

# Financial Markets Daily

June 17, 2021

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

- **Negative stock markets, USD and government bond yields up, digesting Fed's monetary policy decision, economic projections and *dot plot*, as well as Powell's press conference, which increased the debate about the moment when they will announce the *tapering***
- **Treasury Secretary, Janet Yellen, will testify today before the House Budget panel after her appearance yesterday in a Senate's panel where she spoke about the capital gains tax hike and explained that the US economy is well on the way to post-Covid recovery**
- **Regarding economic data, in the US, the regional manufacturing indicator *Philly Fed* will be released. We estimate it to stand at 32.5pts, from 31.5pts previously. This in a context of mixed signals in the sector with better prospects due to the reopening of the economy, but limited to the upside due to disruptions in the supply chain and labor shortages. On the other hand, jobless claims for the week ending June 12 will also be published. Consensus estimates them to stand at 360k, from 376k previously, confirming the labor market's recovery**
- **In Mexico, INEGI published its Timely Indicator of Economic Activity for May, suggesting an expansion of 24.8% y/y (sa) in activity. By sectors, they expect industry at +36.4%, with services at +19.8%. These figures are heavily distorted by the pandemic in 2020**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Consumer prices - May (F)	% y/y	--	2.0	1.6
5:00	Core - May (F)	% y/y	--	0.9	0.9
<i>Mexico</i>					
7:00	Timely Indicator of Economic Activity* - May	% y/y	--	--	20.6
<i>Turkey</i>					
7:00	Monetary policy decision (C. Bank of the Turkey)	%	--	19.00	19.00
<i>United States</i>					
8:30	Initial jobless claims* - Jun 12	miles	--	360	376
8:30	Philadelphia Fed* - Jun	index	32.5	31.0	31.5
<i>Japan</i>					
	Monetary policy decision (BoJ)	%	--	--	-0.10

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	4,205.25	-0.2%
Euro Stoxx 50	4,150.38	0.0%
Nikkei 225	29,018.33	-0.9%
Shanghai Composite	3,525.60	0.2%
<i>Currencies</i>		
USD/MXN	20.53	0.7%
EUR/USD	1.19	-0.5%
DX	91.79	0.7%
<i>Commodities</i>		
WTI	72.04	-0.2%
Brent	74.24	-0.2%
Gold	1,789.08	-1.2%
Copper	429.30	-2.1%
<i>Sovereign bonds</i>		
10-year Treasury	1.57	-1pb

Source: Bloomberg

## Equities

- **Stock markets with widespread losses, after assimilating a more hawkish than expected stance from the FED, by acknowledging higher inflationary risks, which translated into more uncertainty among investors from the expectation of higher global rates. As such, futures in the US anticipate a negative opening with the S&P500 trading 0.2% below its theoretical value, awaiting economic releases and Yellen's testimony**
- **In Asia the trading session concluded mixed, with losses in almost all indices, China being the exception. Europe reflects profit taking, with mining and commodities negative, but banks positive reacting to the expectation of higher rates**
- **In Mexico, OMA announced that the tender offer from Fintech has been extended onto June 30th, reducing the latter interest up to a maximum of ~30% vs ~40% prior, after not reaching the required financing**

## Sovereign fixed income, currencies and commodities

- **Sovereign bonds with mixed performances, European assets trading with pressures of up to 7bps while US Treasuries gains up to 5bps in longer duration securities. Locally, yesterday the Mbonos' yield curve closed with losses of 4bps on average, concentrated in the mid-end, and the 10-year benchmark closed at 6.76% (+5bps)**
- **The dollar strengthens (DXY +0.7%) against all G10 currencies where SEK leads losses (-0.9%). In EM, trading is negative with KRW as the weakest (-1.2%), while MXN falls 0.6% to 20.53 per dollar extending yesterday's depreciation of 1.8%**
- **Crude oil prices fall 0.4% as the dollar strengthens and investors digest the Fed's monetary policy decision. Metals performance is negative, gold falls 0.8% to 1,797 US\$/oz t and copper declines 2.0%**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,033.67	-0.8%
S&P 500	4,223.70	-0.5%
Nasdaq	14,039.68	-0.2%
IPC	50,579.10	-0.6%
Ibovespa	129,259.50	-0.6%
Euro Stoxx 50	4,151.76	0.2%
FTSE 100	7,184.95	0.2%
CAC 40	6,652.65	0.2%
DAX	15,710.57	-0.1%
Nikkei 225	29,291.01	-0.5%
Hang Seng	28,436.84	-0.7%
Shanghai Composite	3,518.33	-1.1%
<i>Sovereign bonds</i>		
2-year Treasuries	0.21	4pb
10-year Treasuries	1.58	8pb
28-day Cetes	4.00	0pb
28-day TIIE	4.29	0pb
2-year Mbono	4.96	3pb
10-year Mbono	6.77	6pb
<i>Currencies</i>		
USD/MXN	20.39	1.8%
EUR/USD	1.20	-1.1%
GBP/USD	1.40	-0.7%
DXY	91.13	0.7%
<i>Commodities</i>		
WTI	72.15	0.0%
Brent	74.39	0.5%
Mexican mix	68.57	0.5%
Gold	1,811.47	-2.6%
Copper	439.10	1.2%

Source: Bloomberg

## Corporate Debt

- **Value (Common Rep.) informed that, in accordance with what was agreed at the Bondholders' Meeting on February 2, the issuer Grupo GICSA (GICSA 18U) will pay the approved premium equivalent to 10 bp on the outstanding. The amount of the premium is MXN 2.20 million**
- **The GICSA 18U issuance has an outstanding amount of MXN 2.36 billion and is scheduled to mature in 2025. The issuance is rated by PCR Verum as 'A/M' and 'HR AA-' by HR Ratings**
- **Verum ratified Fundación Rafael Dondé and its issue DONDE 20 ratings at 'AA/M' and maintained the Stable outlook. The rating's ratification is based on the high equity levels that persist in the Institution**

## 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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	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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