

Financial Markets Daily

March 29, 2023

Main drivers for the financial markets today...

- Stock markets higher, government bond yields mixed & USD stable. There is optimism over Alibaba's proposed reorganization and the possibility that it will be extended to other technology companies to alleviate regulatory pressures and take full advantage of the rebound from China's reopening
- Meanwhile, investors continue to weigh the impact of the banking crisis and the effects of tightening monetary policy in a complex scenario. On the other hand, Joe Biden has been pressuring Republicans for a resolution in debt ceiling negotiations
- On the geopolitical front, the focus is on Taiwan President Tsai Ing-wen's trip to the US, with China warning that a meeting with Kevin McCarthy, Speaker of the House, would have serious consequences
- As for economic figures, US releases include only pending home sales for February. For its part, attention will be focused on Michael Barr's testimony before the House Financial Services Committee
- Regarding the latter issue, the Senate Banking Committee considered yesterday that it is necessary to maintain and strengthen capital and liquidity standards for banks with assets above US\$100 billion, although Republicans are expected to oppose
- Philip Lane, ECB's chief economist, said the central bank will have to raise interest rates further if recent tensions in the financial system remain contained. Also, this constitutes their base case. Governing Council member Peter Kazimir also said they should continue lifting interest rates, albeit at a slower pace
- Thailand's central bank raised interest rates for the fifth time in a row by a magnitude of 25bps to 1.75%, signaling that further monetary tightening will be needed to return inflation to target

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
10:00	Fed's Barr testifies before the House Financial Services Committee				

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.
Equity indices		
S&P 500 Futures	4,033.50	0.8%
Euro Stoxx 50	4,214.33	1.1%
Nikkei 225	27,883.78	1.3%
Shanghai Composite	3,240.06	-0.2%
Currencies		
USD/MXN	18.20	-0.2%
EUR/USD	1.08	0.0%
DXY	102.66	0.2%
Commodities		
WTI	74.04	1.1%
Brent	79.48	1.1%
Gold	1,967.08	-0.3%
Copper	411.20	0.0%
Sovereign bonds		
10-year Treasury	3.58	1pb

Source: Bloomberg

Equities

- Positive equity markets, reflecting an easing of fears associated with risks in the US and European banking sector, while investor confidence is boosted by a rebound in Chinese technology stocks
- US futures anticipate a positive opening with the S&P500 trading 0.8% above its theoretical value. Meanwhile, Europe trades with gains, with the Eurostoxx increasing 1.1%, driven mainly by the real estate sector, followed by industrials. In the same sense, Asia closed with gains, with the Hang Seng rising 2.2% and the Nikkei 1.3%, supported by technology stocks due to the recent announcement of Alibaba's plans for a proposed restructuring, as well as the prospect that Chinese regulators may increase support for private companies
- In Mexico, the Mexbol Index could be hover around 53,700pts, following its international peers

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds. European assets trade with moderate losses while the Treasuries yield curve trades with gains of 2bp concentrated in the short-end and mid-end. Yesterday the Mbonos curve closed with a flattening bias resulting from 5bp losses on the short-end and 4bp gains on the long-end
- The dollar trades with little change on the DXY while in the G-10 currencies the negative bias prevails and in the emerging currencies we observe mixed variations. In the first group, CHF (+0.2%) and JPY (-0.9%) are at the ends of the spectrum and in the second, HUF (+0.6%) is the strongest and MYR (-0.4%) the weakest. The Mexican peso extended yesterday's gains by appreciating 0.2% to 18.20 per dollar
- Crude oil futures rise 1.0% on lower U.S. inventories. In industrial metals, gains dominate

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	32,394.25	-0.1%
S&P 500	3,971.27	-0.2%
Nasdaq	11,716.08	-0.4%
IPC	53,209.09	0.7%
Ibovespa	101,185.09	1.5%
Euro Stoxx 50	4,168.21	0.1%
FTSE 100	7,484.25	0.2%
CAC 40	7,088.34	0.1%
DAX	15,142.02	0.1%
Nikkei 225	27,518.25	0.2%
Hang Seng	19,784.65	1.1%
Shanghai Composite	3,245.38	-0.2%
Sovereign bonds		
2-year Treasuries	4.08	8pb
10-year Treasuries	3.57	4pb
28-day Cetes	11.22	0pb
28-day TIE	11.40	0pb
2-year Mbono	10.59	10pb
10-year Mbono	8.99	2pb
Currencies		
USD/MXN	18.24	-0.6%
EUR/USD	1.08	0.4%
GBP/USD	1.23	0.4%
DXY	102.43	-0.4%
Commodities		
WTI	73.20	0.5%
Brent	78.65	0.7%
Mexican mix	62.72	0.8%
Gold	1,973.54	0.9%
Copper	408.55	0.2%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings affirmed IEnova's global scale rating at 'BBB' and revised the outlook to Stable from Negative. According to the agency, the Stable outlook of the global rating reflects Sempra Infrastructure Partners outlook, which in turn reflects the outlook of the ultimate parent, Sempra Energy ('BBB+'/'Stable). In addition, it reflects the expectations of a stable revenue base for the company given its nature of operation with long-term contracts, without exposure to raw materials
- Likewise, it confirmed IEnova's rating on the national scale at 'mxAA+' and revised the outlook to Positive from Stable. According to the agency, the Positive outlook of the national scale rating considers that they expect IEnova to reduce its leverage in the coming years, with net debt to EBITDA ratios of 3.0x to 3.5x and flow of operations to debt close to 20%

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