

Financial Markets Daily

July 2, 2021

Main drivers for the financial markets today...

- **Stock markets positive –except China and Hong Kong–, government bond yields lower and the USD stable with investors awaiting the jobs report in the US, looking for signals about when the Fed may start its tapering and with positive news on vaccines. Stock markets in China and Hong Kong negative, reopening after the holiday of the anniversary of the Communist Party, showing a lagged reaction to Xi Jinping’s comments**
- **Oil shows small changes as the meeting between OPEC members and other allies extended to today**
- **Attention in the US will center on June’s employment report, which we expect to show a creation of 640 thousand jobs, with the unemployment rate falling to 5.7%. Specifically, we anticipate that gains could concentrate in lodging and entertainment activities. Other relevant data in this country include May’s factory and durable goods orders, as well as the trade balance for the same month**
- **In news over the virus, Johnson & Johnson announced that people inoculated with their vaccine produce antibodies capable of neutralizing the “delta” variant, which is rapidly spreading across the globe. In this context, total cases in the world reached 182.7 million, with deaths nearly at 4 million**
- **Tensions between the US and China continue, although this time in the human rights front, with the Asian nation criticizing a report in which they are accused of forced labor practices for ethnic and religious minorities in Xinjiang**

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

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Brazil</i>					
8:00	Industrial production - May	% y/y	--	24.7	34.7
8:00	Industrial production* - May	% m/m	--	1.5	-1.3
<i>United States</i>					
8:30	Nonfarm payrolls* - Jun	thousands	640	695	559
8:30	Unemployment rate* - Jun	%	5.7	5.7	5.8
8:30	Trade balance* - May	US\$bn	--	-71.3	-68.9
10:00	Factory orders* - May	% m/m	--	1.5	-0.6
10:00	Ex transportation* - May	% m/m	--	--	0.5
10:00	Durable goods orders* - May (F)	% m/m	--	--	2.3
10:00	Ex transportation* - May (F)	% m/m	--	--	0.3

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Apertura de Mercados Financieros" was released earlier today.

A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,315.25	0.1%
Euro Stoxx 50	4,089.55	0.3%
Nikkei 225	28,783.28	0.3%
Shanghai Composite	3,518.76	-2.0%
<i>Currencies</i>		
USD/MXN	19.97	-0.1%
EUR/USD	1.18	-0.2%
DX	92.61	0.0%
<i>Commodities</i>		
WTI	75.03	-0.3%
Brent	75.63	-0.3%
Gold	1,787.21	0.6%
Copper	426.65	0.6%
<i>Sovereign bonds</i>		
10-year Treasury	1.44	-2pb

Source: Bloomberg

Document for distribution among public

Equities

- **Stock markets conclude the week with mixed movements, though with positive bias, awaiting jobs report in the US, looking for any signals that may anticipate when the tapering may start**
- **Futures in the US anticipate a positive opening though the S&P500 is only 0.1% above its theoretical value, after reaching another all-time high yesterday, supported by cyclical sectors, standing out energy stocks**
- **Asia concluded mixed, with the Nikkei in Japan positive by 0.3%, but China and Hong Kong with drops near 2%. Europe trades with almost widespread gains, with miners and travel leading the gains. In Mexico, the Mexbol Index continues consolidating over 50,300pts**

Sovereign fixed income, currencies and commodities

- **Gains in sovereign bonds with European securities strengthening 2bps while Asia/Pacific depicted positive closes. US Treasuries strengthen 2bps from mid-term tenors onwards. Yesterday, the Mbonos' yield curve sold-off 6bps, on average**
- **The USD trades with few changes heading for a positive weekly balance, observing a mixed performance under narrow ranges in G10 crosses. Meanwhile, for EM currencies, THB leads the pressures while USD/MXN is the only positive pair appreciating 0.2% to 19.95**
- **Crude oil futures trade modestly negative with all eyes on OPEC+ whose ministerial meeting yesterday has been extended until today amid a lack of agreement regarding the structuring of the production strategy going forward. The expectation is still on a collective production increase given the deficit in global balances. Mixed metals with precious positive**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,633.53	0.4%
S&P 500	4,319.94	0.5%
Nasdaq	14,522.38	0.1%
IPC	50,376.89	0.2%
Ibovespa	125,666.20	-0.9%
Euro Stoxx 50	4,078.89	0.4%
FTSE 100	7,125.16	1.2%
CAC 40	6,553.82	0.7%
DAX	15,603.81	0.5%
Nikkei 225	28,707.04	-0.3%
Hang Seng	28,827.95	0.0%
Shanghai Composite	3,588.78	-0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	0.25	0pb
10-year Treasuries	1.46	-1pb
28-day Cetes	4.31	1pb
28-day TIIE	4.53	0pb
2-year Mbono	5.61	2pb
10-year Mbono	7.05	7pb
<i>Currencies</i>		
USD/MXN	20.00	0.3%
EUR/USD	1.19	-0.1%
GBP/USD	1.38	-0.5%
DXY	92.60	0.2%
<i>Commodities</i>		
WTI	75.23	2.4%
Brent	75.84	0.9%
Mexican mix	70.57	1.8%
Gold	1,776.84	0.4%
Copper	423.60	-1.2%

Source: Bloomberg

Corporate Debt

- **S&P Global Ratings downgraded PASACB 11 / 11U / 12 senior bonds in the national scale debt ratings to 'mxCCC-' from 'mxBB' and subordinated PSBCB 12U to 'mxCCC-' from 'mxB' of the Sarre y Pápagos Trusts, as well as DOIXCB 15 / 15U issuances to 'mxCCC-' from 'mxA +', all supported by contracts for the provision of services of prisons in Oaxaca by the federal government**
- **According to the agency, payments for availability of contracts have been suspended since the January 2021 invoice and this has resulted in serious pressure on its operational liquidity**
- **On the other hand, Fitch Ratings ratified Grupo Traxion's rating at 'A (mex)' and revised the outlook to Positive from Stable due to the solid operating and financial performance during 2020**

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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V., since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of 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
-------------------------	-----------------------------	----------------------------	------------------

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	hugo.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 Domíquez	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