

Financial Markets Daily

May 26, 2021

Main drivers for the financial markets today...

- **Mixed stock markets and government bond yields, while the USD is stable, amid comments from Fed members assessing inflationary pressures as transitory and the need for a cautious monetary stance, offsetting regulatory changes in China (commodities markets) and taxes in Sweden (investments)**
- **Lawmakers in the US continue to negotiate Biden's infrastructure plan. A group of Republican senators plans to present their latest offer on Thursday, with voices saying it could add up to US\$ 1 trillion**
- **Regarding monetary policy, focus will be on Quarles interventions about the economic outlook and the insurance regulation. Meanwhile, eyes will also be on financial sector CEOs audience with legislators**
- **In Mexico, INEGI published 1Q21 final GDP, posting a 0.8% q/q expansion, 32bps above the preliminary print. In annual terms (nsa), activity stood at -3.6% (preliminary -3.8%), skewed to the downside due to the leap year in 2020 and Easter holiday. By sectors, primary activities rose 0.7% q/q (+2.8% y/y), with services at 0.9% q/q (-4.0% y/y), positive given an improvement in epidemiological conditions**
- **INEGI also released March's GDP-proxy IGAE rising 2.8% m/m (0.8% y/y). By sectors, services posted a solid advance (3.1%), with industry showing a favorable performance (0.7%). Primary activities also increased (1.4%)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Gross domestic product - 1Q21 (F)	% y/y	-3.5	-3.5	-3.8
7:00	Gross domestic product - 1Q21 (F)	% q/q	0.7	0.7	0.4
7:00	Global economic activity indicator (IGAE) - Mar	% y/y	0.8	0.1	-5.1
7:00	Global economic activity indicator (IGAE)* - Mar	% m/m	2.2	2.6	-0.3
<i>United States</i>					
10:00	Fed's Quarles, discusses insurance regulation				
15:00	Fed's Quarles, discusses the economic outlook				
<i>South Korea</i>					
	Monetary policy decision (Central bank of South Korea)	%	--	0.50	0.50

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	4,197.00	0.3%
Euro Stoxx 50	4,025.85	-0.3%
Nikkei 225	28,642.19	0.3%
Shanghai Composite	3,593.36	0.3%
<i>Currencies</i>		
USD/MXN	19.87	-0.2%
EUR/USD	1.22	-0.2%
DX	89.80	0.2%
<i>Commodities</i>		
WTI	65.79	-0.4%
Brent	68.38	-0.4%
Gold	1,905.31	0.3%
Copper	454.75	0.6%
<i>Sovereign bonds</i>		
10-year Treasury	1.56	0pb

Source: Bloomberg

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Equities

- **Stock markets with small changes, as focus remains on comments from Fed members, who have maintained their stance that inflationary pressures are transitory. However, caution remains amid uncertainty as to how long central banks will be able to maintain stimulative monetary policy if economic data continues to signal price pressures**
- **In the US, futures anticipate a positive opening with the S&P500 trading at +0.3%. Meanwhile, in Europe, the Stoxx 600 remains without a clear trend, where the financial sector falls on concerns about a new tax targeting Swedish lenders**
- **In Asia, the session ended mixed, where the Shanghai Comp advanced 0.3%. Markets in Indonesia, Singapore and Thailand were closed for a holiday**

Sovereign fixed income, currencies and commodities

- **Mixed balance in global rates with European securities adjusting -4bps, while US Treasuries print a slightly negative bias. In Mexico, the Mbonos' curve closed yesterday with a 6bps rally, on average with 10-year reference ending at 6.70%, equivalent to -9bps compared with the previous session**
- **The USD trades with few changes amid a mixed performance in G10 currencies with SEK as the weakest (-0.5%). In EM, bias is also mixed with KRW leading gains (+0.5%), while MXN trades at 19.85 per dollar (+0.2%) after a 0.2% depreciation yesterday**
- **Crude-oil falls 0.2% following the possibility of more crude supply flowing from Iran. Today's attention is focused on EIA inventory report after a decrease in API data yesterday. Metals print generalized gains, with gold reaching 5-month highs at 1,905 \$/oz t (+0.4%)**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,312.46	-0.2%
S&P 500	4,188.13	-0.2%
Nasdaq	13,657.17	0.0%
IPC	48,826.95	-1.3%
Ibovespa	122,987.70	-0.8%
Euro Stoxx 50	4,036.04	0.0%
FTSE 100	7,029.79	-0.3%
CAC 40	6,390.27	-0.3%
DAX	15,465.09	0.2%
Nikkei 225	28,553.98	0.7%
Hang Seng	28,910.86	1.8%
Shanghai Composite	3,581.34	2.4%
<i>Sovereign bonds</i>		
2-year Treasuries	0.14	-1pb
10-year Treasuries	1.56	-4pb
28-day Cetes	4.07	-2pb
28-day TIIE	4.28	0pb
2-year Mbono	5.06	-4pb
10-year Mbono	6.71	-7pb
<i>Currencies</i>		
USD/MXN	19.90	0.2%
EUR/USD	1.23	0.3%
GBP/USD	1.42	0.0%
DX	89.64	-0.2%
<i>Commodities</i>		
WTI	66.07	0.0%
Brent	68.65	0.3%
Mexican mix	63.08	0.4%
Gold	1,899.25	1.0%
Copper	450.65	-0.4%

Source: Bloomberg

Corporate Debt

- **HR Ratings affirmed the ratings for Hospital Regional de Alta Especialidad de Ixtapaluca's Future Flow, DOIHICB 13, at 'HR AAA (E)' with a Stable outlook, responding to an adequate performance in the Hospital's operation**
- **Fitch Ratings downgraded the ratings for issuance APPCVCB 17 to 'AA+(mex)' from 'AAA(mex)', withdrew the Negative Watch and assigned a Negative outlook. The downgrade follows the negative impact that continuous delays on payments from the Ministry of Communications and Transportation have had in the project's liquidity**
- **S&P Global Ratings increased the ratings for Matehuala's Bypass Future Flow, MATCB 05U, to 'mxAAA' from 'mxAA+' with a Stable outlook due to the resilience shown by the freeway throughout the mobility restrictions to stop the COVID-19 spread**

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