

Financial Markets Daily

March 22, 2023

Main drivers for the financial markets today...



- **Positive stock markets, government bond yields up and USD down awaiting the Fed's monetary policy decision in which a 25bps hike in the Fed funds rate is expected, while the attention will be on the update of the macroeconomic framework, the *dot plot* and Powell's conference. In addition, markets will be attentive to Janet Yellen's appearance in the Senate to talk about the 2024 budget and she will probably also talk about the situation in the banking sector**
- **We expect a 25bp rate hike at the Fed's meeting. However, we believe that the central bank may leave the door open for a possible pause in the tightening cycle, if necessary**
- **In the afternoon, the central bank of Brazil will also announce its monetary policy decision where we estimate the *Selic* rate unchanged at 13.75%. In other regions, UK inflation surprised with an acceleration for the first time in four months causing an adjustment in expectations about the next moves of the Bank of England, an appreciation in the pound and strong pressures on short- and mid-end GILTS**
- **In Mexico, INEGI released its Timely Indicator of Economic Activity for February, with a 0.3% m/m expansion (3.5% y/y sa) in activity. By sectors, they expect industry at +0.2% m/m, with stronger services at +0.3% m/m**
- **INEGI also published aggregate demand and supply for 4Q22, down 0.1% q/q (4.1% y/y). By components we highlight increases in investment (3.0% q/q) and private consumption (0.5%). On the contrary, both exports (-5.0%) and imports (-2.6%) were negative**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Aggregate supply and demand - 4Q22	% y/y	4.5	4.3	6.4
11:00	International reserves - Mar 17	US\$bn	--	--	200.6
<i>United States</i>					
14:00	FOMC Rate Decision (Upper Bound)	%	5.00	5.00	4.75
14:00	FOMC Rate Decision (Lower Bound)	%	4.75	4.75	4.50
14:00	Interest Rate on Excess Reserves (IOER)	%	4.90	4.90	4.65
14:30	Fed Chair Powell Holds Press Conference Following FOMC Meeting				
<i>Brazil</i>					
17:00	Monetary policy decision (Central bank of Brazil)	%	13.75	13.75	13.75

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	4,033.75	0.0%
Euro Stoxx 50	4,197.78	0.4%
Nikkei 225	27,466.61	1.9%
Shanghai Composite	3,265.75	0.3%
<i>Currencies</i>		
USD/MXN	18.56	
EUR/USD	1.08	0.2%
DXY	103.08	-0.2%
<i>Commodities</i>		
WTI	69.49	0.2%
Brent	75.00	-0.4%
Gold	1,939.24	0.0%
Copper	407.00	1.3%
<i>Sovereign bonds</i>		
10-year Treasury	3.63	2pb

Source: Bloomberg

Equities

- **Equity markets with a positive bias, driven mainly by bank support measures in Europe and the US, as investors await the Fed's monetary policy decision**
- **US futures anticipate an opening with no clear trend with the S&P500 trading with no change in its theoretical value. Europe trades mainly with gains, despite the surprise to the upside in UK's inflation data. The Eurostoxx increases 0.4%, driven by the financial and consumer staples sectors. In the same sense, Asia closed with gains, with the Nikkei rising 1.9% and the Hang Seng 1.7%, following yesterday's positive sentiment**
- **In Mexico, America Movil will propose the payment of a cash dividend of MXN 0.46 per share, payable in two equal installments, as well as an amount for buybacks of up to MXN 20 billion, which, together, could achieve a yield of up to 4.1%**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. European assets trade with pressures of up to 17bps on 10-year benchmarks on the back of the negative surprise in UK inflation. Meanwhile, Treasuries trade with losses of 5bps on average. Yesterday, Mbonos closed with a steepening resulting from losses of up to 15bps on the long-end**
- **The USD weakens (DXY -0.2%) as most G-10 currencies trade with gains and EM currencies post mixed changes. In the former group GBP (+0.4%) is the strongest and in the latter trading is capped by ZAR (+0.8%) and THB (-0.3%). The Mexican peso extends yesterday's gains by appreciating 0.2% to 18.56 per dollar**
- **Crude-oil futures are down 0.4% as they await the Fed's decision and the EIA production and inventories report. In industrial metals, the bias is positive, aluminum, nickel and copper are up more than 1%**

Corporate Debt

- **Fitch Ratings affirmed Molibdenos y Metales' (Molymet) international rating at 'BBB' and its local scale rating at 'AAA(mex)'. The outlook is Stable. The ratings reflect Molymet's conservative capital structure, with an average net leverage ratio of 0.9x in the last 10 years**
- **Fitch Ratings also assigned a 'AAA(mex)' rating to the issuer's proposed unsecured notes, MOLYMET 23 / 23-2, for a total joint amount of up to MXN 6.0 billion**
- **HR Ratings withdrew Mexarrend's ratings, which stood at 'HR D' and Under Review, following a request from the company**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,560.60	1.0%
S&P 500	4,002.87	1.3%
Nasdaq	11,860.11	1.6%
IPC	52,652.65	1.4%
Ibovespa	100,998.13	0.1%
Euro Stoxx 50	4,181.60	1.5%
FTSE 100	7,536.22	1.8%
CAC 40	7,112.91	1.4%
DAX	15,195.34	1.8%
Nikkei 225	26,945.67	0.0%
Hang Seng	19,258.76	1.4%
Shanghai Composite	3,255.65	0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	4.17	19pb
10-year Treasuries	3.61	12pb
28-day Cetes	11.22	0pb
28-day TIIE	11.36	1pb
2-year Mbono	10.42	8pb
10-year Mbono	9.18	12pb
<i>Currencies</i>		
USD/MXN	18.60	-1.3%
EUR/USD	1.08	0.4%
GBP/USD	1.22	-0.5%
DXY	103.26	0.0%
<i>Commodities</i>		
WTI	69.33	2.5%
Brent	75.32	2.1%
Mexican mix	59.27	2.9%
Gold	1,940.07	-2.0%
Copper	399.40	1.1%

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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