

# Financial Markets Daily

March 27, 2023

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

- **Stock markets higher, government bond yields positive, and the USD mixed on optimism of more US government support to the banking sector through an emergency lending facility that would give First Republic Bank more time to recover. First Citizens Bank will purchase most deposits and loans from SVB. Nevertheless, geopolitical tensions remain high. Putin said that Russia is preparing a station with tactical nuclear weapons in Belarus. In Israel, protests escalated against the government's judicial overhaul, prompting the prime minister to consider a delay**
- **Today's data agenda is empty in Mexico and the US, with investors watching comments from Philip Jefferson of the Fed, along with Nagel and Centeno of the ECB**
- **Markets remain very volatile due to global banking sector risks. The key event this week will be Banxico's decision. We expect a 25bps rate hike (to 11.25%) with a unanimous vote. Moreover, central bank decisions in Thailand, Czech Republic, Colombia, South Africa, Egypt, and Bulgaria. In events, we highlight Brazil's president Lula visit to China, a meeting of EU energy ministers in Brussels, and the first hearing of the US Senate Banking Committee on the downfall of SVB and Signature Bank**
- **The US agenda includes trade balance, personal income & spending, PCE deflator (Feb), consumer confidence (Mar), and 4Q22 GDP (third estimate). In other regions, we note PMIs in China (Mar); inflation, consumer confidence and in the economy in the Eurozone (Mar); 4Q22 GDP in the UK; and the Quarterly Inflation Report, industrial production (Jan) and unemployment rate (Feb) in Brazil**
- **In Mexico, February's trade balance showed a US\$1,844.4 million surplus. In coming days, we will only know the unemployment rate and banking credit (Feb). In addition, the MoF has until April 1st to send the *Preliminary Budget Criteria* for 2024**

## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	GER IFO Survey (business climate)* - Mar	index	--	91.0	91.1
4:00	EZ Monetary aggregates (M3)* - Feb	% y/y	--	3.2	3.5
<i>Mexico</i>					
8:00	Trade balance - Feb	US\$m	1,520.3	1,099.0	-4,125.1
<i>United States</i>					
17:00	Fed's Jefferson discusses monetary policy				

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	4,026.50	0.6%
Euro Stoxx 50	4,171.34	1.0%
Nikkei 225	27,476.87	0.3%
Shanghai Composite	3,251.40	-0.4%
<i>Currencies</i>		
USD/MXN	18.40	-0.3%
EUR/USD	1.08	0.2%
DXY	103.08	0.0%
<i>Commodities</i>		
WTI	70.54	1.8%
Brent	76.23	1.7%
Gold	1,957.21	-1.1%
Copper	407.30	-0.7%
<i>Sovereign bonds</i>		
10-year Treasury	3.48	10pb

Source: Bloomberg

## Equities

- **Equity markets higher, continuing with last week's gains as bank stocks rise given assurances from US officials about the health of the financial system helped calm investor fears**
- **In Asia, markets closed mixed. European stocks trade up, with the Eurostoxx adding 1.0%. Shares from industrial and financial sectors lead gains. Deutsche Bank's share price was up more than 5% today after an 8.5% drop in the previous session. In turn, US futures of main indices point to a positive open as they rise 0.5% on average**
- **In Mexico, following the Mexbol's closing at 52,771pts last Friday, we expect this week a trading range between 51,500 - 53,500pts**

## Sovereign fixed income, currencies and commodities

- **The week starts with widespread losses in sovereign bonds. European rates up 9bps on average, while the Treasuries curve flattens with a sell-off of up to 20bps in the short-end. Last week, Mbonos averaged gains of 12bps, with the 10-year reference closing at 8.87% (-19bps)**
- **The dollar trades slightly negative, with a mixed performance in both DM and EM currencies. In the former, CAD (+0.3%) and JPY (-0.7%) stand at the extremes. In EM, RUB (+0.8%) leads and MXN trades at 18.40 per dollar (+0.3%), after a 2.5% weekly appreciation**
- **Crude-oil futures extend weekly gains. However, they remain on track for their steepest first-quarter loss since 2020 as the banking sector turmoil sparked recessionary fears. In addition, gold retreats due to a decline in financial stress**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,237.53	0.4%
S&P 500	3,970.99	0.6%
Nasdaq	11,823.96	0.3%
IPC	52,771.12	-0.1%
Ibovespa	98,829.27	0.9%
Euro Stoxx 50	4,130.62	-1.8%
FTSE 100	7,405.45	-1.3%
CAC 40	7,015.10	-1.7%
DAX	14,957.23	-1.7%
Nikkei 225	27,385.25	-0.1%
Hang Seng	19,915.68	-0.7%
Shanghai Composite	3,265.65	-0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	3.77	-7pb
10-year Treasuries	3.38	-5pb
28-day Cetes	11.22	0pb
28-day TIE	11.39	1pb
2-year Mbono	10.34	4pb
10-year Mbono	8.88	-7pb
<i>Currencies</i>		
USD/MXN	18.44	-0.7%
EUR/USD	1.08	-0.7%
GBP/USD	1.22	-0.4%
DX	103.12	0.6%
<i>Commodities</i>		
WTI	69.26	-1.0%
Brent	74.99	-1.2%
Mexican mix	59.02	-1.4%
Gold	1,978.21	-0.8%
Copper	407.50	-1.2%

Source: Bloomberg

## Corporate Debt

- **CIBanco (Trustee) informed that it will carry out the total prepayment of issuance FMCARCB 21 (Firma Car's ABS) on April 3rd. The bond has an outstanding amount of MXN 560 million, and the amortization is pending to the placement of the new issuance FMCARCB 23**
- **Fitch Ratings affirmed the rating for issuance CSBCB 17 (Consubanco's ABS) at 'AAA(mex)' with Stable outlook. The rating action reflects the underlying assets' positive performance and the improvement on the credit upgrade**
- **HR Ratings assigned 'HR AA+' ratings to Genomma Lab's proposed unsecured notes, LAB 23 / 23-2. The ratings are based on the company's Free Cash Flow generation during 2022, which closed at MXN 1.6 billion (+36.9% y/y)**

## 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
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<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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