

Financial Markets Daily

May 25, 2021

Main drivers for the financial markets today...

- **Positive stock markets, USD and government bond yields down, amid comments from Fed members reiterating their view that current inflationary pressures are transitory and that the new monetary policy framework will allow the central bank to accommodate for more inflation with no quick rate hikes. Additionally, investors digest corporate news about possible mergers and acquisitions, as well as IPO strategies in several regions (Amazon, among others)**
- **Regarding economic figures, in the US, house prices and sales will be released, as well as May's Conference Board consumer confidence indicator. We estimate it to stand at 116pts, below the previous 121.7pts, affected by the weak April's labor market report and signs of inflationary pressures. Within the Fed Speakers agenda, the interventions of Barkin, Evans, and Quarles stand out**
- **Meanwhile in Brazil, May's 1H inflation will be published. Consensus estimates it at 7.38% y/y, continuing with the upward trend and staying well above the upper limit of the central bank's target, strengthening the expectation of a new hike in the Selic rate at the Copom's next meeting in June**
- **In Mexico, INEGI published April's trade balance posting a US \$ 1,500.6 million surplus. Inside, exports rose 0.2% m/m (75.6% y / y), while imports fell 8.1% m/m (48.4% y/y), with the latter reversing part of upward surprise from the previous month**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
2:00	Gross domestic product* - 1Q21 (F)	% q/q	--	-1.7	-1.7
4:00	Ifo Survey (business climate)* - May	index	--	98.1	96.8
<i>Mexico</i>					
7:00	Trade balance - Apr	US\$mn	2457.2	200.0	-3003.6
10:00	Current account - 1Q21	US\$bn	--	-2.5	17.4
10:00	International reserves - May 21	US\$bn	--	--	194.6
12:30	Govern. weekly auction: 1-, 3-, 6- 12-M CETES; 3-year Mbono (Sep'24) and 30-year Udibono (Nov'50)				
<i>United States</i>					
7:40	Fed's Barkin discusses economic outlook				
9:00	S&P/CoreLogic housing prices - Mar	% y/y	--	12.6	11.9
9:40	Fed's Evans discusses economic outlook				
10:00	New home sales** - Apr	thousands	--	950	1021
10:00	Consumer confidence* - May	index	116.0	120.0	121.7
10:00	Fed's Quarles Testifies Before Senate Banking Committee				

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted; ** Seasonally adjusted annualized rate.

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Document for distribution among public

A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,207.25	0.3%
Euro Stoxx 50	4,051.99	0.4%
Nikkei 225	28,553.98	0.7%
Shanghai Composite	3,581.34	2.4%
<i>Currencies</i>		
USD/MXN	19.84	-0.2%
EUR/USD	1.23	0.4%
DX	89.60	-0.3%
<i>Commodities</i>		
WTI	65.78	-0.4%
Brent	68.30	-0.2%
Gold	1,883.36	0.1%
Copper	451.20	-0.3%
<i>Sovereign bonds</i>		
10-year Treasury	1.59	-1pb

Source: Bloomberg

Equities

- **Positive movements in equity markets as comments from some Fed members eased concerns about inflationary pressures by noting that they will be temporary. Additionally, investors are encouraged by M&A news, in this case in the real estate sector, where Vonovia SE agreed to buy Deutsche Wohnen for ~US\$23 billion**
- **In Asia the markets closed positive. In Europe stocks advance, the Euro Stoxx adds 0.4% (with the DAX and the Swiss Index hitting new record highs). In turn, in the US the futures of main indices point to a positive open by rising 0.4% on average**
- **Regarding the takeover bid for Ienova shares, the results showed that Sempra acquired 26.2% (out of a total of 29.8%), thus increasing its stake to 96.4%**

Sovereign fixed income, currencies and commodities

- **Sovereign bonds trading mostly on the positive side, registering gains of 2bps in European securities, while Asia/Pacific results were mostly favorable as well. US Treasuries gain 1-2pbs. Meanwhile, the Mbonos' yield curve gained ~5bps yesterday**
- **The USD weakens amid gains in practically all of the G10 universe, only excluding modest losses in JPY. In EM FX balance is also positive with ZAR outperforming (+0.7%). USD/MXN gains 0.2% to 19.84**
- **Crude oil trades slightly negative with the market assimilating the global demand recovery process, as well as the potential reintroduction of Iranian barrels amid the advances in new nuclear agreements. In the metals' space, performance is mixed with gold and copper mostly stable**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,393.98	0.5%
S&P 500	4,197.05	1.0%
Nasdaq	13,661.17	1.4%
IPC	49,457.93	-0.6%
Ibovespa	124,031.60	1.2%
Euro Stoxx 50	4,035.58	0.2%
FTSE 100	7,051.59	0.5%
CAC 40	6,408.49	0.3%
DAX	15,437.51	0.0%
Nikkei 225	28,364.61	0.2%
Hang Seng	28,412.26	-0.2%
Shanghai Composite	3,497.28	0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	0.15	0pb
10-year Treasuries	1.60	-2pb
28-day Cetes	4.09	1pb
28-day TIIE	4.28	0pb
2-year Mbono	5.10	0pb
10-year Mbono	6.79	-7pb
<i>Currencies</i>		
USD/MXN	19.87	-0.4%
EUR/USD	1.22	0.3%
GBP/USD	1.42	0.0%
DXY	89.84	-0.2%
<i>Commodities</i>		
WTI	66.05	3.9%
Brent	68.46	3.0%
Mexican mix	62.80	3.8%
Gold	1,881.02	0.0%
Copper	452.55	1.0%

Source: Bloomberg

Corporate Debt

- **Today we expect the auction of four unsecured bonds from Comisión Federal de Electricidad (CFE 21 / 21-2 / 21-3 / 21U) for a target amount of MXN 5.0 billion and maximum of MXN 10.0 billion. The assigned local scale ratings are 'AAA' by S&P Global, Moody's and Fitch Ratings**
- **Pemex announced that it signed an agreement to acquire the remaining 50.005% stake Shell holds of Deer Park refinery, located in Houston, Texas. The payment for this transaction will be US\$596, and is expected to be closed in the final quarter of the year**
- **Credito Real announced the renewal of a credit line for MXN 1.5 billion with Citibanamex. The credit conditions remained unchanged**

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, 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	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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