

Financial Markets Daily

June 4, 2021

Main drivers for the financial markets today...

- **Stock markets and government bond yields little changed but negatively biased, along the USD higher, with investors cautious ahead of the nonfarm payrolls report in the US which will help gauge the state of the recovery, but may also trigger more speculation about the Fed's tapering sooner than expected**
- **Moreover, markets will look to April's factory orders report. On the other hand, we will watch for comments at the G7 finance ministers and central bankers meeting in London**
- **President Biden pitched Republicans a proposal to establish a minimum corporate tax rate of 15% which will help fund an infrastructure package. He is also willing to set aside the proposal of increasing the corporate tax rate to 28% from 21%, among other measures, to reach bipartisan agreement**
- **US Treasury Secretary Janet Yellen, is in London to find common ground for the adoption of a minimum global tax. Specifically, she is working for a compromise ahead of the G20 meeting in July**
- **The ECB's Christine Lagarde said that central banks are squarely within their mandate in tackling climate change. Moreover, she stated that there is "broad consensus" within the bank about the need to address this issue**
- **April's retail sales in the Eurozone surprised to the downside after contracting 3.1% m/m, reaffirming the difficulties still faced by the region for a more vigorous recovery despite an acceleration in vaccination campaigns in recent weeks**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
	G7 Finance Ministers meeting in London				
5:00	Retail sales* - Apr	% m/m	--	-1.7	2.7
<i>United States</i>					
7:00	Powell Takes Part in BIS Panel on Climate				
8:30	Nonfarm payrolls* - May	thousands	600	650	266
8:30	Unemployment Rate* - May	%	5.9	5.9	6.1
10:00	Factory orders* - Apr	% m/m	--	-0.1	1.1
10:00	Ex transportation* - Apr	% m/m	--	--	1.7
10:00	Durable goods orders* - Apr (F)	% m/m	--	--	-1.3
10:00	Ex transportation* - Apr (F)	% m/m	--	--	1.0

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	4,193.25	0.0%
Euro Stoxx 50	4,078.37	0.0%
Nikkei 225	28,941.52	-0.4%
Shanghai Composite	3,591.85	0.2%
<i>Currencies</i>		
USD/MXN	20.16	0.0%
EUR/USD	1.21	-0.1%
DX-Y	90.53	0.0%
<i>Commodities</i>		
WTI	68.94	0.2%
Brent	71.39	0.1%
Gold	1,872.51	0.1%
Copper	447.60	0.3%
<i>Sovereign bonds</i>		
10-year Treasury	1.62	0pb

Source: Bloomberg

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Equities

- We conclude the week with negative movements in stock markets, though of moderate magnitude. Investors keep cautious looking for any hint in jobs report about when will the Fed stop stimulus to support the recovery and start tapering its assets purchases. As such, futures at this moment trade without a clear trend, though they have maintained slightly negative
- In Asia we observe mixed closures, standing out the hike in China's indices which continue digesting Biden's amending over investments in companies, including Huawei. In Europe the trading session reflects widespread losses, though moderate. In Mexico we expect caution to continue among investors, ahead of next Sunday's elections, with the Mexbol Index consolidating near 50,000pts

Sovereign fixed income, currencies and commodities

- Sovereign bonds awaiting further information, European assets and Treasuries trading with marginal gains. In Mexico, the Mbonos yield curve closed yesterday with pressures of 6bps on average, concentrated in mid-term securities, while the 10-year benchmark closed at 6.69% (+9bps)
- The dollar trades slightly positive (BBDXY +0.1%) with mixed performance among G10 currencies, with NOK leading losses (-0.2%) and JPY appreciating 0.1%. In EM, the negative bias prevails, with PLN depreciating 0.5% while MXN trades at 20.19 per dollar (-0.1%) after depreciating 1.4% yesterday
- Crude oil prices advance 0.3% as optimism about global growth continues. In metals, gold trades with few changes at 1,871 \$/oz t while in industrials a mixed performance is observed

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,577.04	-0.1%
S&P 500	4,192.85	-0.4%
Nasdaq	13,614.51	-1.0%
IPC	50,628.77	-0.2%
Ibovespa	129,601.40	0.0%
Euro Stoxx 50	4,079.24	-0.2%
FTSE 100	7,064.35	-0.6%
CAC 40	6,507.92	-0.2%
DAX	15,632.67	0.2%
Nikkei 225	29,058.11	0.4%
Hang Seng	28,966.03	-1.1%
Shanghai Composite	3,584.21	-0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	0.15	1pb
10-year Treasuries	1.63	4pb
28-day Cetes	4.02	1pb
28-day TIE	4.28	0pb
2-year Mbono	4.98	4pb
10-year Mbono	6.69	7pb
<i>Currencies</i>		
USD/MXN	20.16	1.3%
EUR/USD	1.21	-0.7%
GBP/USD	1.41	-0.5%
DXY	90.51	0.7%
<i>Commodities</i>		
WTI	68.81	0.0%
Brent	71.31	-0.1%
Mexican mix	65.45	0.1%
Gold	1,870.76	-2.0%
Copper	446.30	-2.8%

Source: Bloomberg

Corporate Debt

- Today the placement of the Fibra MTY (FMTY 21D) unsecured issuance is expected for an amount of up to US\$115 million with a 10-year term. The bond will pay a fixed rate that will be referenced to the 10-year Treasury. The ratings are 'AA (mex)' by Fitch and 'HR AA' by HR Ratings
- Likewise, Fibra Storage's STORAGE 21V / 21-2V issuances are expected for an amount of up to MXN 1.5 billion. The 21V series will have a 7 year-term and will pay a fixed rate; while the 21-2V series will have a 4 year-term paying a floating rate pegged to TIE 28. The bonds are rated 'AA- (mex) / HR AA' by Fitch Ratings and HR Ratings
- The total early amortization of the MONEX 19 issuance for MXN 1.5 billion was reported for next June 17

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