

# Financial Markets Daily

May 27, 2021

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

- **Mixed stock markets, while USD and government bond yields post little changes ahead of US employment and growth figures and President Biden's speech on the economy, which may offer greater clarity on the recovery. They also digest the trade talks between the US and China, where representatives of both countries have described the first conversation as "candid"**
- **In addition, investors will focus on the Republican proposal on the infrastructure plan and the appearances of both Secretary of the Treasury Janet Yellen and bank executives before legislators, as well as corporate news around the world**
- **Regarding economic data, in the US the revision of 1Q21 GDP will be released. We estimate it show a 6.5% saar growth (preliminary 6.4%), with consumption increasing 10.9%. The April's durable goods report and jobless claims in the week ending May 22 will also be published. Consensus estimates the latter at 425k, below the 444k of the previous week.**
- **In Mexico, the attention is on the publication of Banxico's last meeting minutes. Regarding economic figures, INEGI released April's employment report. The unemployment rate rose to 4.65%, partially impacted by seasonal factors. With seasonally adjusted figures, we saw an increase to 4.65% (+ 16bp). However, 1.0 million jobs were created**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Unemployment rate - Apr	%	4.27	4.20	3.89
10:00	Banxico's minutes				
<i>Brazil</i>					
8:00	Unemployment rate - Mar	%	--	14.6	14.4
<i>United States</i>					
	President Biden delivers speech on the economy				
8:30	Initial jobless claims* - May 22	thousands	--	425	444
8:30	Durable goods orders* - Apr (P)	% m/m	--	0.8	0.8
8:30	Ex transportation* - Apr (P)	% m/m	--	0.7	1.9
8:30	Gross domestic product** - 1Q21	% q/q	6.5	6.5	6.4
8:30	Personal consumption** - 1Q21	% q/q	10.9	10.9	10.7

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	4,185.00	-0.2%
Euro Stoxx 50	4,036.54	0.1%
Nikkei 225	28,549.01	-0.3%
Shanghai Composite	3,608.85	0.4%
<i>Currencies</i>		
USD/MXN	19.87	-0.1%
EUR/USD	1.22	0.0%
DX	89.99	-0.1%
<i>Commodities</i>		
WTI	65.55	-1.0%
Brent	68.19	-1.0%
Gold	1,894.96	-0.1%
Copper	455.55	0.5%
<i>Sovereign bonds</i>		
10-year Treasury	1.60	2pb

Source: Bloomberg

## Equities

- **Stock markets mixed, though with negative bias, with investors cautious awaiting economic figures to be disclosed later, seeking for signals over recovery, amid concerns about inflation pressures and prospects for monetary stimulus. Futures in the US anticipate a lower opening, with the S&P500 trading 0.2% below its theoretical value, reflecting some profit taking after yesterday gains**
- **In Asia the trading session concluded mixed, though standing out the hike in China's main indices, with the Shanghai Composite advancing 0.4%, reacting to first trade talks between Beijing and Joe Biden's administration. Europe also with mixed variations, though moderate, as gains in mining compensate losses in healthcare and food & beverage sectors. In Mexico, the Mexbol Index continues consolidating around 49,000pts**

## Sovereign fixed income, currencies and commodities

- **Sovereign bonds trading with mostly in the negative side, registering pressures of up to 4bps in European instruments while the US Treasury yield curve loses 1-2bps, with greater emphasis on the long-end. In Mexico, yesterday the Mbonos curve lost 4bps on average, with greater deterioration in the mid-end and the 10-year benchmark closed at 6.72% (+2bps)**
- **The dollar trades with slight losses allowing a limited advance in G10 currencies with GBP (+0.4%) being the one with the highest appreciation. In the EM group, the positive bias prevails, with HUF leading the gains (+0.6%) while MXN appreciates 0.1% to 19.85 per dollar**
- **Oil prices fall 0.8% with markets awaiting the outcome of talks to resume the nuclear deal with Iran. In metals, gold trades with small changes at 1,896 \$/oz t while the performance in industrials is mixed**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,323.05	0.0%
S&P 500	4,195.99	0.2%
Nasdaq	13,738.00	0.6%
IPC	49,103.50	0.6%
Ibovespa	123,989.20	0.8%
Euro Stoxx 50	4,031.67	-0.1%
FTSE 100	7,026.93	0.0%
CAC 40	6,391.60	0.0%
DAX	15,450.72	-0.1%
Nikkei 225	28,642.19	0.3%
Hang Seng	29,166.01	0.9%
Shanghai Composite	3,593.36	0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	0.15	1pb
10-year Treasuries	1.58	2pb
28-day Cetes	4.08	1pb
28-day TIE	4.29	0pb
2-year Mbono	5.04	-1pb
10-year Mbono	6.72	1pb
<i>Currencies</i>		
USD/MXN	19.88	-0.1%
EUR/USD	1.22	-0.5%
GBP/USD	1.41	-0.2%
DXY	90.04	0.4%
<i>Commodities</i>		
WTI	66.21	0.2%
Brent	68.87	0.3%
Mexican mix	63.08	0.0%
Gold	1,896.67	-0.1%
Copper	452.95	0.5%

Source: Bloomberg

## Corporate Debt

- **HR Ratings affirmed Grupo Lala's rating at 'HR AA-' and changed the outlook to Positive from Stable. The Positive outlook follows the expected results, given that the company has the objective to reduce its leverage levels**
- **Fitch Ratings upgraded CEMEX's local scale ratings to 'A(mex)' from 'A-(mex)' and revised the outlook to Stable from Negative reflecting the stronger than expected operating cash flow generation for 2020 and 2021**
- **Banco Invex (Trustee) informed that an early amortization for issuance TFOVICB 20U (Fovissste's MBS) will take place today for an amount of MXN 45.21 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, 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
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
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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