

# Financial Markets Daily

July 13, 2021

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

- **Stock markets mixed, with a positive close in Asia and a modest uptick in S&P500 futures, while the dollar gains and government bond yields fall ahead of the release of US CPI in June, with the latest figures coming above expectations. Moreover, the market waits for the earnings season kickoff**
- **Focus today on June's CPI in the US, where the 30-year Treasury bond will also be auctioned. The Fed will host an event on racism and the economy with Kashkari, Bostic, and Rosengren slated to participate**
- **The BoE announced that the main banks in the UK will be allowed to resume their dividend policy, eliminating a restriction imposed during the pandemic. The central bank concluded that the industry has enough capital to modify the policy, similar to the recent announcement by the Fed and after the ECB signaled caution yesterday in this respect**
- **James Bullard, considered among the most dovish members of the Fed, stated that he is ready to start reducing the pace of asset purchases (tapering). Specifically, he showed some concerns about the effect that MBS purchases may be having in the housing market, possibly feeding an "incipient" bubble in the sector**
- **China's exports and imports grew 32.2% and 36.7% y/y in USD terms in June, respectively. This was higher than expected, suggesting dynamism despite some supply issues related to COVID-19 and bottlenecks in some ports at the southern part of the country**
- **The BoJ could offer paying interest (negative interest rates) to banks that lend to green projects, which would constitute an additional step to face the challenges imposed by climate change**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
8:30	Consumer prices* - Jun	% m/m	0.4	0.5	0.6
8:30	Ex. food & energy* - Jun	% m/m	0.4	0.4	0.7
8:30	Consumer prices - Jun	% y/y	4.9	4.9	5.0
8:30	Ex. food & energy - Jun	% y/y	3.9	4.0	3.8
12:00	Fed Hosts Event on Racism and the Economy				
<i>Mexico</i>					
10:00	International reserves - Jul 9	US\$bn	--	--	193.0
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 10-year Mbono (May'31); 20-year Udibono (Nov'35) and 1, 2, and 3-year Bondes D				

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	4,377.25	0.0%
Euro Stoxx 50	4,092.45	0.0%
Nikkei 225	28,718.24	0.5%
Shanghai Composite	3,566.52	0.5%
<i>Currencies</i>		
USD/MXN	19.91	0.3%
EUR/USD	1.18	-0.2%
DX	92.40	0.2%
<i>Commodities</i>		
WTI	74.37	0.4%
Brent	75.56	0.5%
Gold	1,808.76	0.1%
Copper	426.90	-1.1%
<i>Sovereign bonds</i>		
10-year Treasury	1.35	-1pb

Source: Bloomberg

## Equities

- **Mixed movements in equity markets as investors are cautious and await the key US inflation data. Meanwhile, the 2Q21 corporate earnings season began with the results of 6 S&P 500 companies, highlighting those of Goldman Sachs, JP Morgan, and Pepsico, outperforming estimates**
- **In Asia most markets closed positive. In Europe stocks are mixed. Shares from information technology and communication services sectors lead gains, while those from health care and financials superhead losses, the latter after the ECB indicated it could rein in excessive dividends. In turn, in the US the futures of main indices are mixed and show small changes**
- **In Mexico, Amx will release its 2Q21 earnings results after the market closes**

## Sovereign fixed income, currencies and commodities

- **Modestly positive bias in sovereign bonds with European securities strengthening 1-2bps while US Treasuries gain 1bp from the 10-year onwards. Yesterday Mbonos' rallied 4bps, on average, while Udibonos rallied 3bps from mid-term tenors onwards**
- **The USD trades slightly strong with most of G10 currencies depreciating under narrow ranges excluding JPY and AUD. In EM FX balance is mixed with RUB leading gains (+0.5%) and ZAR underperforming (-1.2%). The USD/MXN depreciates 0.3% to 19.91**
- **Crude oil marks few changes in WTI and modest gains in Brent under a still optimist context on global demand and with the IEA warning that markets could experience an even stronger supply deficit should the standoff from OPEC+ is not resolved and output is not increased. Metals trade with a negative bias including copper and silver**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,996.18	0.4%
S&P 500	4,384.63	0.3%
Nasdaq	14,733.24	0.2%
IPC	49,789.12	0.0%
Ibovespa	127,593.80	1.7%
Euro Stoxx 50	4,093.38	0.6%
FTSE 100	7,125.42	0.0%
CAC 40	6,559.25	0.5%
DAX	15,790.51	0.7%
Nikkei 225	28,569.02	2.2%
Hang Seng	27,515.24	0.6%
Shanghai Composite	3,547.84	0.7%
<i>Sovereign bonds</i>		
2-year Treasuries	0.23	1pb
10-year Treasuries	1.36	1pb
28-day Cetes	4.35	-1pb
28-day TIIE	4.52	0pb
2-year Mbono	5.69	-4pb
10-year Mbono	6.78	-5pb
<i>Currencies</i>		
USD/MXN	19.85	-0.1%
EUR/USD	1.19	-0.1%
GBP/USD	1.39	-0.1%
DXY	92.26	0.1%
<i>Commodities</i>		
WTI	74.10	-0.6%
Brent	75.16	-0.5%
Mexican mix	69.70	-0.5%
Gold	1,806.28	-0.1%
Copper	431.60	-0.7%

Source: Bloomberg

## Corporate Debt

- **Today we expect the auction of two bank issuances by Banco Actinver for up to MXN 2.0 billion and 5-year terms. The bond BACTIN 21 will pay a floating rate, while the bond BACTIN 21-2 will pay a fixed rate. The bonds' assigned ratings are 'AA'**
- **Also, we expect the tap issue of Fibra Mty's unsecured note, FMTY 20D, for up to US\$100 million and a 6.3-year term. The local scale assigned ratings are 'AA'**
- **PCR Verum increased Navistar Financial's long- and short-term ratings to 'AAA/M' from 'BBB+/M' and to '1+/M' from '2/M' and removed the Positive Watch. The outlook is Stable. The rating upgrade follows the formalization of the acquisition of the whole of Navistar's shares by TRATON Group (Volkswagen AG)**

## Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, 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
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<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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