

Financial Markets Daily

July 7, 2021

Main drivers for the financial markets today...

- **Mixed stock markets, stable USD and declining government bond yields. Negative stock markets in Asia, following yesterday's negative close in the West. However, stock markets in Europe and S&P Futures are positive due to the decline in oil prices -after yesterday's strong increase-, and awaiting the release of the FOMC's minutes, where the attention will be on possible signals of when it will start the tapering. Market participants will also be watching the Fed's Bostic speech, seeking guidance on the future conduction of monetary policy**
- **We estimate the FOMC minutes to confirm that the tapering pre-announcement is not imminent and therefore we continue to believe that it will likely not materialize at the Jackson Hole annual meeting, which will take place August 26-28. We maintain our expectation that the "anticipated" announcement will be at the September meeting, with a "formal" announcement in December for the process to begin in January 2022**
- **Regarding economic figures, in Germany, May's industrial production report was published, surprising with a 0.3% m/m decline, while the consensus estimated a 0.5% m/m increase. However, on the positive side, the previous figure was revised up from -1.0% m/m to -0.3% m/m. In Brazil, retail sales for the fifth month of the year will be announced, where a 2.3% m/m increase is estimated**
- **The European Commission published the update of its economic projections, adjusting 2021 GDP up from 4.3% to 4.8% and inflation from 1.9% to 2.2%. For 2022, the GDP forecast stood at 4.5% (from 4.4%) and inflation at 1.6% (from 1.4%)**

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>Eurozone</i>					
2:00	GER Industrial Production* - May	% m/m	--	0.7	-1.0
5:00	European Commission economic growth forecasts				
<i>Brazil</i>					
8:00	Retail sales - May	% y/y	--	17.3	23.8
8:00	Retail sales* - May	% m/m	--	2.1	1.8
<i>United States</i>					
14:00	FOMC Meeting Minutes				
15:30	Fed's Bostic, discusses economy				

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	4,342.00	0.2%
Euro Stoxx 50	4,068.84	0.4%
Nikkei 225	28,366.95	-1.0%
Shanghai Composite	3,553.72	0.7%
<i>Currencies</i>		
USD/MXN	19.96	-0.4%
EUR/USD	1.18	0.0%
DX-Y	92.53	0.0%
<i>Commodities</i>		
WTI	74.57	1.6%
Brent	75.74	1.6%
Gold	1,808.29	0.6%
Copper	434.45	2.0%
<i>Sovereign bonds</i>		
10-year Treasury	1.34	-1pb

Source: Bloomberg

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Equities

- **Stock markets mixed, although with a positive bias, after a preponderantly downward session yesterday and the S&P500 ended a seven-day winning streak. Investors focus their attention on the Fed minutes later today, looking for guidance on the direction of monetary policy amid a cautious environment in the face of the spread of new COVID-19 variants, inflationary pressures and global equities near all-time highs**
- **In the US, futures anticipate an upward opening, with the S&P500 trading at +0.2% and the Nasdaq rising 0.6%, following yesterday's record high. In Europe, the Stoxx 600 is up 0.6%, while in Asia markets closed mixed, with the Shanghai Comp adding 0.7%**
- **In Mexico, Asur reported an 822.5% y/y increase in June passenger traffic, maintaining a strong performance**

Sovereign fixed income, currencies and commodities

- **Positive performance in global rates with European assets adjusting -2bps. In addition, US Treasuries print gains of 1bp in the longest-end of the yield curve. In Mexico, the Mbonos' curve closed yesterday with a 4bps sell-off, on average, with the 10-year benchmark closing at 6.99% (+1bp)**
- **The USD trades negative amid a mixed performance in G10 currencies with NZD leading gains (+0.4%). In EM, bias is negative with KRW as the weakest currency (-0.7%), while MXN trades at 19.96 per dollar (+0.4%) after a 0.9% weekly depreciation yesterday**
- **Crude-oil registers gains of 1.6% assimilating the lack of agreement from OPEC+ to increase production. Favorable performance in metals with copper printing a 1.8% rally, while gold trades above 1,800 \$/oz t (+0.6%)**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,577.37	-0.6%
S&P 500	4,343.54	-0.2%
Nasdaq	14,663.64	0.2%
IPC	50,048.89	-1.0%
Ibovespa	125,094.90	-1.4%
Euro Stoxx 50	4,052.67	-0.8%
FTSE 100	7,100.88	-0.9%
CAC 40	6,507.48	-0.9%
DAX	15,511.38	-1.0%
Nikkei 225	28,643.21	0.2%
Hang Seng	28,072.86	-0.3%
Shanghai Composite	3,530.26	-0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	0.22	-2pb
10-year Treasuries	1.35	-8pb
28-day Cetes	4.30	-5pb
28-day TIIE	4.52	0pb
2-year Mbono	5.68	5pb
10-year Mbono	7.00	0pb
<i>Currencies</i>		
USD/MXN	20.03	0.9%
EUR/USD	1.18	-0.3%
GBP/USD	1.38	-0.3%
DXY	92.55	0.4%
<i>Commodities</i>		
WTI	73.37	-2.4%
Brent	74.53	-3.4%
Mexican mix	69.43	-1.9%
Gold	1,797.08	0.3%
Copper	425.10	-0.6%

Source: Bloomberg

Corporate Debt

- **HR Ratings affirmed Grupo Hema and its issuance GHEMA 18's ratings at 'HR A-' with a Stable outlook, based in the Free Cash Flow generation during the last twelve months leading to 1Q21 of MXN 178 million due to an efficient working capital management**
- **Fitch Ratings affirmed the ratings for issuances ZONALCB 06U ('AA(mex)vra'), 06-2U ('A(mex)vra') and 06-3U ('B-(mex)vra') with a Stable outlook. The ratings reflect the risk associated with a highway that historically has shown high traffic volatility and is very sensitive to changes in the economic environment**
- **Fitch Ratings affirmed and withdrew the 'AAA(mex)vra' rating for issuance HITOTAL 10U, backed by Infonavit's mortgages. The outlook was Stable**

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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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 Markets 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
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Fixed income and FX Strategy

Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalia 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
Víctor 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 Domínguez	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.ceballos@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
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454