

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets down, government bond yields lower and USD mixed, with caution on a potential inflationary rebound (with commodities prices also up today), higher COVID-19 cases in Asia, and economic data for April in China mostly below market expectations, while investors wait for more guidance from central bankers in coming days**
- **In other news, the European Union agreed with the US to not escalate trade tensions after they decided to avoid hiking tariffs to 50% on some goods imported from the latter country. Moreover, both parties are working to remove existing tariffs, although they are still negotiating and not yet ready to do it**
- **This week, markets will focus on the minutes from the Fed, monetary policy decisions in South Africa and China, the final stage of the earnings season in the US, as well as PMIs in several countries (e.g. the US, UK and Eurozone)**
- **In other aspects, there will be interest in the meeting between presidents Joe Biden and Moon Jae-in in Washington, news about the pandemic, the Financial Stability Report by the ECB and the meeting of Eurozone finance ministers**
- **Additionally, in the US we will have Empire and Philly Fed regional manufacturing surveys (May), housing figures (Apr), weekly jobless claims and several Fed speakers**
- **The Eurozone will release GDP and employment (1Q21), trade balance and current account (Mar), inflation (Apr) and consumer confidence (May). The UK will publish the unemployment rate (Mar)**
- **In Mexico, the most important drivers will come from retail sales (Mar), the *Timely Indicator of Economic Activity* (Apr), an update of the National Survey of Occupation and Employment (1Q21) and the fortnightly survey of expectations from Citibanamex**

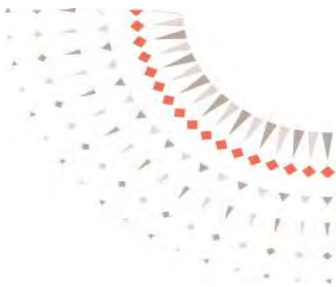
The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
8:30	Empire manufacturing* - May	index	22.0	24.0	26.3
10:05	Fed's Clarida Gives Opening Speech al Atlanta Fed Conference				
10:25	Fed's Clarida and Bostic Hold Armchair Discussion				
<i>Japan</i>					
19:50	Gross domestic product* - 1Q21 (P)	% q/q	--	-1.2	2.8

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	4,156.25	-0.3%
Euro Stoxx 50	4,000.58	-0.4%
Nikkei 225	27,824.83	-0.9%
Shanghai Composite	3,517.62	0.8%
<i>Currencies</i>		
USD/MXN	19.90	0.2%
EUR/USD	1.22	0.2%
DXY	90.18	-0.2%
<i>Commodities</i>		
WTI	65.41	0.1%
Brent	68.78	0.1%
Gold	1,848.93	0.3%
Copper	467.90	0.3%
<i>Sovereign bonds</i>		
10-year Treasury	1.63	1pb

Source: Bloomberg

Equities

- **After Friday's rebound, stock markets kicked-off the week with a mixed performance; though negatively biased. Concerns regarding inflation and renewed COVID-19 outbreaks in Asia are driving profit takings among risky assets, such as equity**
- **In this context, US futures are poised for a negative opening, with those of the S&P500 trading 0.3% below fair value. Meanwhile, Discovery's shares soar 17% in the pre-market, following the announcement of its merger with AT&T's (+4.2% in the pre-market) content business in a deal worth \$43 billion, and in Europe, the Stoxx drops 0.4%**
- **In Asia, the session ended mixed. The Nikkei retreated 0.9% vs a 0.8% gain in the Shanghai Composite, regardless of recently released economic data in China that came below expectations**

Sovereign fixed income, currencies and commodities

- **Pressures in global rates with European securities adjusting +4bps, while US Treasuries trade little changed and negatively biased. In local terms, the Mbonos' curve closed last week with a 18bps sell-off, on average, with the 10-year benchmark ending at 6.85% (+15bps)**
- **The USD trades slightly negative (DXY -0.1%) amid a mixed performance in G10 currencies, with NZD as the weakest (-0.7%). In EM, bias is also mixed with TRY leading gains (+1.0%), while MXN trades at 19.92 per dollar (-0.2%) pairing two positive weeks in a row**
- **Crude-oil remains stable after two favorable weeks due to optimism about demand recovery despite the health crisis in India. In metals, the balance is positive, with copper up 0.5% while gold trades slightly above its 200-day moving average at 1,849 \$/ oz t (+0.3%)**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,382.13	1.1%
S&P 500	4,173.85	1.5%
Nasdaq	13,429.98	2.3%
IPC	49,219.26	0.8%
Ibovespa	121,880.80	1.0%
Euro Stoxx 50	4,017.44	1.6%
FTSE 100	7,043.61	1.2%
CAC 40	6,385.14	1.5%
DAX	15,416.64	1.4%
Nikkei 225	28,084.47	2.3%
Hang Seng	28,027.57	1.1%
Shanghai Composite	3,490.38	1.8%
<i>Sovereign bonds</i>		
2-year Treasuries	0.15	-1pb
10-year Treasuries	1.63	-3pb
28-day Cetes	4.08	-1pb
28-day TIIE	4.29	0pb
2-year Mbono	5.02	3pb
10-year Mbono	6.87	-6pb
<i>Currencies</i>		
USD/MXN	19.87	-0.4%
EUR/USD	1.21	0.5%
GBP/USD	1.41	0.3%
DXY	90.32	-0.5%
<i>Commodities</i>		
WTI	65.37	2.4%
Brent	68.71	2.5%
Mexican mix	62.60	-1.0%
Gold	1,843.43	0.9%
Copper	465.45	-0.8%

Source: Bloomberg

Corporate Debt

- **Last week, the placement movement continued in the corporate debt markets with four long-term bonds issued by Cetelem and Ferrocarril Mexicano for a total amount of MXN 7.0 billion**
- **Throughout the month, auctions have shown a high demand from investors and, consequently, exit spreads have stood in levels below expected**
- **For this week, we expect the activity to continue with the auction of two unsecured long-term notes to be issued by Gruma (GRUMA 21, MXN 2.0 billion) and Fibra Mty (FMTY 21D, US\$115 million)**

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