

Financial Markets Daily

March 24, 2023

Main drivers for the financial markets today...



- **Stock markets lower, negative government bond yields with a stronger USD, as concerns about the banking sector in the US increase, extending to Europe, with *Deutsche Bank* now becoming the center of attention. As such, doubts over upcoming actions in the monetary front persist**
- **Yesterday, Treasury Secretary, Janet Yellen, commented that regulators are ready to take additional measures to ensure banking deposits is conditions warrant so. Despite of this, volatility in bank stocks persist**
- **Today, the United Kingdom and the European Union will sign a Brexit agreement on Northern Ireland, even despite some opposition in this latter country on some points within it**
- **On the economic agenda, March PMIs in the Eurozone were mixed, with moderations in manufacturing but with additional dynamism in services, resulting in increases in the composite indicators. On the contrary, the result in the UK was completely opposite. In this sense, we will be looking into these same figures in the US, as well as durable goods orders for February. On the monetary policy front, we will be looking into comments from Bullard (St. Louis)**
- **In Mexico, January's GDP-proxy IGAE showed a 0.6% m/m expansion (4.4% y/y), with a relevant push from services (1.2% m/m) and with stability in industry (0.0%)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Economic activity indicator (IGAE) - Jan	% y/y	3.8	3.0	2.6
8:00	Economic activity indicator (IGAE)* - Jan	% m/m	0.2	0.1	0.3
<i>Brazil</i>					
8:00	Consumer prices - Mar	% m/m	--	0.60	0.76
8:00	Consumer prices - Mar	% y/y	--	5.26	5.63
<i>United States</i>					
8:30	Durable goods orders* - Feb (P)	% m/m	--	1.5	-4.5
8:30	Ex transportation* - Feb (P)	% m/m	--	0.3	0.8
9:45	Manufacturing PMI* - Mar (P)	index	47.1	47.3	47.3
9:45	Services PMI* - Mar (P)	index	--	50.3	50.6
9:45	Composite PMI* - Mar (P)	index	--	--	50.1

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	3,941.25	-0.9%
Euro Stoxx 50	4,117.97	-2.1%
Nikkei 225	27,385.25	-0.1%
Shanghai Composite	3,265.65	-0.6%
<i>Currencies</i>		
USD/MXN	18.73	0.8%
EUR/USD	1.07	-0.8%
DXY	103.23	0.7%
<i>Commodities</i>		
WTI	67.17	-4.0%
Brent	73.07	-3.7%
Gold	1,994.35	0.0%
Copper	408.70	-1.4%
<i>Sovereign bonds</i>		
10-year Treasury	3.29	-13pb

Source: Bloomberg

Equities

- **Strong risk aversion sentiment among investors and widespread declines in major stock indices, with uncertainty posed by financial sector stability and recession risks rising**
- **Futures in the US point to a negative opening with the S&P500 trading 0.9% below its theoretical value. In Europe the falls exceed 2%, with the financial sector leading the adjustments, and with *Deutsche Bank* shares falling ~15%, triggering doubts about the stability of banks with high exposure to corporate lending, after having decided to redeem a bond early. In Asia we also observed negative closures, impacted by widespread sentiment**
- **In Mexico the Mexbol Index could adjust towards 52,000pts, after a previous close at 52,828pts**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds amid risk-off mood. European assets post gains of up to 20bps while the Treasuries yield curve trades with an appreciation of 17bps on average. Yesterday, the Mbonos' curve closed with gains of 6bps on average and the 10-year benchmark settled at 8.92% (-7bps)**
- **The dollar strengthens (DXY +0.7%) as most developed and emerging currencies trade in negative territory. In the former group, NOK (-1.7%) is the weakest and in the latter, HUF (-2.1%) leads losses. The Mexican peso reverses yesterday's gains by trading at 18.73 per dollar, equivalent to a 0.8% depreciation**
- **Crude-oil futures fall 3.4% with investors concerned that the banking crisis will affect global growth. In metals, the performance is mixed, nickel advances 4.4% while copper falls 1.3%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,105.25	0.2%
S&P 500	3,948.72	0.3%
Nasdaq	11,787.40	1.0%
IPC	52,827.93	0.5%
Ibovespa	97,926.34	-2.3%
Euro Stoxx 50	4,207.14	0.3%
FTSE 100	7,499.60	-0.9%
CAC 40	7,139.25	0.1%
DAX	15,210.39	0.0%
Nikkei 225	27,419.61	-0.2%
Hang Seng	20,049.64	2.3%
Shanghai Composite	3,286.65	0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	3.83	-10pb
10-year Treasuries	3.43	-1pb
28-day Cetes	11.22	0pb
28-day TIIE	11.37	1pb
2-year Mbono	10.30	0pb
10-year Mbono	8.95	-5pb
<i>Currencies</i>		
USD/MXN	18.58	-0.2%
EUR/USD	1.08	-0.2%
GBP/USD	1.23	0.2%
DXY	102.53	0.2%
<i>Commodities</i>		
WTI	69.96	-1.3%
Brent	75.91	-1.0%
Mexican mix	59.87	-1.3%
Gold	1,993.40	1.2%
Copper	412.35	2.0%

Source: Bloomberg

Corporate Debt

- **Grupo Axo announced the closing of the acquisition of Komax in Chile, Peru and Uruguay, after getting the necessary approvals and fulfilling the stipulated closing conditions**
- **Fitch Ratings affirmed Grupo Elektra's ratings at 'A+(mex)' and 'F1+(mex)'. The outlook is Stable. The ratings are based on its long track record and market position as one of the main department store chains in Mexico**
- **Fitch Ratings affirmed Consorcio ARA's ratings at 'A+(mex)' with Stable outlook. The ratings are based on its income diversification strategy by market segment and its focus in keeping a solid financial profile with cash balances and large temporary investments**

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