

# Financial Markets Daily

March 17, 2023

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



- **Stock markets lower –excluding Asia with advances–, government bond yields negative, and the USD backtracks slightly, with investors cautious as concerns on the banking sector continue, even despite the announcement of a support plan for First Republic Bank**
- **Part of the plan to help said bank consisted of the deposit of US\$30 billion by some of the largest banks in the country, including JP Morgan, Citi, Bank of America, and Wells Fargo. This plan was carried out in tandem with the Treasury, and states that the resources will stay there for at least 120 days. In this context the Fed published that in the last week, banks borrowed US\$165 billion from the facilities announced to face funding problems. Meanwhile, Credit Suisse got a credit line of US\$54 billion from the SNB, this to face some of the doubts facing the institution**
- **The OCDE released its Interim Economic Outlook, in which they revised their 2023 global growth estimate higher to 2.6% (previous: 2.2%). Inside we note the adjustments for the US (1.5% from 0.5%) and China (5.3% from 4.6%). For Mexico the revision was also to the upside, going from 1.6% to 1.8%**
- **In economic data, CPI in February in the Eurozone was in line with the preliminary figure at 8.5% y/y for the headline and 5.6% for the core. In the US we will be looking into IP for the second month of the year and sentiment from the University of Michigan for March. In the monetary front, in China the PBoC cut bank's reserve requirements by 25bps –starting on March 27th– to improve the amount of credit in the economy**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
6:00	Consumer prices - Feb (F)	% y/y	--	8.5	8.5
6:00	Core - Feb (F)	% y/y	--	5.6	5.6
<i>Brazil</i>					
7:00	Unemployment rate - Jan	%	--	8.2	7.9
<i>United States</i>					
9:15	Industrial production* - Feb	% m/m	0.4	0.2	0.0
9:15	Manufacturing production* - Feb	% m/m	0.2	-0.2	1.0
10:00	U. of Michigan Confidence* - Mar (P)	index	66.0	67.0	67.0

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	3,979.00	-0.4%
Euro Stoxx 50	4,117.27	0.0%
Nikkei 225	27,333.79	1.2%
Shanghai Composite	3,250.55	0.7%
<i>Currencies</i>		
USD/MXN	18.80	0.4%
EUR/USD	1.06	0.2%
DX	104.19	-0.2%
<i>Commodities</i>		
WTI	68.68	0.5%
Brent	74.76	0.1%
Gold	1,940.81	1.1%
Copper	395.75	1.9%
<i>Sovereign bonds</i>		
10-year Treasury	3.47	-11pb

Source: Bloomberg

## Equities

- **Negative movements, except in Asia, in equity markets, as investors are attentive and continue to be concerned about the situation of the banking sector. Meanwhile, high volatility is expected as it is the first 'Triple Witching Day' of the year -mayor expiration of futures and options- and higher trading volume is anticipated**
- **In Asia the markets closed positive, supported by First Republic Bank rescue package. In Europe most stocks decline, although the Eurostoxx shows little change. Shares from real estate and industrial sectors lead losses, while those from technology and energy are the biggest gainers. In turn, in the US the futures of main indices point to a negative open by falling 0.5% on average**
- **In Mexico, the Mexbol may stand below the 52,300 pts**

## Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds as risk-off mood continues. European assets trade with gains of up to 13ps while the Treasuries yield curve appreciates by 6bps on average. Yesterday, the Mbonos' curve closed with losses of 7bps on average and the Mbono May'33 adjusted +8bps to 9.13%**
- **The dollar trades with a negative bias (DXY -0.2%) while G-10 currencies post gains and emerging currencies are mixed. In the first group, JPY (+0.9%) is the strongest and in the second group the trade is capped by RUB (+0.8%) and HUF (-0.3%). The Mexican peso is the second weakest among its peers depreciating 0.4% to 18.80 per dollar**
- **Crude-oil futures advance 0.5% as the US government will not rush to replenish the Strategic Petroleum Reserve despite lower prices. Metals trade with gains, except gold**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,246.55	1.2%
S&P 500	3,960.28	1.8%
Nasdaq	11,717.28	2.5%
IPC	52,505.70	0.8%
Ibovespa	103,434.66	0.7%
Euro Stoxx 50	4,116.98	2.0%
FTSE 100	7,410.03	0.9%
CAC 40	7,025.72	2.0%
DAX	14,967.10	1.6%
Nikkei 225	27,010.61	-0.8%
Hang Seng	19,203.91	-1.7%
Shanghai Composite	3,226.89	-1.1%
<i>Sovereign bonds</i>		
2-year Treasuries	4.16	27pb
10-year Treasuries	3.58	12pb
28-day Cetes	11.22	0pb
28-day TIIE	11.35	1pb
2-year Mbono	10.47	-2pb
10-year Mbono	9.13	5pb
<i>Currencies</i>		
USD/MXN	18.72	-1.3%
EUR/USD	1.06	0.3%
GBP/USD	1.21	0.4%
DXY	104.42	-0.2%
<i>Commodities</i>		
WTI	68.35	1.1%
Brent	74.70	1.4%
Mexican mix	58.68	1.0%
Gold	1,919.52	0.0%
Copper	386.45	0.6%

Source: Bloomberg

## Corporate Debt

- **Fitch Ratings has affirmed Petroleos Mexicanos' (PEMEX) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) at 'BB-'. The Rating Outlook is Stable. According to the agency, PEMEX's ratings reflect moderate linkage to Mexico's (BBB-/Stable) credit quality, coupled with a weak Standalone Credit Profile (SCP), which Fitch Ratings believe is commensurate with a 'ccc-'**
- **The Standalone Credit Profile reflects PEMEX's elevated and raising leverage levels, limited financial flexibility, high tax burden and high investment needs to maintain production and replenish reserves**
- **Fitch believes the company will continue to need significant government support in the near 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, 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
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<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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