

# Financial Markets Daily

May 19, 2021

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

- **Stock markets negative, with the USD strengthening and government bond yields higher due to concerns on: (1) Lower economic dynamism given the lack of semiconductors; (2) financial stability -as flagged by the ECB- and a bubble in crypto assets; and (3) inflation**
- **On semiconductors, industry groups mentioned that delivery times have extended to 17 weeks, being some of the longest on record**
- **The ECB released its financial stability report, in which they mentioned that there are relevant risks stemming from high debt burdens, susceptible to a rise in interest rates. They added that market exuberance could result in tighter financial conditions**
- **In the US, attention will be on the FOMC minutes. In them we will focus on comments regarding price dynamics and possible comments on adjustments to the asset purchase program. We will have remarks from Bullard, Quarles, and Bostic. In the Eurozone, April's inflation came in at 1.6% y/y, with the core at 0.7%. In the UK this indicator showed an increase of 1.6% y/y for the headline and 1.3% for the core, considerably above the previous print but in line with expectations**
- **Regarding the virus, New York City will restrict on restaurants and other large venues, allowing for full capacity. On the contrary, Taiwan implemented a nation-wide lockdown, the latter in a context in which cases in Asia show a negative trend**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone and UK</i>					
2:00	UK Consumer prices - Apr	% y/y	--	1.5	0.7
2:00	Core - Apr	% y/y	--	1.3	1.1
4:00	EZ Consumer prices - Apr (F)	% y/y	--	1.6	1.3
5:00	Core - Apr (F)	% y/y	--	0.8	0.8
<i>United States</i>					
10:00	Fed's Bullard Discusses Economic Outlook				
11:35	Fed's Bostic Interviewed at Businessweek/Bloomberg Event				
14:00	FOMC Meeting Minutes				
<i>Mexico</i>					
11:30	Extraordinary Cetes auction considering 168-, 294-, 350-, and 504-day securities				
<i>China</i>					
21:30	Rate decision 1-year Loan Prime Rate	%	--	3.85	3.85
21:30	Rate decision 5-year Loan Prime Rate	%	--	4.65	4.65

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	4,078.25	-1.1%
Euro Stoxx 50	3,933.85	-1.8%
Nikkei 225	28,044.45	-1.3%
Shanghai Composite	3,510.97	-0.5%
<i>Currencies</i>		
USD/MXN	19.90	0.3%
EUR/USD	1.22	-0.1%
DX	90.00	0.3%
<i>Commodities</i>		
WTI	64.10	-2.1%
Brent	67.33	-2.0%
Gold	1,854.65	-0.8%
Copper	460.45	-2.8%
<i>Sovereign bonds</i>		
10-year Treasury	1.66	2pb

Source: Bloomberg

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## Equities

- **Negative stock markets extending previous session's sentiment, as the technology sector is dented by a drop in cryptocurrencies, adding to the recent weakness in growth assets. Moreover, attention remains on the Fed minutes, amid concerns over potential inflationary pressures**
- **In this context, in the US, Nasdaq futures trade 1.5% lower, while the S&P500 declines -1.1%, anticipating a negative opening. In Europe, the Stoxx 600 falls 1.3%. Asia ended mixed, with some markets closed for holidays**
- **On the corporate front, Tesla drops 2.8% in the premarket on the back of Bitcoin's decline (-10.0%). In the closing stretch of earnings season, 9 S&P500 companies are due to release their results today, among which Target Corp and Lowe's Cos have already reported exceeding expectations**

## Sovereign fixed income, currencies and commodities

- **Pressures in global rates with European securities adjusting +2bps, while US Treasuries print a 3bps sell-off in the longest-end of the yield curve with investors focus on Fed's minutes today. In Mexico, the Mbonos' curve closed yesterday with a mixed balance, the 10Y benchmark moved to 6.86% (+1bp)**
- **The USD trades positive (BBDXY +0.3%) against all G10 currencies with NZD as the weakest (-0.9%). In EM, bias is negative with TRY leading losses (-0.8%), while MXN trades at 19.91 per dollar (-0.4%) after a 0.3% depreciation yesterday**
- **Crude-oil heads two negative sessions in a row (-1.9%) amid Iran deal talks, inflation fears and risk aversion. Metals print generalized losses, copper falls 2.1% and gold adjusts -0.8% although it remains above its 200-day moving average at 1,852 \$/oz t**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,060.66	-0.8%
S&P 500	4,127.83	-0.9%
Nasdaq	13,303.64	-0.6%
IPC	49,789.31	0.8%
Ibovespa	122,980.00	0.0%
Euro Stoxx 50	4,005.34	0.0%
FTSE 100	7,034.24	0.0%
CAC 40	6,353.67	-0.2%
DAX	15,386.58	-0.1%
Nikkei 225	28,406.84	2.1%
Hang Seng	28,593.81	1.4%
Shanghai Composite	3,529.01	0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	0.15	0pb
10-year Treasuries	1.64	-1pb
28-day Cetes	4.05	-7pb
28-day TIE	4.29	0pb
2-year Mbono	5.06	7pb
10-year Mbono	6.87	-1pb
<i>Currencies</i>		
USD/MXN	19.84	0.3%
EUR/USD	1.22	0.6%
GBP/USD	1.42	0.4%
DXY	89.75	-0.5%
<i>Commodities</i>		
WTI	65.49	-1.2%
Brent	68.71	-1.1%
Mexican mix	63.01	-0.8%
Gold	1,869.44	0.1%
Copper	472.55	0.3%

Source: Bloomberg

## Corporate Debt

- **CIBanco (Common Rep.) informed that Hir Casa will exercise its right to recall all the rights contributed to the Trust, HIRCB 18 (HIR Casa RMBS), on May 25, 2021. The bond's outstanding amount is MXN 27.97 million**
- **In accordance with the issuance supplement (HIRCB 18), once the outstanding face value is equal to or less than 10% of its nominal value, the Trustee may make the full early amortization on any payment date, and will not pay any premium or penalty. The bond is practically on par with NPV and Clean Price of MXN 3.996**
- **The agreements of the Bondholders' Assembly of the FIBRAPL 20DV (Fibra Prologis) issue held on May 14 were announced. The main agreement was the approval to modify the trust definition of Total Assets**

## 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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## Guide for investment recommendations.

	Reference
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<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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