

Financial Markets Daily

June 3, 2021

Main drivers for the financial markets today...

- **Negative stock markets, while USD and government bond yields are up amid: (1) Concerns about a global inflation spiral arise, as more is known about price increases in many products and services, and more economists and investors warn about this; and (2) tensions between US and China given recent ban in investments**
- **On inflation, we highlight the release of a UN indicator that showed that world food prices registered in May the highest rise in more than a decade, climbing for a 12th straight month. Drought in key Brazilian growing regions is crippling crops from corn to coffee**
- **The European Union will encourage the World Trade Organization to phase out export restrictions for vaccines, but will stop short of supporting a US-backed proposal to suspend intellectual property rights meant to boost the supply of COVID shots**
- **Regarding economic figures, in the US, attention will be on May's ADP private sector employment report, with consensus estimation at 650k jobs. In addition, jobless claims in the week ending on May 29 are expected at 388k, below the 406k of the previous week. On the Fed speakers agenda, the interventions of Bostic, Kaplan, Harker and Quarles stand out**
- **In Mexico, INEGI published May's consumer confidence, standing at 42.7pts. This represents a 0.3pts increase relative to the previous month. Inside, three of the five categories were higher, highlighting country's current conditions (+1.4pts)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Consumer confidence* - May	index	42.7	--	42.4
<i>United States</i>					
8:15	ADP employment* - May	thousands	625	675	742
8:30	Initial jobless claims* - May 29	thousands	--	395	406
9:45	Services PMI (Markit)* - May (F)	index	--	70.1	70.1
9:45	Composite PMI (Markit)* - May (F)	index	--	--	68.1
10:00	ISM services* - May	index	63.5	63.0	62.7
12:30	Fed's Bostic speaks at Launch for Book on Economic Mobility				
13:00	Fed's Kaplan discusses the economy and monetary policy				
13:50	Fed's Harker Discusses Building an Equitable Workforce...				
15:05	Fed's Quarles Speaks at SIFMA Conference				

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	4,177.00	-0.7%
Euro Stoxx 50	4,058.67	-0.7%
Nikkei 225	29,058.11	0.4%
Shanghai Composite	3,584.21	-0.4%
<i>Currencies</i>		
USD/MXN	19.93	0.2%
EUR/USD	1.22	-0.2%
DX	90.02	0.1%
<i>Commodities</i>		
WTI	68.69	-0.2%
Brent	71.24	-0.2%
Gold	1,892.90	-0.8%
Copper	453.40	-1.3%
<i>Sovereign bonds</i>		
10-year Treasury	1.60	1pb

Source: Bloomberg

Equities

- **Stock markets with negative movements, as investors weigh a shift in the US-China relationship, after Biden announced he will ban investments in companies related to the Asian country's military. In addition, investors are evaluating the Fed's comments regarding the possibility of stimulus tapering while inflationary pressures concerns continue**
- **US futures anticipate a negative open, with the S&P500 trading lower by 0.7%. Markets in Europe operate on the downside, with the Stoxx 600 declining 0.5% with mining and real estate stocks leading the losses. In Asia, the session was mixed, with the Hang Seng down 1.1% on the day, versus a 0.4% gain on the Nikkei**
- **Yesterday Volaris announced May passengers which continued to outperform pre-pandemic levels with a 910.4% y/y increase (+12.0% vs 2019)**

Sovereign fixed income, currencies and commodities

- **Pressures in global rates with European assets adjusting +2bps, while US Treasuries print a 1bp sell off. In local terms, the Mbonos' curve closed yesterday with pressures of 2bps in short- and mid-term securities with 10-year reference ending at 6.60% (+4bps)**
- **The USD trades positive (BBDXY +0.2%) against the majority of G10 currencies with AUD as the weakest (-0.4%). In EM, bias is mixed with TRY limiting losses (-0.4%), while MXN trades at 19.93 per dollar (-0.2%) after a 0.4% appreciation yesterday**
- **Brent trades at 71.3 \$/bbl, its highest level since 2019, amid an optimism outlook in demand. Today's attention is focused on EIA's inventory report after a decrease in API data yesterday. Metals print widespread losses**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,600.38	0.1%
S&P 500	4,208.12	0.1%
Nasdaq	13,756.33	0.1%
IPC	50,749.64	0.1%
Ibovespa	129,601.40	1.0%
Euro Stoxx 50	4,088.50	0.4%
FTSE 100	7,108.00	0.4%
CAC 40	6,521.52	0.5%
DAX	15,602.71	0.2%
Nikkei 225	28,946.14	0.5%
Hang Seng	29,297.62	-0.6%
Shanghai Composite	3,597.14	-0.8%
<i>Sovereign bonds</i>		
2-year Treasuries	0.14	0pb
10-year Treasuries	1.59	-2pb
28-day Cetes	4.01	-1pb
28-day TIE	4.28	0pb
2-year Mbono	4.93	1pb
10-year Mbono	6.62	4pb
<i>Currencies</i>		
USD/MXN	19.90	-0.4%
EUR/USD	1.22	0.0%
GBP/USD	1.42	0.1%
DXY	89.91	0.1%
<i>Commodities</i>		
WTI	68.83	1.6%
Brent	71.35	1.6%
Mexican mix	65.36	1.5%
Gold	1,908.38	0.4%
Copper	459.15	-1.3%

Source: Bloomberg

Corporate Debt

- **Grupo Axo informed that it concluded the issuance of Senior Notes for US\$ 325 million with a maturity of 5 years, with an annual rate of 5.75%, in the international markets. The issue was rated 'Ba2' by Moody's and 'BB' by Fitch Ratings. The company will use the resources obtained to prepay existing debt and for general corporate purposes**
- **Fhipo's mortgage-backed bond, FHIPOCB 21, was placed for an amount of MXN 2.5 billion and a 30 year-term, with target amortizations on each payment date, and a target over-collateral of 14%. The fixed placement rate amounted to 8.06% with a demand of 1.33x**

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