

Financial Markets Daily

June 18, 2021

Main drivers for the financial markets today...

- **Stock markets mixed, with government bond yields lower and slight changes in the USD, as investors' speculation about earlier rate hikes amid reflation trades continue. On the other hand, the BoJ extended its lending facilities for six months, also surprising markets as they announced measures to mitigate climate change**
- **With few economic data, markets expect high volatility in today's trading session due to Quadruple Witching Day (expiration of options and futures contracts on stocks and indices). Elsewhere, investors will watch Iran's presidential election**
- **The ECB said that they will extend one of the measures introduced to support banks during the harshest period of the pandemic for nine more months. Specifically, they will extend the leverage-ratio relief measure, in contrast with the US and Switzerland, where this measure expired late last year**
- **Moreover, the European Union has removed travel restrictions for US travelers despite concerns about the spread of COVID-19 variants. This measure aims to boost the region's economic recovery, even with some doubts about a pickup in contagions**
- **Sweden's central bank informed that some staff members traded securities just before the institution's monetary policy decisions, breaking with its ethical guidelines**
- **In Mexico, aggregate demand and supply stood at +2.0% q/q (-2.9% y/y). Inside, imports (5.9%) and investment strengthened (5.3%), consumption was more modest (2.9%) and exports contracted (-3.3%), likely impacted by shocks observed in February**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	Current account* - Apr	EURmn	--	--	17.8
<i>Mexico</i>					
7:00	Aggregate supply and demand - 1Q21	% y/y	-2.6	--	-5.1

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	4,201.25	-0.3%
Euro Stoxx 50	4,125.64	-0.8%
Nikkei 225	28,964.08	-0.2%
Shanghai Composite	3,525.10	0.0%
<i>Currencies</i>		
USD/MXN	20.44	0.1%
EUR/USD	1.19	0.0%
DX	91.91	0.0%
<i>Commodities</i>		
WTI	70.64	-0.6%
Brent	72.55	-0.7%
Gold	1,793.69	1.1%
Copper	419.00	0.3%
<i>Sovereign bonds</i>		
10-year Treasury	1.49	-2pb

Source: Bloomberg

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Equities

- The week concludes with mixed returns in stock markets, albeit with a negative bias. Investors continue to assimilate that tapering could start sooner than expected, and put aside assets benefiting from inflationary pressures as concerns in this regard dissipate
- Thus, US futures trade mixed, with the Nasdaq with few changes even after the rotation into cyclical stocks pushed the index to another high, while the S&P500 is down 0.3%. Today's session is expected to be highly volatile as it is Quadruple Witching Day -futures and options expiration on indices and stocks-
- Markets in Europe operate mostly with losses, the EuroStoxx is down 0.8%, contracted by Energy (-2.5%) and Financial (-2.3%) stocks. Meanwhile, in Asia, the session ended mixed, with a 0.9% advance in the Hang Seng and a 0.2% drop in the Nikkei

Sovereign fixed income, currencies and commodities

- The positive performance in rates from global sovereign bonds remains in the aftermath of the material flattening experienced in Treasuries yesterday with the yield curve rallying 8bps from the 7-year onwards. These securities gain 2bps today starting from the 5-year, while European bonds gain 1bp excluding those from the periphery
- The USD trades stable holding a strong weekly performance, rallying against emerging and developed currencies. Weekly losses of up to 3% stand for TRY, HUF, and COP, with the USD/MXN trading at 20.45 (-0.1%) heading for a 2.8% weekly depreciation
- Crude oil extends the losses from the last sessions, falling ~0.7% d/d under a complex backdrop for the whole commodities' space as the USD strengthening and more hawkish expectations for the Fed weigh. Metals take a breather with gold gaining 1%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,823.45	-0.6%
S&P 500	4,221.86	0.0%
Nasdaq	14,161.35	0.9%
IPC	50,202.80	-0.7%
Ibovespa	128,057.20	-0.9%
Euro Stoxx 50	4,158.14	0.2%
FTSE 100	7,153.43	-0.4%
CAC 40	6,666.26	0.2%
DAX	15,727.67	0.1%
Nikkei 225	29,018.33	-0.9%
Hang Seng	28,558.59	0.4%
Shanghai Composite	3,525.60	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	0.21	0pb
10-year Treasuries	1.50	-7pb
28-day Cetes	4.03	3pb
28-day TIE	4.29	0pb
2-year Mbono	5.03	7pb
10-year Mbono	6.76	-1pb
<i>Currencies</i>		
USD/MXN	20.43	0.2%
EUR/USD	1.19	-0.7%
GBP/USD	1.39	-0.5%
DX	91.89	0.8%
<i>Commodities</i>		
WTI	71.04	-1.5%
Brent	73.08	-1.8%
Mexican mix	67.44	-1.6%
Gold	1,773.50	-2.1%
Copper	418.55	-4.7%

Source: Bloomberg

Corporate Debt

- Grupo Famsa informed that it was notified of a lawsuit filed by Bancomext regarding the credit lines it has with said institution. The resources claimed will be part of the bankruptcy agreement that the company will seek for the benefit of its creditors
- HR Ratings ratified Xignux's ratings at 'HR AA' and 'HR1' and modified the Stable outlook to Review in Process. According to the agency, the change in the outlook is due to the fact that the rating agency must evaluate the impact of the acquisition through its joint venture with General Electric of SPX Transformer Solutions
- PCR Verum ratified Grupo HYCSA's ratings at 'A/M' and '2/M'; the outlook remains Stable. The ratings are based on the appropriate leverage indicators of Grupo HYCSA

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.

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	Reference
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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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