

Financial Markets Daily

May 7, 2021

Main drivers for the financial markets today...

- **Positive stock markets, USD down and government bond yields up, amid strong export growth in China, and awaiting a solid labor market report in the US, enough to continue to support a vigorous recovery, but not enough to spur Fed rate hike woes**
- **Today, President López Obrador and US Vice President, Kamala Harris, will hold a virtual meeting. Joint efforts to stem increased number of migrants heading to the US will likely be at the top of discussions**
- **Regarding economic figures, in the US the April's employment report will be released. We estimate 950k jobs created after 916k jobs were added the previous month, with the unemployment rate falling to 5.8%. The figures would be confirming that the labor market's recovery continues, although still far from full employment. On the Fed speakers agenda, we highlight Barkin's intervention**
- **In Mexico, INEGI published April's inflation at 0.33% m/m, surprising to the upside, while the core came in at 0.37% m/m. With these results, annual inflation increased to 6.08% from 4.67% in the previous month, with the core at 4.13% (previous: 4.12%)**
- **INEGI also released consumer confidence for April, standing at 42.4pts. This represents a 1.6pts increase relative to the previous month. Inside, all five categories were higher, highlighting household's purchasing power (+ 2.5pts)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
2:00	Industrial production* - Mar	% m/m	--	2.1	-1.6
2:00	Trade balance - Mar	EURbn	--	22.0	18.2
<i>Mexico</i>					
7:00	Consumer prices - Apr	% m/m	0.27	0.27	0.83
7:00	Core - Apr	% m/m	0.36	0.33	0.54
7:00	Consumer prices - Apr	% y/y	6.02	6.02	4.67
7:00	Consumer confidence* - Apr	index	40.9	--	40.4
<i>Brazil</i>					
8:00	Retail sales - Mar	% y/y	--	--	-3.8
8:00	Retail sales* - Mar	% m/m	--	--	0.6
<i>United States</i>					
8:30	Nonfarm payrolls* - Apr	thousands	950	970	916
8:30	Unemployment rate* - Apr	%	5.8	5.7	6.0
15:00	Consumer credit* - Mar	US\$bn	--	20.0	27.6

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	4,202.75	0.2%
Euro Stoxx 50	4,022.36	0.6%
Nikkei 225	29,357.82	0.1%
Shanghai Composite	3,418.87	-0.7%
<i>Currencies</i>		
USD/MXN	20.09	-0.2%
EUR/USD	1.21	0.1%
DX	90.84	-0.1%
<i>Commodities</i>		
WTI	64.75	0.1%
Brent	68.16	0.1%
Gold	1,820.14	0.3%
Copper	473.40	2.5%
<i>Sovereign bonds</i>		
10-year Treasury	1.56	-1pb

Source: Bloomberg

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Equities

- **Stock markets with positive bias, with investors' attention focused on jobs report in the US**
- **Futures anticipate a positive opening, with the S&P500 trading 0.2% above its theoretical value, again very near to all-time highs, while the Dow closed at a new historic record. In Asia the session closed mixed, after President Joe Biden's administration comments on preserving limits on US investments in certain Chinese companies, while Europe trades with widespread gains**
- **We are on the final stage of corporate earnings season in the US, with around 87% of the results of S&P500 companies, and a 47.6% hike in earnings vs 23.8%e. The positive surprise rate stands at a new high in 86.7%. Today only Cigna and Ventas Inc will release their results**

Sovereign fixed income, currencies and commodities

- **Negative bias in global rates, with European assets adjusting up to +4bps while the Treasury yield curve recorded few changes, as investors await the employment data. Yesterday, the Mbonos yield curve closed with gains of 8bps on average, with the 10-year benchmark at 6.76% (-10bps)**
- **The dollar trades with moderate declines (DXY -0.1%) while G10 currencies depict a mixed performance, with SEK appreciating 0.3% and NZD adjusting -0.2%. In EM positive bias dominates, with KRW being the strongest (+0.4%) while USD/MXN appreciates 0.2% to 20.07**
- **Crude oil prices with marginal changes assimilating recent data showing an economic recovery, albeit uniformly affected by the pandemic. In metals, gold trades at 1,819 US\$/oz t (+0.2%) while in industrials, copper continues to advance to record a new high**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,548.53	0.9%
S&P 500	4,201.62	0.8%
Nasdaq	13,632.84	0.4%
IPC	48,934.91	1.1%
Ibovespa	119,920.60	0.3%
Euro Stoxx 50	3,999.44	-0.1%
FTSE 100	7,076.17	0.5%
CAC 40	6,357.09	0.3%
DAX	15,196.74	0.2%
Nikkei 225	29,331.37	1.8%
Hang Seng	28,637.46	0.8%
Shanghai Composite	3,441.28	-0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	0.15	0pb
10-year Treasuries	1.57	0pb
28-day Cetes	4.13	1pb
28-day TIE	4.28	0pb
2-year Mbono	4.86	-6pb
10-year Mbono	6.79	-8pb
<i>Currencies</i>		
USD/MXN	20.12	-0.7%
EUR/USD	1.21	0.5%
GBP/USD	1.39	-0.1%
DXY	90.95	-0.4%
<i>Commodities</i>		
WTI	64.71	-1.4%
Brent	68.09	-1.3%
Mexican mix	62.27	-1.4%
Gold	1,815.22	1.6%
Copper	460.25	1.7%

Source: Bloomberg

Corporate Debt

- **The auction of two green bonds from AC Bebidas, ACBE 21V / 21-2V, for up to MXN 4.65 billion, rated 'AAA' by S&P and Fitch Ratings, is expected for today. Series 21 will have a 4 year-term and pegged to TIE 28 plus a spread, while series 21-2 will be for 7 years and a fixed rate. The bonds are unsecured notes and will be amortized upon maturity (Bullet)**
- **S&P Global Ratings and HR Ratings assigned 'mxAAA (sf)' and 'HR AAA (E)' rating to the FHIPOCB 21 issuance that Fhipo intends to place. The bond will be backed by a portfolio of residential mortgage loans denominated in pesos, originated in conjunction with Infonavit and the structure will have an Initial and Target over-collateral of 10%. The auction is expected on May 26**

Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Juan Barbier Arizmendi, and Eridani Ruibal Ortega, 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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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