

# Financial Markets Daily

July 8, 2021

## Main drivers for the financial markets today...

- **Negative stock markets, mixed USD (negative against advanced economies' currencies and positive against emerging currencies), while government bond yields fall amid concerns about a strong increase in COVID-19 cases, especially of the 'delta' variant, as well as digesting the FOMC minutes released yesterday**
- **Attention is on the ECB's official announcements of its strategy review, including the change in its inflation target of "close but below 2%" to a symmetric objective of 2%. The central bank sent the signal that it may treat deviations above and below the target with equal vigor**
- **Regarding economic figures, in the US, jobless claims in the week ending July 3 will be released. Consensus estimates them at 350k, below the 354k of the previous week. In other regions, in Brazil June's inflation report will be published. Consensus estimate it to stand at 8.41% y/y from 8.06% y/y the previous month, continuing with the upward trend. Meanwhile, in China the CPI report will also be released**
- **In Mexico, INEGI published June's inflation, rising 0.53% m/m, slightly above consensus. The core was more pressured at 0.57% m/m. With these results, annual inflation stood at 5.88% from 5.89% in the previous month, with the core at 4.58% (previous: 4.37%). Banxico's last meeting minutes will be published today**

Gabriel Casillas  
Chief Economist, Head of Research  
and IRO  
gabriel.casillas@banorte.com

Alejandro Padilla  
Executive Director of Economic  
Research and Financial Markets Strategy  
alejandropadilla@banorte.com

Juan Carlos Alderete Macal, CFA  
Director of Economic Research  
juan.alderete.mactal@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>Mexico</i>					
7:00	Consumer prices - Jun	% m/m	0.55	0.50	0.20
7:00	Core - Jun	% m/m	0.56	0.56	0.53
7:00	Consumer prices - Jun	% y/y	5.89	5.85	5.89
10:00	Banxico's minutes				
<i>Brazil</i>					
8:00	Consumer prices - Jun	% m/m	--	0.60	0.83
8:00	Consumer prices - Jun	% y/y	--	8.42	8.06
<i>United States</i>					
8:30	Initial jobless claims* - Jul 3	thousands	--	350	364
15:00	Consumer credit* - May	US\$bn	--	18.3	18.6
<i>Peru</i>					
19:00	Monetary policy decision (BCRP)	%	--	0.25	0.25
<i>China</i>					
21:30	Consumer prices - Jun	% y/y	--	1.3	1.3

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	4,287.00	-1.4%
Euro Stoxx 50	3,975.72	-2.5%
Nikkei 225	28,118.03	-0.9%
Shanghai Composite	3,525.50	-0.8%
<i>Currencies</i>		
USD/MXN	20.11	0.8%
EUR/USD	1.18	0.4%
DX	92.45	-0.2%
<i>Commodities</i>		
WTI	71.75	-0.6%
Brent	73.09	-0.5%
Gold	1,814.05	0.6%
Copper	425.25	-1.8%
<i>Sovereign bonds</i>		
10-year Treasury	1.28	-4pb

Source: Bloomberg

## Equities

- **Stock markets with negative movements as investors show increased risk aversion amid growing uncertainty that the new Covid-19 variants could change the outlook for economic growth as well as the direction of the Fed's stimulus plans**
- **In this regard, US futures anticipate a negative opening, with that of the S&P500 and Nasdaq declining 1.3%, retreating from the all-time highs registered in both indices in the previous session. Meanwhile, Europe shows widespread declines, with the EuroStoxx falling 2.3%, with most sectors contributing to the index's contraction and reacting to the ECB's comments**
- **In Asia, the session ended negatively, with the Hang Seng down 2.9% after technology stocks were hit by regulatory fears**

## Sovereign fixed income, currencies and commodities

- **Sovereign bonds extend gains with European assets adjusting as much as -5bps while the Treasury curve gains as much as 7bps at long-term tenors. Yesterday, the Mbonos' curve extended its flattening with 5bps pressures on the short- and mid-end while longer duration nodes adjusted -6bps**
- **USD trades slightly negative (DXY -0.2%) with mixed performance in G10 currencies with CHF leading gains (+0.9%) while NZD as the weakest (-0.8%). In EM, the negative bias prevails with USD/MXN leading losses as it trades at 20.11 and a 0.8% depreciation**
- **Crude oil futures fall 0.4% on fears of an impact on the global recovery due to higher contagion. In metals, gold printing gains of 0.7% to 1,816 \$/oz t while the performance in industrials is mixed**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,681.79	0.3%
S&P 500	4,358.13	0.3%
Nasdaq	14,665.06	0.0%
IPC	50,052.91	0.0%
Ibovespa	127,018.70	1.5%
Euro Stoxx 50	4,078.53	0.6%
FTSE 100	7,151.02	0.7%
CAC 40	6,527.72	0.3%
DAX	15,692.71	1.2%
Nikkei 225	28,366.95	-1.0%
Hang Seng	27,960.62	-0.4%
Shanghai Composite	3,553.72	0.7%
<i>Sovereign bonds</i>		
2-year Treasuries	0.21	0pb
10-year Treasuries	1.32	-3pb
28-day Cetes	4.34	4pb
28-day TIE	4.52	0pb
2-year Mbono	5.78	9pb
10-year Mbono	6.93	-7pb
<i>Currencies</i>		
USD/MXN	19.94	-0.4%
EUR/USD	1.18	-0.3%
GBP/USD	1.38	0.0%
DXY	92.64	0.1%
<i>Commodities</i>		
WTI	72.20	-1.6%
Brent	73.43	-1.5%
Mexican mix	68.13	-1.9%
Gold	1,803.63	0.4%
Copper	432.25	1.7%

Source: Bloomberg

## Corporate Debt

- **S&P Global Ratings lowered the ratings for Grupo GICSA in a global scale to 'B-' and local scale to 'mxB' and placed them in negative CreditWatch for a higher liquidity stress as significant debt maturities get closer**
- **Nemak announced the placement of its inaugural euro-denominated sustainability-linked bond in the international markets. The offering comprised a €500 million issue of 7-year senior notes bearing a coupon of 2.25%**
- **Grupo DASI reported the payment of a premium to the ITTO 17's bondholders on April 22. The premium was calculated considering an adjustment rate of 50bp over the Face Value, as of the date the ratings were lowered (November 6), resulting in a total of MXN 58,333.33**

## 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
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<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 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 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	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5004 - 1282
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 - 5140
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) 8173 - 9127
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) 5249 - 6423
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) 5004 - 1051
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) 1670 - 1899