1%
<i>Sovereign bonds</i>		
2-year Treasuries	4.62	0pb
10-year Treasuries	3.81	0pb
28-day Cetes	11.11	5pb
28-day TIIE	11.25	1pb
2-year Mbono	10.82	4pb
10-year Mbono	9.16	5pb
<i>Currencies</i>		
USD/MXN	18.38	0.0%
EUR/USD	1.07	-0.1%
GBP/USD	1.20	0.0%
DXY	103.86	0.0%
<i>Commodities</i>		
WTI	76.34	0.0%
Brent	84.07	1.3%
Mexican mix	66.68	0.0%
Gold	1,841.38	-0.1%
Copper	410.50	0.0%

Source: Bloomberg

## Corporate Debt

- **Fitch Ratings revised FEMSA's outlook to Negative from Stable while affirming its Issuer Default Ratings at 'A'. The revision follows its revised business strategy to focus on its core retail and beverage business and divest its equity stake in Heineken and other non-core operations and investments**
- **Financiera Independencia announced the closing of its Exchange Offer for its senior notes 8.00% due 2024 for new senior notes 10.00%\$ due 2028, plus a cash payment. The Exchange Offer was accepted for a total principal amount of US\$104.15 million, representing 63.43% of the total amount**
- **Corpovael informed the sale of a piece of land for a total amount of MXN 114 million. Proceeds from the sale will be used to face debt maturities in the short-term**

## 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
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<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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