

Financial Markets Daily

June 1, 2021

Main drivers for the financial markets today...

- **Stock markets and government yields up, with the USD stable as risk appetite is supported by higher optimism over the economic recovery. Oil prices reach two-year highs amid a tighter market and looking into OPEC+ meeting today**
- **News of the reopening continue, expecting Europe to end quarantines towards the end of July. Germany reduced alert levels while more businesses in the US and other countries announce the end of home-office schemes. We must also add positive news in the chip market, expecting output from the Renesas plant in Japan to normalize by mid-June**
- **May's inflation in the Eurozone surprised mildly to the upside by standing at 2.0% y/y, with the core at 0.9%. This comes along high prints in other regions. Manufacturing PMIs in Europe are mixed, with upward revisions for Germany and the Eurozone but with a negative adjustment for the UK. In the US we will be looking into this figure as well as the ISM for the sector, along comments from Quarles and Brainard**
- **In Mexico, family remittances will be released, as well as IMEF indicators, forecasting a slight rebound in manufacturing with a marginal decline in non-manufacturing. In addition, Banxico will release its expectations survey**

Gabriel Casillas
 Chief Economist, Head of Research
 and IRO
 gabriel.casillas@banorte.com

Alejandro Padilla
 Executive Director of Economic
 Research and Financial Markets Strategy
 alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
 Director of Economic Research
 juan.alderete.macal@banorte.com

Manuel Jiménez
 Director of Market Strategy
 manuel.jimenez@banorte.com

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Unemployment rate* - Apr	%	--	8.1	8.1
5:00	Consumer prices - May (P)	% y/y	--	1.9	1.6
5:00	Core - May (P)	% y/y	--	0.9	0.7
Brazil					
8:00	Gross domestic product* - 1Q21	% q/q	--	0.7	3.2
United States					
9:45	Manufacturing PMI (Markit)* - May (F)	index	--	61.5	61.5
10:00	ISM manufacturing* - May	index	60.0	61.0	60.7
10:00	Fed's Quarles Interviewed During Político Live Event				
14:00	Fed's Brainard speaks of Economic Club of New York				
Mexico					
	OPEC+ Ministerial Meeting				
10:00	Family remittances - Apr	US\$m	4033.2	--	4151.9
10:00	International reserves - May 28	US\$bn	--	--	194.4
10:00	Survey of expectations (Banxico)				
12:30	Govern. weekly auction: 1, 3, 6 y 12M CETES; 10Y Mbono(May'31); 3Y Udi bono(Nov'23) and 1, 3, and 5Y B				
13:00	PMI manufacturing (IMEF)* - May	index	51.5	--	50.3
13:00	PMI non-manufacturing (IMEF)* - May	index	52.7	--	53.2

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

This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Apertura de Mercados Financieros" was released earlier today.


 www.banorte.com

 @analisis_fundam

A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,224.25	0.5%
Euro Stoxx 50	4,097.07	1.4%
Nikkei 225	28,814.34	-0.2%
Shanghai Composite	3,624.71	0.3%
<i>Currencies</i>		
USD/MXN	19.89	-0.3%
EUR/USD	1.22	0.0%
DX	89.85	0.0%
<i>Commodities</i>		
WTI	68.31	3.0%
Brent	70.85	2.2%
Gold	1,908.96	0.1%
Copper	464.50	-0.7%
<i>Sovereign bonds</i>		
10-year Treasury	1.61	2pb

Source: Bloomberg

Equities

- **Positive movements in equity markets, with several indices near record highs, as investors are encouraged by economic data that support greater optimism about the global economic recovery, thus boosting cyclical stocks. On the other hand, attention continues on inflationary pressures and even more considering the rise in commodities prices**
- **In Asia, most of the markets closed positive. In Europe stocks advance, the Euro Stoxx adds 1.4%. Shares from energy, technology, and industrials sectors lead gains. In turn, in the US trading will resume after yesterday's holiday and the futures of main indices point to a positive open by rising 0.5% on average**
- **In Mexico, the Mexbol may stand above the 50,900 pts**

Sovereign fixed income, currencies and commodities

- **Mixed performance in global rates with European securities limiting previous losses in the session, while US Treasuries register adjustments of around +2bps as trading resumes after yesterday's holiday. The Mbono's curve started the week with a rally of ~6bps**
- **The USD trades with few variations amid a performance under narrow ranges for G10 currencies where NOK leads the gains. In EM balance is slightly negative with IDR and TRY underperforming (-0.4%). USD/MXN gains 0.3% to 19.89**
- **Crude oil prices reach their highest since October 2018 for the WTI amid an outlook of narrower demand and tighter supply balances from OPEC, with focus today on the meeting from the group and its allies to define the output strategy. Metals depict a mixed performance with copper and gold modestly negative**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,529.45	0.0%
S&P 500	4,204.11	0.0%
Nasdaq	13,748.74	0.0%
IPC	50,885.95	1.7%
Ibovespa	126,215.70	0.5%
Euro Stoxx 50	4,039.46	-0.8%
FTSE 100	7,022.61	0.0%
CAC 40	6,447.17	-0.6%
DAX	15,421.13	-0.6%
Nikkei 225	28,860.08	-1.0%
Hang Seng	29,151.80	0.1%
Shanghai Composite	3,615.48	0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	0.14	0pb
10-year Treasuries	1.59	0pb
28-day Cetes	4.07	-1pb
28-day TIE	4.28	0pb
2-year Mbono	4.92	-4pb
10-year Mbono	6.59	-6pb
<i>Currencies</i>		
USD/MXN	19.95	0.1%
EUR/USD	1.22	0.3%
GBP/USD	1.42	0.2%
DX	89.83	-0.2%
<i>Commodities</i>		
WTI	66.32	0.0%
Brent	69.32	-0.4%
Mexican mix	63.66	0.0%
Gold	1,906.87	0.2%
Copper	467.75	0.0%

Source: Bloomberg

Corporate Debt

- **May closed with an issued amount of MXN 31.66 billion, the highest in the same month since March 2018. It is worth noting that the exit spreads have been at levels below expectations despite the large supply of bonds, which could be an indicator of high liquidity in corporate debt market investors**
- **Fitch Ratings downgraded the long-term national scale rating of CAME (Consejo de Asistencia al Microemprendedor) to 'BBB + (mex)' from 'A- (mex)' and affirmed the national short-term rating at 'F2 (mex)'. Simultaneously, the agency withdrew the long and short-term ratings. The outlook at the time of retirement was Negative**
- **According to the agency, the downgrade of CAME's rating is based on the recent recognition of an account receivable as irrecoverable, which represented 25.3% of tangible capital at the end of 2020**

Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy

Gabriel Casillas Olvera	Chief Economist, Head of Research and IRO	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Economic Research and Financial Market Strategy

Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Economic Research

Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1670 - 2707

Market Strategy

Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
-------------------------	-----------------------------	----------------------------	------------------

Fixed income and FX Strategy

Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698

Equity Strategy

Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Víctor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746

Corporate Debt

Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Economic Studies

Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454