

# Financial Markets Daily

May 31, 2021

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

- Stock markets mixed and with slight changes on lower liquidity as US markets are closed to observe Memorial Day, USD also mixed and a modest increase in government bond yields, with investors cautious on the deceleration of China's PMI manufacturing for May amid inflationary risks
- On the other hand, the OECD revised higher their global growth estimate to 5.8% from 5.6%, albeit warning about an uneven recovery between regions and sectors. They applauded the government's response to the COVID-19 pandemic, despite still elevated risks due to new variants of the virus, among other factors
- During the week, markets will focus on midterm elections in Mexico (June 6th), Banxico's Quarterly Report, the employment report in the US, comments from Jerome Powell and several Fed members, and the OECD's economic outlook
- Likewise, investors will take special interest on monetary policy decisions in India, Australia and Israel, the ministerial meeting of OPEC and its allies to evaluate the production strategy, as well as G-7 finance ministers and central bankers meeting
- In the rest of the economic agenda, the US will also publish the Fed's Beige Book, construction data and durable goods orders (Apr), ISM manufacturing and PMIs (May)
- In Mexico, banking sector figures and remittances (Apr), along with vehicle production, consumer confidence and IMEF's indicators (May), and Banxico's survey of expectations

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
	Markets closed due to Memorial Day				
Eurozone					
5:00	Monetary aggregates (M3)* - Apr	% y/y	9.6	--	10.1
5:00	OECD Economic outlook				
8:00	Consumer prices-May (P)	% y/y	--	0.3	0.5
Mexico					
10:00	Banking credit - Apr	% y/y	-11.8	--	-12.5
China					
21:45	Manufacturing PMI (Caixin)* - May	index	--	51.9	51.9

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	4,202.25	0.0%
Euro Stoxx 50	4,062.07	-0.2%
Nikkei 225	28,860.08	-1.0%
Shanghai Composite	3,615.48	0.4%
<i>Currencies</i>		
USD/MXN	19.93	-0.1%
EUR/USD	1.22	0.0%
DX	90.07	0.0%
<i>Commodities</i>		
WTI	67.20	1.3%
Brent	69.60	0.0%
Gold	1,903.65	0.0%
Copper	469.00	0.3%
<i>Sovereign bonds</i>		
10-year Treasury	1.59	0pb

Source: Bloomberg

## Equities

- **Stock markets start the week and close the month of May with mixed movements and limited trading volume due to holidays on Wall Street and London. Thus, in the absence of major international indices, investors remain cautious and weigh the economic recovery against inflationary risks and with it, a possible earlier than expected rise in interest rates**
- **In this context, US futures oscillate between slight losses and gains. Likewise, in Europe, the Stoxx 600 remains without a clear trend, where declines in the energy and utilities sectors seem to offset gains in materials and consumer discretionary**
- **In Asia, markets closed mixed, where the Shanghai Composite advancing 0.4% versus a 1.0% drop in the Nikkei**

## Sovereign fixed income, currencies and commodities

- **Pressures in global rates with the market closed in the US, which is why lower liquidity is expected. In Europe, bonds print a 2bps sell off. In Mexico, the Mbonos' curve closed last week with a 15bps rally on average, with the 10-year reference ending at 6.64% (-21bps w/w)**
- **The performance in G10 currencies is mostly positive with AUD as the strongest (+0.3%). In EM, bias is mixed with TRY leading gains (+0.7%), while MXN trades with few changes at 19.93 per dollar after a 0.1% weekly appreciation**
- **Crude-oil trades positive with focus on tomorrow's OPEC+ ministerial meeting, where the plan to increase production is expected to continue. Precious metals print modest gains, with gold reaching 5-month highs at 1,904 \$/oz t (+0.3%)**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,529.45	0.2%
S&P 500	4,204.11	0.1%
Nasdaq	13,748.74	0.1%
IPC	50,040.74	0.8%
Ibovespa	125,561.40	1.0%
Euro Stoxx 50	4,070.56	0.8%
FTSE 100	7,022.61	0.0%
CAC 40	6,484.11	0.8%
DAX	15,519.98	0.7%
Nikkei 225	29,149.41	2.1%
Hang Seng	29,124.41	0.0%
Shanghai Composite	3,600.78	-0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	0.14	0pb
10-year Treasuries	1.59	-1pb
28-day Cetes	4.08	1pb
28-day TIIE	4.28	0pb
2-year Mbono	4.96	-4pb
10-year Mbono	6.65	-7pb
<i>Currencies</i>		
USD/MXN	19.94	-0.1%
EUR/USD	1.22	0.0%
GBP/USD	1.42	-0.1%
DX	90.03	0.1%
<i>Commodities</i>		
WTI	66.32	-0.8%
Brent	69.63	0.2%
Mexican mix	63.66	0.1%
Gold	1,903.77	0.4%
Copper	467.75	0.3%

Source: Bloomberg

## Corporate Debt

- **Fitch Ratings affirmed the local scale ratings for Grupo DASI and its unsecured note ITTO 17 at 'BBB+(mex)' with a Negative outlook reflecting the uncertainty around the timeframe for the normalization of restaurant activity and DASI & CRM's operations**
- **Moody's increased the ratings for Amozoc-Perote Highway's Future Flow, GANACB 11U, to 'Aaa.mx' from 'Aa1.mx' reflecting that, despite public health measures, the operative and financial profile of the highway has been resilient and continues to benefit from a strong liquidity**
- **Moody's upgraded the ratings for Matchuala Bypass' Future Flow, MATCB 05U, to 'Aaa.mx' from 'Aa1.mx', reflecting the highway's feature as a part of the USMCA route and its resilient traffic profile**

## 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 Thalia 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
<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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