

# Financial Markets Daily

February 22, 2023

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

- **Negative stock markets, government bond yields down and dollar trading with small changes awaiting Fed minutes, which could help define whether rates will stay higher, for longer, under an environment where inflation could take time to reach the 2% target**
- **We believe that the minutes lose some relevance since the meeting took place prior to the publication of the latest employment and inflation reports for January, showing a much stronger labor market and a more moderate drop in annual inflation than expected, which has led to a tougher stance by the central bank**
- **Tensions between the US and China continue to rise, as the Asian country's government asked state-owned companies to stop using US audit firms on its territory, despite an agreement reached late last year that prevented the delisting in New York. Adding to the tensions, Putin said that he is looking forward to Xi Jinping's visit to Russia and praised his friendship with the Asian country**
- **On the monetary policy front, New York Fed's Williams is expected to speak on inflation in the afternoon. While Bullard of St. Louis commented that the economy is proving to be more resilient than expected and reinforced his position that they should keep raising rates. Later, South Korea will announce its decision, where consensus expects it to keep the benchmark rate unchanged at 3.50%**

Alejandro Padilla Santana  
Chief Economist and  
Head of Research  
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA  
Executive Director of Economic Research  
and Financial Markets Strategy  
juan.alderete.macal@banorte.com

Alejandro Cervantes Llamas  
Executive Director of Quantitative Analysis  
alejandro.cervantes@banorte.com

Manuel Jiménez Zaldivar  
Director of Market Strategy  
manuel.jimenez@banorte.com

 [www.banorte.com](http://www.banorte.com)  
 @ analisis\_fundam

## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
2:00	Consumer prices - Jan (F)	% y/y	--	8.7	8.7
4:00	IFO Survey (business climate)* - Feb	index	--	91.1	90.2
<i>United States</i>					
14:00	FOMC Meeting Minutes				
<i>South Korea</i>					
	Monetary policy decision (C. bank of South Korea)	%	--	3.50	3.50

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	4,018.25	0.3%
Euro Stoxx 50	4,230.16	-0.5%
Nikkei 225	27,104.32	-1.3%
Shanghai Composite	3,291.15	-0.5%
<i>Currencies</i>		
USD/MXN	18.40	-0.4%
EUR/USD	1.06	-0.1%
DXY	104.16	0.0%
<i>Commodities</i>		
WTI	75.95	-0.3%
Brent	82.50	-0.7%
Gold	1,843.97	0.5%
Copper	419.25	-0.8%
<i>Sovereign bonds</i>		
10-year Treasury	3.92	-3pb

Source: Bloomberg

## Equities

- **Negative stock markets, where investors continue to adjust growth expectations due to the possibility of a tighter monetary policy for longer than initially anticipated**
- **Futures in the US anticipate a positive opening with the S&P500 trading 0.3% above its theoretical value. Of the 16 companies in the S&P500 that will publish their results today, 4 have released their figures, mostly better than anticipated. In turn, Europe trades mainly with losses, the Eurostoxx falls 0.4%. Asia closed lower**
- **On the domestic corporate front, Chedraui had profitability improvements that exceeded 2022 guidance, while figures remain with an outstanding performance. Liverpool registered double-digit growth in all business lines, highlighting margin gains. As for Volar, high costs impacted profitability, but positive 2023 guidance incorporates solid growth. At market close, Bimbo, Gentera, Lab, Lacomar, and Orbia will release their figures**

## Sovereign fixed income, currencies and commodities

- **Positive bias in sovereign bonds ahead of Fed minutes. European assets trade with adjustments of -2bps while the Treasuries yield curve registers gains of 1bp, on average. Yesterday, the Mbonos curve closed with losses of 25bps on average and the 10-year benchmark at 9.38% (+20bps)**
- **The dollar trade with few changes as most developed and emerging currencies trade in negative territory. In the former group AUD (-0.5%) is the weakest while in the latter KRW (-0.9%) leads the decliners. The Mexican peso is the most defensive among its peers, appreciating 0.4% and trading at 18.40 per dollar**
- **Crude-oil futures fall 0.9% and extend the losses of the previous days due to the uncertainty regarding global growth and energy demand. Metals performance is mixed, precious metals rise and industrials fall**

## Corporate Debt

- **HR Ratings upgraded the rating for issuance CPEXACB 16U (Perote-Xalapa Highway's future flow) to 'HR AA (E)' from 'HR AA- (E)' and changed the outlook to Stable from Positive. The upgrade was based on the issuance's metrics levels that benefited from the increase in traffic by 10.4% during 2022**
- **Fitch Ratings revised Coca-Cola FEMSA's rating outlook to Negative from Stable and affirmed the Issuer Default Ratings at 'A'. The Outlook revision results from the direct linkage of KOF's ratings with those of its parent company FEMSA**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,129.59	-2.1%
S&P 500	3,997.34	-2.0%
Nasdaq	11,492.30	-2.5%
IPC	53,239.95	-1.2%
Ibovespa	109,176.92	0.0%
Euro Stoxx 50	4,250.40	-0.5%
FTSE 100	7,977.75	-0.5%
CAC 40	7,308.65	-0.4%
DAX	15,397.62	-0.5%
Nikkei 225	27,473.10	-0.2%
Hang Seng	20,529.49	-1.7%
Shanghai Composite	3,306.52	0.5%
<i>Sovereign bonds</i>		
2-year Treasuries	4.72	11pb
10-year Treasuries	3.95	14pb
28-day Cetes	11.04	-7pb
28-day TIIE	11.26	1pb
2-year Mbono	11.04	22pb
10-year Mbono	9.41	25pb
<i>Currencies</i>		
USD/MXN	18.47	0.5%
EUR/USD	1.06	-0.4%
GBP/USD	1.21	0.6%
DXY	104.18	0.3%
<i>Commodities</i>		
WTI	76.16	-0.2%
Brent	83.05	-1.2%
Mexican mix	66.63	-0.1%
Gold	1,835.09	-0.3%
Copper	421.20	2.6%

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
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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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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

**Research and Strategy**

Alejandro Padilla Santana	Chief Economist and Head of Research	alejandropadilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000

**Economic Research**

Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707

**Market Strategy**

Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
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**Fixed income and FX Strategy**

Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144

**Equity Strategy**

Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	<b>(55) 1670 - 2250</b>
Victor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Strategist, Equity	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746

**Corporate Debt**

Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

**Quantitative Analysis**

Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandrocervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suarez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000

**Wholesale Banking**

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899