

Financial Markets Daily

February 23, 2023

Main drivers for the financial markets today...

- **Mixed stock markets, S&P500 futures up, dollar with small changes and government bond yields up as investors expect the Fed's maximum interest rate after yesterday's minutes to be within levels already priced by the markets and would reduce hawkish shocks**
- **Regarding the agenda of interventions by Fed members, the attention will be on comments by Bostic of Atlanta and Daly of San Francisco**
- **In economic data, the revised 4Q22 GDP figures will be published in the US, as well as jobless claims for the week ending February 18**
- **In Mexico, INEGI published 1H-February's inflation at 0.30% 2w/2w, below estimates. The core came in at 0.35% 2w/2w. With these results, annual inflation came in at 7.76% (previous fortnight: 7.88%), with the core at 8.38% (previous: 8.46%)**
- **Later, Banxico's minutes will be released. Our focus will center on the discussion about price dynamics (both present and future), the relative monetary stance –and the merits behind widening the spread vs. the US–, and the overall evaluation of the level of the reference rate, especially in terms of how restrictive it already is and how much further it could go**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Consumer prices - Jan (F)	% y/y	--	8.6	8.5
5:00	Core - Jan (F)	% y/y	--	5.2	5.2
<i>Turkey</i>					
6:00	Monetary policy decision (Central Bank of Tur)	%	--	8.00	9.00
<i>Mexico</i>					
7:00	Consumer prices - Feb 15	% m/m	0.39	0.35	0.35
7:00	Core - Feb 15	% m/m	0.37	0.39	0.36
7:00	Consumer prices - Feb 15	% y/y	7.86	7.84	7.88
7:00	Core - Feb 15	% y/y	8.40	8.42	8.46
10:00	Banxico's minutes				
<i>United States</i>					
8:30	Gross domestic product** - 4Q22	% q/q	--	2.9	2.9
8:30	Personal consumption** - 4Q22	% q/q	--	2.0	2.1
8:30	Initial jobless claims* - Feb 18	thousands	200	199	194
10:50	Fed's Bostic Discusses Fed's Role in the Banking System				
14:00	Fed's Daly speak on leadership and economy				

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	4,017.50	0.5%
Euro Stoxx 50	4,268.97	0.6%
Nikkei 225	27,104.32	0.0%
Shanghai Composite	3,287.48	-0.1%
<i>Currencies</i>		
USD/MXN	18.32	-0.2%
EUR/USD	1.06	0.1%
DX	104.50	-0.1%
<i>Commodities</i>		
WTI	74.77	1.1%
Brent	81.47	1.1%
Gold	1,827.00	0.1%
Copper	416.35	-0.6%
<i>Sovereign bonds</i>		
10-year Treasury	3.94	3pb

Source: Bloomberg

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Equities

- **Mixed equity markets, as comments from different Fed members are assimilated and with the possibility that the market might have already price in the level of the terminal rate. In the US, futures trade higher, with the S&P500 trading 0.4% above its theoretical value. While Asia and Europe closed mixed**
- **On the corporate front, out of 26 S&P 500 companies reporting results today, 8 have released their figures; most of them better than expected. On the other hand, in Mexico, Gentera closed 2022 with record profits and portfolio, but 4Q22 was affected by prudential provisions in Peru; although interesting growth rates are expected for the year. Orbia registered weak operating results, in line with expectations, and a not-very-encouraging guidance for 2023. Meanwhile, Lab was adversely affected by supplies shortage that temporarily hurt Mexico, although the outlook for the year is positive. Finally, LaComer outperformed our estimates in profitability, supported by its high-end customer segment and lower operating expenses, but we anticipate limited growth going forward**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds. European assets fluctuates by +/-3bps. The Treasuries' curve loss up to 2bps at the long-end with the 10-year benchmark trading at 3.94% (+2bps). Yesterday, the Mbonos' curve gained 3bps at the mid- and long-end, while the 10-year benchmark, May'33, closed at 9.40% (+2bps)**
- **The dollar retreats, DXY (-0.1%), allowing most G10 currencies to trade in positive territory with AUD (+0.4%) leading the gains. In EM, the bias is also positive with KRW (+0.6%) and ZAR (-0.3%) at the extremes. Meanwhile, MXN appreciates 0.2% near to break 18.30 per dollar, after gaining 0.3% yesterday**
- **Crude-oil futures advance 1.0%, as investors await US inventory figures. Despite this, WTI accumulates year-to-date losses of 6.7% and Brent of 5.1%. Metals trade with negative bias with copper falling 0.7%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,045.09	-0.3%
S&P 500	3,991.05	-0.2%
Nasdaq	11,507.07	0.1%
IPC	53,180.99	-0.1%
Ibovespa	107,152.05	-1.9%
Euro Stoxx 50	4,242.88	-0.2%
FTSE 100	7,930.63	-0.6%
CAC 40	7,299.26	-0.1%
DAX	15,399.89	0.0%
Nikkei 225	27,104.32	-1.3%
Hang Seng	20,423.84	-0.5%
Shanghai Composite	3,291.15	-0.5%
<i>Sovereign bonds</i>		
2-year Treasuries	4.69	-3pb
10-year Treasuries	3.92	-4pb
28-day Cetes	11.09	5pb
28-day TIE	11.26	0pb
2-year Mbono	11.15	11pb
10-year Mbono	9.38	-3pb
<i>Currencies</i>		
USD/MXN	18.36	-0.6%
EUR/USD	1.06	-0.4%
GBP/USD	1.20	-0.5%
DXY	104.59	0.4%
<i>Commodities</i>		
WTI	73.95	-2.9%
Brent	80.60	-3.0%
Mexican mix	64.22	-3.6%
Gold	1,825.39	-0.5%
Copper	418.50	-0.6%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings downgraded Fibra Uno's ratings to 'BBB-' from 'BBB' and affirmed its national scale long-term rating at 'AAA(mex)'. The rating outlook is Stable. The downgrade reflects Fibra Uno's inability to deleverage in the past few years to a capital structure more aligned with the previous 'BBB' rating**
- **Fibra Mty informed it concluded the acquisition of a land space for the expansion of the industrial property 'Huasteco Fagor'. The expansion will add a Gross Rentable Area of approximately 6,732 sq m. The total value of the investment, including the land space and constructions, is estimated to total up to US\$3.24 million. The construction process is expected to conclude in approximately five months**

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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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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