

Financial Markets Daily

August 13, 2018

Main drivers for the financial markets today...

- Markets start the week with a negative tone as Turkey's crisis deepens, as the central bank's decision to reduce the reserve requirements of banks to release capital failed to calm the sell-off in international financial markets.
- Investors await the announcement of a plan by the minister of finance, Berat Albayrak, who mentioned that will include measures for banks, the real economy, small and medium-sized companies in particular, as they have been the most affected by currency fluctuations. In a press interview, Albayrak ruled out imposing capital controls and added that the government could implement a fiscal rule to restrict spending, only if necessary.
- With few data on today's agenda, markets focus will be on geopolitical issues, such as the crisis in Turkey and trade tensions between China and the US. During the week, data on retail sales and industrial production in July will be released in the US, along with China's economic activity data. In Mexico, attention will be on Banxico's minutes.
- In the meantime, the US Treasury will auction USD\$96bn in short-term bonds (3 and 6 months) as it continues to increase the supply in the short-end of the curve.

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The most relevant economic data...

Time	Event/Period	Unit	Banorte	Survey	Previous
China					
22:00	Industrial production - Jul	% y/y	--	6.3	6.0
22:00	Gross fixed investment (YTD) - Jul	% y/y	--	6.0	6.0
22:00	Retail sales - Jul	% y/y	--	9.1	9.0

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	2,829.00	-0.3%
Euro Stoxx 50	3,402.07	-0.7%
Nikkei 225	21,857.43	-2.0%
Shanghai Composite	2,785.87	-0.3%
Currencies		
USD/MXN	19.28	1.9%
EUR/USD	1.14	-0.3%
DXY	96.46	0.1%
Commodities		
WTI	67.25	-0.6%
Brent	72.63	-0.2%
Gold	1,199.68	-0.9%
Copper	272.40	-0.7%
Sovereign bonds		
10-year Treasury	2.86	-1pb

Source: Bloomberg

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Equities

- The week kicks off with generalized drops in most stock markets, as nervousness over the situation of the Turkish economy, and its possible impact on the European economic bloc, continues to undermine investor's appetite for risk.
- S&P500 futures suggest a negative opening, trading 0.3% below its theoretical value, while EuroStoxx has lost 0.7%, dragged down by stocks in the banking sector amid concerns that some European banks might be highly exposed to Turkish debtors.
- We only expect Sysco's report today in the S&P500. In the final stretch of the corporate report season, with 91% of the companies in the S&P500 already reported, income growth shows a 24.3% yoy above the 20.4% from consensus, along with a positive rate of surprises of 81.1%.

Sovereign fixed income, currencies and commodities

- Appetite for safe heavens amid uncertainty on Turkey, with Treasuries observing its fourth consecutive winning session. In Mexico, we hold our trade idea of a long position in CPI-linked Udibono Jun'22 as a defensive strategy.
- USD strength against emerging and G10 currencies (except for the Japanese yen and the Swiss franc), as the strong correction in the Turkish lira has generated a contagion effect. The MXN depreciates 1.9% to a level of USD/MXN 19.25, close to its 100-day moving average.
- Oil prices fall along with the deterioration risk appetite levels, coupled with OPEC's moderate downward adjustments to global demand estimates for 2019. In terms of metal prices, precious and basic depreciate even with possible labor conflict in mining of Chile.

Corporate Debt

- Notice of total early principal repayment AUTO CB 15 Trust Certificates, for next August 20, 2018, for an amount of MXN\$63.03 million.
- Verum ratified TV Azteca's 'A+/ M' corporate rating (long-term) and '1/M' (short-term) to . In addition, the 'A+/ M' ratings were ratified for the issuance of Long Term Stock Certificates under the ticker AZTECA 17, based on its good competitive position in the mass media market in Mexico.
- HR Ratings confirmed the LT rating of 'HR AAA' with 'Stable Outlook' for the issuance of Stock Certificates with the ticker MERCFCB 17.

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	25,313.14	-0.8%
S&P 500	2,833.28	-0.7%
Nasdaq	7,839.11	-0.7%
IPC	48,383.59	-1.7%
Ibovespa	76,514.35	-2.9%
Euro Stoxx 50	3,426.28	-1.9%
FTSE 100	7,667.01	-1.0%
CAC 40	5,414.68	-1.6%
DAX	12,424.35	-2.0%
Nikkei 225	22,298.08	-1.3%
Hang Seng	28,366.62	-0.8%
Shanghai Composite	2,795.31	0.0%
Sovereign bonds		
2-year Treasuries	2.60	-4pb
10-year Treasuries	2.87	-5pb
28-day Cetes	7.75	0pb
28-day TIE	8.10	0pb
2-year Mbono	7.68	2pb
10-year Mbono	7.76	6pb
Currencies		
USD/MXN	18.91	1.2%
EUR/USD	1.14	-1.0%
GBP/USD	1.28	-0.5%
DXY	96.36	0.9%
Commodities		
WTI	67.63	1.2%
Brent	72.81	1.0%
Mexican mix	64.64	2.9%
Gold	1,210.57	-0.2%
Copper	274.25	-0.8%

Source: Bloomberg

Certification of Analysts.

We, Gabriel Casillas Olvera, Delia Maria Paredes Mier, Alejandro Padilla Santana, Manuel Jiménez Zaldívar, Tania Abdul Massih Jacobo, Katia Celina Goya Ostos, Juan Carlos Alderete Macal, Víctor Hugo Cortes Castro, Marissa Garza Ostos, Miguel Alejandro Calvo Domínguez, Hugo Armando Gómez Solís, Gerardo Daniel Valle Trujillo, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Santiago Leal Singer and Francisco José Flores Serrano 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
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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