

Financial Markets Daily

June 22, 2021

Main drivers for the financial markets today...

- **Stock markets mixed, government bond yields lower and the USD positive with the market assimilating most recent comments from Fed speakers which extended the hawkish tone of the last monetary policy decision**
- **Attention on Fed President Jerome Powell's testimony before the House subcommittee on the Coronavirus crisis. His prepared remarks show a very similar language to the one seen last week, with special attention on inflation's transitory nature. As such, attention will center in the questions and answers section. We will also have appearances from Daly (San Francisco) and Mester (Cleveland)**
- **Also, in the US, progress on the infrastructure bill continue, with an agreement close between Democrats and Republicans, awaiting a hearing with White House officials to extend discussions on the source of financing for the plan. In other legislative topics, it is expected that antitrust laws are presented on the tech sector, with relevant implications for giants such as Amazon and Google**
- **On economic data we have a light schedule, with existing home sales (May) in the US, consumer confidence (June) in the Eurozone, and private sector analysts economic survey in Mexico**
- **In the monetary front, Brazil's Central Bank published the minutes of its last decision, in which they discussed the possibility of accelerating the pace of tightening given relevant pressures on inflation. Later today we will be looking into the Hungarian Central Bank policy decision**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
10:00	International reserves - Jun 18	US\$bn	--	--	193.5
12:30	Government weekly auction: 1, 3, 6, and 12M CETES; 3-year Mbono and 30-year Udibono				
15:30	Survey of expectations (Citibanamex)				
<i>United States</i>					
10:00	Existing home sales**-May	millions	--	5.7	5.9
10:30	Fed's Mester discusses monetary policy and financial stability				
11:00	Fed's Daly speaks at Peterson Institute event				
14:00	Powell testifies to Congress on Covid-19 response and economy				
<i>Eurozone</i>					
10:00	Consumer confidence*-Jun (F)	index	--	-3.3	-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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Document for distribution among public

A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,220.75	0.2%
Euro Stoxx 50	4,118.86	0.2%
Nikkei 225	28,884.13	3.1%
Shanghai Composite	3,557.41	0.8%
<i>Currencies</i>		
USD/MXN	20.57	0.4%
EUR/USD	1.19	-0.2%
DX	92.03	0.1%
<i>Commodities</i>		
WTI	73.02	-0.9%
Brent	74.44	-0.6%
Gold	1,781.77	-0.1%
Copper	419.15	0.2%
<i>Sovereign bonds</i>		
10-year Treasury	1.49	0pb

Source: Bloomberg

Equities

- **Mixed movements in equity markets, after a positive day in the previous session, as investors are cautious and weigh economic growth prospects against inflation concerns. Meanwhile, the focus will be on comments from Fed members on monetary policy, mainly those of Jerome Powell before Congress**
- **In Asia, most markets closed positive, highlighting the Nikkei's rise of 3.1%. In Europe stocks are mixed, the Euro Stoxx adds 0.2%. Shares from materials and real estate lead gains, while those from health care and financials are showing the most significant losses. In turn, in the US the futures of main indices point to a slightly positive open, rising 0.1% on average**
- **In Mexico, the Mexbol may stay above the 50,300 pts**

Sovereign fixed income, currencies and commodities

- **Positive performance in rates of sovereign bonds with European securities gaining 1bp, while the US Treasuries' curve resumes its flattening with the long-end gaining 2bps after selling-off yesterday as much as 10bps in long-term maturities. Mbonos started the week with pressures of 6pbs, on average**
- **The USD advances against G10 and EM currencies, with the former group integrating greater losses in GBP (-0.4%). In the latter TRY outperforms with a 1% rally, while all the remainder fall with HUF being the weakest (-0.6%). USD/MXN depreciates 0.4% to 20.57**
- **Crude oil limits earlier gains that pushed Brent to fresh highs in more than 2 years at 75 US\$/bbl, with the market assimilating a still favorable demand backdrop with eyes on OPEC+ meeting next week. Metals mostly positive, though under narrow ranges**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,876.97	1.8%
S&P 500	4,224.79	1.4%
Nasdaq	14,141.48	0.8%
IPC	50,315.69	0.0%
Ibovespa	129,265.00	0.7%
Euro Stoxx 50	4,112.33	0.7%
FTSE 100	7,062.29	0.6%
CAC 40	6,602.54	0.5%
DAX	15,603.24	1.0%
Nikkei 225	28,010.93	-3.3%
Hang Seng	28,489.00	-1.1%
Shanghai Composite	3,529.18	0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	0.25	0pb
10-year Treasuries	1.49	5pb
28-day Cetes	4.08	1pb
28-day TIIE	4.29	0pb
2-year Mbono	5.16	3pb
10-year Mbono	6.90	8pb
<i>Currencies</i>		
USD/MXN	20.49	-0.8%
EUR/USD	1.19	0.5%
GBP/USD	1.39	0.9%
DX	91.90	-0.4%
<i>Commodities</i>		
WTI	73.66	2.8%
Brent	74.90	1.9%
Mexican mix	69.03	2.2%
Gold	1,783.27	1.1%
Copper	418.45	0.5%

Source: Bloomberg

Corporate Debt

- **Today we expect the auction of a Social Bond from development bank Banco Centroamericano de Integración Económica (CABEI 1-21S) for MXN 3.0 billion and a 3-year term**
- **S&P Global Ratings downgraded the ratings for Alpha Credit's ABS, ALPHACB 18, to 'mxBB (sf)' from 'mxBBB- (sf)'. The ratings remain on Negative CreditWatch. The rating action reflects the agency's view on a higher operation risk linked to the weakening in Alpha Credit's credit quality**
- **S&P Global Ratings lowered its issuer credit ratings on Alpha Holding to 'CC' from 'CCC'. The rating remains on Negative CreditWatch. The company announced the exercise of a 30-day grace period for the US\$15 million cash interest payment on its secured notes due December 2022**

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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