

Financial Markets Daily

February 28, 2023

Main drivers for the financial markets today...



- **Stock markets climbing, government bond yields positive, while oil strengthens, and the USD trades with few changes after inflation surprises in Europe. With them, investors expect central banks to continue with a more restrictive monetary policy**
- **In the Eurozone, inflation in France (7.2% y/y) and Spain (6.1%) surprised to the upside, situation which has solidified the expectation of a 50bps hike by the ECB in March. In addition, the market increased its forecast on the terminal rate to 4.00%**
- **On the economic agenda, in the US we will have consumer confidence (February), trade balance (January) and housing prices (December). Meanwhile, tonight China's official PMIs for the second month of the year will be released. On the monetary policy front, we highlight comments from Goolsbee (Chicago) in the afternoon**
- **On the virus, after 945 days, Hong Kong will eliminate its mask mandate on public spaces. The measure comes along other efforts to boost economic activity and bring tourism back to the city**
- **Yesterday, the UK Prime Minister, Rishi Sunak, mention that they have reached an agreement with the EU over the trade situation with Northern Ireland. Nevertheless, his government will have to convince MPs from the region for it to be approved**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
8:30	Trade balance* - Jan	US\$b	--	-91.0	-89.7
9:00	S&P/CoreLogic housing prices - Dec	% y/y	--	4.7	6.8
10:00	Consumer confidence* - Feb	index	107.0	108.5	107.1
14:30	Fed's Goolsbee speaks at community college				
<i>Mexico</i>					
10:00	International reserves - Feb 24	US\$b	--	--	200.4
10:00	Banking credit - Jan	% y/y	5.0	--	4.9
12:30	Government weekly auction: 1-, 3-, 6-, 24- month CETES; 3-year Mbono (Mar'25); 3-year Udibono (Dec'26) and 1-, and 3-year Bondes F				
<i>China</i>					
20:00	Manufacturing PMI* - Feb	index	--	50.7	50.1
20:00	Non-manufacturing PMI* - Feb	index	--	55.0	54.4
20:00	Composite PMI* - Feb	index	--	--	52.9
20:45	Manufacturing PMI (Caixin)* - Feb	index	--	51.3	49.2

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	4,001.50	0.3%
Euro Stoxx 50	4,268.41	0.5%
Nikkei 225	27,445.56	0.1%
Shanghai Composite	3,279.61	0.7%
<i>Currencies</i>		
USD/MXN	18.33	-0.2%
EUR/USD	1.06	0.0%
DXY	104.69	0.0%
<i>Commodities</i>		
WTI	76.99	1.7%
Brent	83.68	1.5%
Gold	1,808.47	-0.5%
Copper	404.00	0.8%
<i>Sovereign bonds</i>		
10-year Treasury	3.93	2pb

Source: Bloomberg

Equities

- **Positive movements in most equity markets, despite data that continue to reflect inflationary pressures in the world, which points to the ongoing tightening stance of central banks. Thus, in Asia the markets closed mixed. In Europe most stocks advance, the Eurostoxx adds 0.5%. In turn, in the US the futures of main indices point to a positive open by rising 0.4% on average**
- **On the corporate front, out of the 13 S&P500 companies scheduled to report today, 7 have already updated investors with most outperforming estimates, including Target, which easily beat revenue and profit expectations, although its guidance anticipates lower-than-expected earnings in the face of shaky demand. In Mexico, Alsea's report showed a higher than expected pressure on profitability, while challenges prevail in the short term due to inflation**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European bond yields advance 8bps, assimilating unexpectedly hot inflation data in France and Spain. Moreover, Treasuries yield increase 2bps, on average, with the 10-year reference trading at 3.94% (+3bps). Yesterday, the Mbonos yield curve registered modest gains of 3bps and the Mbono May'33 closed at 9.28% (-1bp)**
- **USD trades with few changes amid a negative performance in developed currencies, with SEK (-0.5%) as the weakest. In EM, the bias is mixed, with CZK (+0.4%) and THB (-0.7%) at the extremes. The MXN trades at 18.33 per dollar (+0.2%), gaining 6.4% YTD**
- **Crude-oil futures advance more than 1.5%; however, headed for a fourth consecutive monthly decline as concerns over tighter monetary policy and swelling stockpiles in the US eclipsed optimism about rising demand in China**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,889.09	0.2%
S&P 500	3,982.24	0.3%
Nasdaq	11,466.98	0.6%
IPC	53,013.62	0.6%
Ibovespa	105,711.05	-0.1%
Euro Stoxx 50	4,248.01	1.7%
FTSE 100	7,935.11	0.7%
CAC 40	7,295.55	1.5%
DAX	15,381.43	1.1%
Nikkei 225	27,423.96	-0.1%
Hang Seng	19,943.51	-0.3%
Shanghai Composite	3,258.03	-0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	4.78	-4pb
10-year Treasuries	3.91	-3pb
28-day Cetes	11.33	6pb
28-day TIIE	11.27	-1pb
2-year Mbono	11.13	-6pb
10-year Mbono	9.29	0pb
<i>Currencies</i>		
USD/MXN	18.37	-0.3%
EUR/USD	1.06	0.6%
GBP/USD	1.21	1.0%
DX-Y	104.67	-0.5%
<i>Commodities</i>		
WTI	75.68	-0.8%
Brent	82.45	-0.9%
Mexican mix	66.05	-0.9%
Gold	1,817.14	0.3%
Copper	401.10	1.5%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings upgraded the ratings of IPORCB 19 / 19U (FF of Operadora Metropolitana de Carreteras) issuances to 'AAA(mex)vra' from 'AA+(mex)vra'. The outlook has been revised to Stable from Positive. According to the agency, the upgrade reflects the solid traffic performance and revenues, the adequate control of operation and maintenance expenses, in addition to the strong financial profile that the project maintained during 2021 and 2022**
- **Fitch Ratings affirmed Toyota Financial Services México's (TFSM) ratings at 'AAA(mex)' with a stable outlook. According to the agency, TFSM's national ratings derive from Fitch's assessment of the ability and propensity for support, if required, from its ultimate holding, Toyota Motor Corporation (TMC 'A+')**

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>
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