

Financial Markets Daily

June 24, 2021

Main drivers for the financial markets today...

- **Positive stock markets, USD and government bond yields with small changes as the uncertainty and fear around a possible normalization of the Federal Reserve's monetary policy earlier than expected are diluting, a greater injection of liquidity from the PBoC in China and good indicators of business sentiment in the Eurozone**
- **Regarding monetary policy, Banxico will announce its decision. We expect it to maintain the reference rate unchanged at 4.00%, with a statement that will continue showing a hawkish stance. In the US, attention on Fed member's interventions and the release of stress tests results to banks**
- **In Mexico, INEGI published 1H-June's inflation, rising 0.34% 2w/2w, surprising higher relative to consensus but closer to our forecast of 0.35%. We should note that this is the highest print for the period since 2002. With these results, annual inflation increased to 6.02% from 5.99% in the previous fortnight, with the core at 4.58% (previous: 4.51%)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
4:00	IFO Survey (business climate)* - Jun	index	--	100.6	99.2
<i>UK</i>					
7:00	Monetary policy decision (BoE)	%	0.10	0.10	0.10
<i>Mexico</i>					
7:00	Consumer prices - Jun 15	% 2w/2w	0.35	0.22	0.17
7:00	Core - Jun 15	% 2w/2w	0.29	0.22	0.22
7:00	Consumer prices - Jun 15	% y/y	6.02	5.89	5.99
7:00	Unemployment rate - May	%	4.47	4.40	4.65
14:00	Monetary policy decision (Banxico)	%	4.00	4.00	4.00
<i>United States</i>					
8:30	Trade balance* - May	US\$bn	--	-87.7	-85.2
8:30	Durable goods orders* - Jun (P)	% m/m	--	3.0	-1.3
8:30	Ex transportation* - Jun (P)	% m/m	--	0.8	1.0
8:30	Gross domestic product** - 1Q21	% q/q	6.4	6.4	6.4
8:30	Personal consumption** - 1Q21	% q/q	11.3	11.3	11.3
8:30	Initial jobless claims* - Jun 19	thousands	--	380	412
9:30	Fed's Bostic and Harker speak on monetary policy panel				
11:00	Fed's Williams takes part in moderated discussion				
13:00	Fed's Bullard discusses outlook for the economy and monetary policy				
13:00	Fed's Kaplan discusses economy				
16:30	Fed releases bank stress test results				

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	4,252.00	0.5%
Euro Stoxx 50	4,113.35	0.9%
Nikkei 225	28,875.23	0.0%
Shanghai Composite	3,566.65	0.0%
<i>Currencies</i>		
USD/MXN	20.09	-0.5%
EUR/USD	1.19	0.1%
DX	91.76	0.0%
<i>Commodities</i>		
WTI	72.97	-0.2%
Brent	75.10	-0.1%
Gold	1,787.63	0.5%
Copper	430.70	-0.5%
<i>Sovereign bonds</i>		
10-year Treasury	1.49	0pb

Source: Bloomberg

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Equities

- **This Thursday, we observe positive movements in stock markets. Investors continue to weigh the outlook for economic recovery as they analyze the direction of the Fed's support ahead of a series of economic reports**
- **Thus, US futures anticipate an upward opening, with the S&P500 rising 0.5% and the Nasdaq climbing 0.6%. Markets in Europe show positive variations, the EuroStoxx rises 0.9%, with shares of the technology sector leading the gains. In Asia, the session ended mixed, with the Hang Seng up 0.2%, while the Nikkei remained unchanged**
- **Regarding Cemex Day to be held today, the company has already released information that should be welcomed by the market, including an increase in 2021 guidance, a favorable outlook for longer-term growth and achieving an investment grade capital structure in the near term**

Sovereign fixed income, currencies and commodities

- **Sovereign bonds are trading with mixed movements, European assets adjust +/- 1bp while US Treasuries show moderate pressures along the curve. In Mexico, the Mbonos yield curve closed yesterday with losses of 4bps on average and the 10-year benchmark ended at 6.96% (+5bps)**
- **The dollar trades with slight losses (DXY -0.1%) allowing almost all G10 currencies to advance, except GBP as it depreciated 0.4%. In EM, the positive bias prevails, with the MXN leading the gains as it appreciates 0.5% to 20.10 per dollar followed by the RUB which also gains 0.5%**
- **Oil prices are down 0.1% consolidating at the highest levels since 2018 with the market digesting a still favorable demand scenario. In metals, gold trades at 1,784 \$/oz t (+0.4%) and in industrials the balance is negative with copper standing out with a 0.6% decline**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,874.24	-0.2%
S&P 500	4,241.84	-0.1%
Nasdaq	14,271.73	0.1%
IPC	50,170.78	0.1%
Ibovespa	128,428.00	-0.3%
Euro Stoxx 50	4,075.94	-1.1%
FTSE 100	7,074.06	-0.2%
CAC 40	6,551.07	-0.9%
DAX	15,456.39	-1.2%
Nikkei 225	28,874.89	0.0%
Hang Seng	28,817.07	1.8%
Shanghai Composite	3,566.22	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	0.26	3pb
10-year Treasuries	1.49	2pb
28-day Cetes	4.06	3pb
28-day TIE	4.28	0pb
2-year Mbono	5.20	1pb
10-year Mbono	6.96	5pb
<i>Currencies</i>		
USD/MXN	20.20	-0.8%
EUR/USD	1.19	-0.1%
GBP/USD	1.40	0.1%
DXY	91.80	0.1%
<i>Commodities</i>		
WTI	73.08	0.0%
Brent	75.19	0.5%
Mexican mix	69.31	0.7%
Gold	1,778.68	0.0%
Copper	432.40	2.5%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings affirmed Corporativo GBM's ratings at 'AA-(mex)' and changed the outlook to in Evolution. The agency considers that, in the medium term, the ratings could benefit from a relevant and sustained improvement in profitability that could derive from the structural change and business model. Also, the outlook considers the execution risks**
- **S&P Global Ratings confirmed issuance DMXI 15's ratings at 'mxBBB+' and revised the outlook to Negative from Stable, reflecting its view of a possible rating downgrade, in case that the wind resources from the project stands consistent and considerably below the P-90 scenario**
- **Nemak announces the placement in the international markets of its first sustainability-linked bond. The senior notes were placed for an amount of US\$500 million, a 10-year maturity and a 3.625% coupon**

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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