

Financial Markets Daily

July 6, 2021

Main drivers for the financial markets today...

- **Stock markets negative –with the exception of Japan on a strong household spending report–, USD higher and government bond yields mixed as crude oil prices increased to a 3-year high after members of OPEC+ ended their meeting without an agreement to increase production**
- **In this sense, markets will focus today on the evolution of crude oil prices and how asset prices continue to react, as this could drive global inflation higher, potentially slowing down the economic recovery**
- **In news regarding the virus, the UK plans to end almost all of its legal restrictions to combat the virus on July 19th. Meanwhile, Germany announced looser travel restrictions. Nevertheless, issues in Japan continue before the Olympic Games. In this context, President Biden will talk today about this and on vaccinations**
- **On economic data, in the US we will be looking into the release of the services ISM of June and revised PMI data for the sector. Meanwhile, Germany's ZEW expectations index disappointed by falling to 63.3pts, albeit with current conditions surprising higher at 21.9pts**
- **In Mexico, April's investment fell 0.9% m/m, with declines in both construction and machinery and equipment. Meanwhile, private consumption rose 1.2% m/m, with strength in domestic components and a decline in imported. In addition, in the evening we will be looking into the fortnightly survey by Citibanamex**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	ZEW Survey (Expectations) - Jul	index	--	75.0	79.8
5:00	EZ Retail sales* - May	% m/m	--	4.2	-3.1
<i>Mexico</i>					
7:00	Gross fixed investment - Apr	% y/y	42.4	41.3	1.4
7:00	Gross fixed investment* - Apr	% m/m	-2.8	--	2.3
7:00	Private consumption - Apr	% y/y	--	--	0.4
7:00	Private consumption* - Apr	% m/m	--	--	2.8
10:00	International reserves - Jul 2	US\$bn	--	--	192.9
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 5-year Mbono (Mar'26); 10-year Udibono (Nov'31) and 5-year Bondes D				
15:30	Survey of expectations (Citibanamex)				
<i>United States</i>					
10:00	ISM non-manufacturing* - Jun	index	64.0	63.5	64.0

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	4,339.75	-0.1%
Euro Stoxx 50	4,078.84	-0.2%
Nikkei 225	28,643.21	0.2%
Shanghai Composite	3,530.26	-0.1%
<i>Currencies</i>		
USD/MXN	19.83	-0.1%
EUR/USD	1.18	-0.2%
DX	92.34	0.1%
<i>Commodities</i>		
WTI	75.79	0.8%
Brent	76.87	-0.4%
Gold	1,810.32	1.0%
Copper	437.75	2.4%
<i>Sovereign bonds</i>		
10-year Treasury	1.42	0pb

Source: Bloomberg

Equities

- **Negative sentiment prevails in equity markets as investors react to the oil prices increase to a 3-yea high, after OPEC+ members failed to reach an agreement to increase production yesterday, raising concerns about higher inflationary pressures. Meanwhile, energy sector shares are trading higher due to this situation**
- **In Asia most markets closed negative. In Europe stocks drop, the Euro Stoxx decreases 0.2%. In turn, in the US operations will resume after yesterday's holiday and the futures of main indices are mixed and show small changes**
- **In Mexico, yesterday Televisa reported its 2Q21 results that should be welcomed by the market, registering solid progress and higher profitability supported by Content and Cable. On the other hand, Gap and Oma continued with strong annual growth in its June passenger traffic, in line with expectations**

Sovereign fixed income, currencies and commodities

- **Activity in sovereign bonds observing pressured closes in Asia/Pacific, although gains in European bonds by ~2bps, while US Treasuries trade with few changes. Yesterday Mbonos started the week with a 3bps rally**
- **The US dollar reverses weaker levels in the session and trades with a slightly positive balance against G10, although NZD and AUD gain 0.7%. In EM balance is similar, however under narrow ranges with USD/MXN gaining 0.1% to 19.83**
- **Crude oil rises to its highest since 2018 with the market assimilating the break down of OPEC+ negotiations on production increases, without a date set to resume talks. In metals price action depicts widespread gains, with a 2% rise in copper**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,786.35	0.0%
S&P 500	4,352.34	0.0%
Nasdaq	14,639.33	0.0%
IPC	50,552.80	0.7%
Ibovespa	126,920.10	-0.5%
Euro Stoxx 50	4,087.37	0.1%
FTSE 100	7,164.91	0.6%
CAC 40	6,567.54	0.2%
DAX	15,661.97	0.1%
Nikkei 225	28,598.19	-0.6%
Hang Seng	28,143.50	-0.6%
Shanghai Composite	3,534.32	0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	0.23	0pb
10-year Treasuries	1.42	0pb
28-day Cetes	4.35	1pb
28-day TIIE	4.53	0pb
2-year Mbono	5.64	1pb
10-year Mbono	7.00	-4pb
<i>Currencies</i>		
USD/MXN	19.85	0.4%
EUR/USD	1.19	0.0%
GBP/USD	1.38	0.1%
DXY	92.21	0.0%
<i>Commodities</i>		
WTI	75.16	0.0%
Brent	77.16	1.3%
Mexican mix	70.76	0.0%
Gold	1,791.77	0.3%
Copper	427.60	0.0%

Source: Bloomberg

Corporate Debt

- **PCR Verum increased the long-term ratings for Financiera Bepensa to 'AA+/M' from 'AA/M' and affirmed the short-term rating at '1+/M'. The long-term outlook is Stable. The rating increase follows the better credit quality level from its holding company Fomento Corporativo Peninsular according to PCR Verum and from the solid support pension that could receive from it**
- **Genera informed that its subsidiary in Guatemala, Compartamos S.A., formalized the transfer of its business and operations to Fundacion Génesis Empresarial. The transition period will be concluded at the end of the third quarter of 2021**

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
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
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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