

Financial Markets Daily

March 14, 2023

Main drivers for the financial markets today...



- **Stock markets positive, government bond yields rebound after epic declines yesterday and the USD up, with investors' attention on US inflation to assess the direction of the Fed's monetary policy. Bets hover between a pause and a 25bp hike in March to start cuts in July**
- **The biggest US banks are seeing a higher-than-usual volume of deposits amid some instability in the banking system after SVB collapse. Meanwhile, Moody's placed six lenders on review for downgrade and Credit Suisse found material weaknesses in its reporting process**
- **In the US, inflation for February was published in line with estimates. The CPI came in at 0.4% m/m, bringing the annual variation to 6.0% (previous 6.4%). While the Core CPI was 0.5% (5.5% y/y from 5.6% y/y). Prices of goods continue to moderate their pace of advance, standing at 1.0% a/a, while services grew at a rate of 7.3% a/a. Attention is now on Fed's Bowman comments today**
- **In China, data for February will be released, including the reports on industrial production, retail sales and fixed investment. The figures will be key to assess the evolution of the economy after the elimination of zero COVID tolerance strategy. In the UK, the unemployment rate stood at 3.7%**

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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|---|--------|---------|--------|----------|
| <i>United States</i> | | | | | |
| 8:30 | Consumer prices* - Feb | % m/m | 0.4 | 0.4 | 0.5 |
| 8:30 | Ex. food & energy* - Feb | % m/m | 0.4 | 0.4 | 0.4 |
| 8:30 | Consumer prices - Feb | % y/y | 6.0 | 6.0 | 6.4 |
| 8:30 | Ex. food & energy - Feb | % y/y | 5.5 | 5.5 | 5.6 |
| 17:20 | Fed's Bowman discusses innovation at community bankers event in Hawaii | | | | |
| <i>Mexico</i> | | | | | |
| 11:00 | International reserves - Mar 10 | US\$bn | -- | -- | 200.3 |
| 13:30 | Government weekly auction: 1-, 3-, 6-, and 24- month CETES; 5-year Mbono (Mar'27); 10-year Udibono (Nov'31) and 1-, 3-, and 7-year Bondes F | | | | |
| <i>China</i> | | | | | |
| 22:00 | Industrial production - Feb | % y/y | -- | 2.6 | 1.3 |
| 22:00 | Retail sales - Feb | % y/y | -- | 3.5 | -0.2 |
| 22:00 | Gross fixed investment (YTD) - Feb | % y/y | -- | 4.5 | 5.1 |

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 | 3,928.00 | 1.0% |
| Euro Stoxx 50 | 4,145.67 | 1.2% |
| Nikkei 225 | 27,222.04 | -2.2% |
| Shanghai Composite | 3,245.31 | -0.7% |
| <i>Currencies</i> | | |
| USD/MXN | 18.73 | -1.0% |
| EUR/USD | 1.07 | 0.0% |
| DXY | 103.63 | 0.0% |
| <i>Commodities</i> | | |
| WTI | 73.30 | -2.0% |
| Brent | 79.41 | -1.7% |
| Gold | 1,909.71 | -0.2% |
| Copper | 400.10 | -1.7% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 3.55 | -2pb |

Source: Bloomberg

Equities

- **Positive movements in equity markets (except in Asia) depicting a relief rally after the recent adjustments, with some recovery in bank stocks that have been impacted by the collapse of SVB and two other US lenders. Meanwhile, investors digested US inflation data that showed a slowdown, in line with expectations**
- **In Asia the markets closed negative, weighing the consequences of the situation of the aforementioned banks in the US. On the other hand, in Europe stocks advance, the Eurostoxx adds 1.2%. Shares from real estate and utilities sectors lead gains. In the US the futures of main indices point to a positive open by rising 0.9% on average. First Republic Bank's share price up more than 50% on pre-market, after yesterday's record 62% drop**

Sovereign fixed income, currencies and commodities

- **Losses in sovereign bonds after yesterday's rally. European bond yields rebound 10bps, on average. Moreover, the Treasury's curve register a flattening bias as a result of a strong-sell-off at the shot-end. The 2-year reference trades at 4.25% (+27bps) after a 60bps rally yesterday. In Mexico, the Mbonos' yield curve started the week with a steepening bias with adjustments of -5bps and +12bps at the extremes**
- **USD advances modestly amid a mixed performance in developed and emerging currencies. In the former group, JPY (-0.7%) is the weakest, while in the latter, CLP (+1.2%) and KRW (-0.7%) at the extremes. The MXN trades at 18.73 per dollar (+1.0%), after a 2.1% depreciation yesterday**
- **Crude-oil futures extends drop amid high volatility and risk aversion. With this, Brent trades below 80 \$/bbl, accumulating losses of 7.5% since March 6th**

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 31,819.14 | -0.3% |
| S&P 500 | 3,855.76 | -0.2% |
| Nasdaq | 11,188.84 | 0.4% |
| IPC | 53,012.25 | 0.4% |
| Ibovespa | 103,121.36 | -0.5% |
| Euro Stoxx 50 | 4,096.54 | -3.1% |
| FTSE 100 | 7,548.63 | -2.6% |
| CAC 40 | 7,011.50 | -2.9% |
| DAX | 14,959.47 | -3.0% |
| Nikkei 225 | 27,832.96 | -1.1% |
| Hang Seng | 19,695.97 | 1.9% |
| Shanghai Composite | 3,268.70 | 1.2% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 3.98 | -61pb |
| 10-year Treasuries | 3.57 | -13pb |
| 28-day Cetes | 11.22 | 0pb |
| 28-day TIE | 11.32 | 1pb |
| 2-year Mbono | 10.72 | -17pb |
| 10-year Mbono | 9.15 | 8pb |
| <i>Currencies</i> | | |
| USD/MXN | 18.91 | 2.2% |
| EUR/USD | 1.07 | 0.8% |
| GBP/USD | 1.22 | 1.3% |
| DXY | 103.60 | -0.9% |
| <i>Commodities</i> | | |
| WTI | 74.80 | -2.5% |
| Brent | 80.77 | -2.4% |
| Mexican mix | 65.07 | -2.6% |
| Gold | 1,913.70 | 2.4% |
| Copper | 405.35 | 0.6% |

Source: Bloomberg

Corporate Debt

- **Operadora de Servicios Mega (GF Mega) announced the extension of its credit line for an additional MXN 500 million to reach a total of MXN 1.0 billion with Bancomext, with a duration of up to 60 months and a rate ranging from TIE plus 2.11% to 2.55 % according to the term of each disposition. According to the statement, the financing will be allocated to small and medium-sized companies in Mexico. Currently, Operadora de Servicios Mega has a sustainable issue in the long-term market, GFMEGA 22X, with an outstanding amount of MXN 3.0 billion, scheduled to mature in 2027**
- **Fitch Ratings has assigned a 'AAA(mex)' rating to Banobras' proposed issuances, BANO 23 / 23X / 23-2X. Banobras' ratings are based on the government support**

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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|-------------|--|
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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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