

Financial Markets Daily

June 16, 2021

Main drivers for the financial markets today...

- Stock markets with small changes, government bond yields down and stable USD, with investors awaiting the FOMC's decision and Powell's press conference, in which he could give signals on moving forward *tapering* discussions in light of inflationary pressures and accelerating growth
- We estimate Fed's macroeconomic framework accompanying the monetary policy decision, to post an increase in this year's inflation estimates and we see high probabilities that the *dot plot* will show a rise in 2023 median
- We expect the Copom in Brazil to raise the *Selic* benchmark rate by 75bp, placing it at 4.25%. The attention will be on the statement's stance related to the future of monetary policy and specifically, on whether the position regarding a "partial normalization" is maintained or hardened
- President Biden will meet with Russian President Vladimir Putin in Geneva, their first meeting since Biden took office. This in a context of tensions between the two countries due to Russian cyberattacks and US sanctions among the most critical issues
- Regarding economic figures, in US data on the residential sector and import prices in May will be released. While in China, figures for retail sales, industrial production and fixed investment for the fifth month of the year will be published. High annual variations are expected, favored by the low comparison bases

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

www.banorte.com

[@analisis_fundam](https://twitter.com/analisis_fundam)

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
UK					
2:00	Consumer prices - May	% y/y	--	1.8	1.5
2:00	Core - May	% y/y	--	1.5	1.3
United States					
8:30	Housing starts** - May	thousands	--	1,640	1,569
8:30	Building permits** - May	thousands	--	1,730	1,733
14:00	FOMC Rate Decision (Upper Bound)	%	0.25	0.25	0.25
14:00	FOMC Rate Decision (Lower Bound)	%	0.00	0.00	0.00
14:00	Interest Rate on Excess Reserves (IOER)	%	0.10	0.10	0.10
14:30	Powell Holds Press Conference Following FOMC Meeting				
Brazil					
17:30	Monetary policy decision (Central bank of Brazil)	%	4.25	4.25	3.50

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.
Equity indices		
S&P 500 Futures	4,234.75	0.0%
Euro Stoxx 50	4,146.85	0.1%
Nikkei 225	29,291.01	-0.5%
Shanghai Composite	3,518.33	-1.1%
Currencies		
USD/MXN	19.99	-0.2%
EUR/USD	1.21	-0.1%
DX	90.53	0.0%
Commodities		
WTI	72.35	0.3%
Brent	74.33	0.5%
Gold	1,854.45	-0.2%
Copper	433.15	0.0%
Sovereign bonds		
10-year Treasury	1.49	-1pb

Source: Bloomberg

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Equities

- Mixed movements in equity markets as investors are cautious and await the Fed's monetary policy decision, with special attention to the comments that Jerome Powell could give related to tapering, taking into account inflationary risks and accelerated growth
- In Asia, most of the markets closed negative. In Europe stocks are mixed, the Euro Stoxx rises slightly 0.1%. Shares from materials, utilities, and consumer staples sectors lead gains, while those from financials and consumer discretionary superhead losses. In turn, in the US the futures of main indices are mixed and show small changes
- In Mexico, the Mexbol may stand around the 50,900 pts

Sovereign fixed income, currencies and commodities

- Modest gains in global rates with European assets adjusting -1bp, while US Treasuries print marginal positive movements. In local terms, the Mbonos' curve closed yesterday with a 4bps sell-off, on average, with the 10-year benchmark ending at 6.71% (+6bps)
- The USD trades with few changes amid a mixed balance in G10 currencies under narrow ranges bounded by +/-0.3%. In EM, bias is positive with RUB as the strongest currency (+0.3%), while MXN trades at 19.98 per dollar (+0.2%), after a 0.3% depreciation yesterday
- Crude-oil extends previous gains reaching new highs since 2019 supported by an expectation of higher demand in 2H21 coupled with a decrease in US inventories during the last three weeks. In metals, the balance is negative with copper and gold declining 0.2% and 0.3%, respectively

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,299.33	-0.3%
S&P 500	4,246.59	-0.2%
Nasdaq	14,072.86	-0.7%
IPC	50,908.18	-0.2%
Ibovespa	130,091.10	-0.1%
Euro Stoxx 50	4,143.52	0.3%
FTSE 100	7,172.48	0.4%
CAC 40	6,639.52	0.4%
DAX	15,729.52	0.4%
Nikkei 225	29,441.30	1.0%
Hang Seng	28,638.53	-0.7%
Shanghai Composite	3,556.56	-0.9%
Sovereign bonds		
2-year Treasuries	0.16	1pb
10-year Treasuries	1.49	0pb
28-day Cetes	4.00	-7pb
28-day TIIE	4.29	0pb
2-year Mbono	4.93	1pb
10-year Mbono	6.72	5pb
Currencies		
USD/MXN	20.03	0.3%
EUR/USD	1.21	0.0%
GBP/USD	1.41	-0.2%
DXY	90.54	0.0%
Commodities		
WTI	72.12	1.7%
Brent	73.99	1.6%
Mexican mix	68.21	1.4%
Gold	1,859.02	-0.4%
Copper	434.10	-4.3%

Source: Bloomberg

Corporate Debt

- Credito Real informed the renewal of a credit line for MXN 2 billion with Banorte, which includes an extension in the maturity date until 2023. Additionally, MXN 1 billion were refinanced that matured in the next few months
- S&P Global Ratings confirmed CAF (Corporación Andina de Fomento) ratings at 'A +' on a global scale and revised its outlook to Positive from Stable. At the same time, it confirmed the rating of its CAF 11U issue at 'mxAAA' on a national scale. According to the agency, CAF's capital position strengthened after Argentina and Ecuador came out of default and after the gradual reduction of Venezuela's outstanding balance

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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>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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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 Market 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
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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
Victor 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	hugoa.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
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454