

Financial Markets Daily

July 14, 2021

Main drivers for the financial markets today...

- **Stock markets lower, government bond yields mixed and USD stable as investors digest the upward surprise in US inflation yesterday and question whether it is transitory. They are also waiting for Powell's semi-annual testimony, Kashkari's intervention and corporate results**
- **In addition, the agenda includes producer prices and the Fed's Beige Book. Monetary policy decisions in Chile, Korea and Turkey (which left the rate unchanged), while China releases 2Q21 GDP, industrial production, retail sales, and gross fixed investment**
- **June's inflation in the Eurozone also surprised to the upside at 2.5% y/y, with broad increases that question the argument –also made by the BoE– that pressures are indeed transitory. This is also likely to increase bets that the monetary authority will have to hike interest rates as soon as next year**
- **In the Eurozone, industrial production in May was below expectations (-1.0% m/m), with supply chain issues likely affecting (manufacturing: -0.8%) and strong weakness in sectors such as autos and pharma**
- **Senate Democrats have agreed for a cap of US\$3.5 trillion in a tax and spending plan that would include most of Biden's economic agenda for "human infrastructure". This amount is on top of the US\$579 billion bipartisan agreement on physical infrastructure and is planned to be sent to a vote after an agreement on the budget**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
8:30	Producer prices* - Jun	% m/m	--	0.5	0.8
8:30	Ex. food & energy* - Jun	% m/m	--	0.5	0.7
12:00	Powell to deliver semi-annual testimony to House panel				
13:30	Fed's Kashkari discusses programs to target AAPI communities				
14:00	House Holds Hearing on Monetary Policy and State of Economy				
14:00	Beige Book				
<i>Chile</i>					
18:00	Monetary policy decision (BCCh)	%	--	--	0.50
<i>China</i>					
22:00	Gross domestic product - 2Q21	% y/y	--	8.0	18.3

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	4,365.25	0.1%
Euro Stoxx 50	4,091.98	-0.1%
Nikkei 225	28,608.49	-0.4%
Shanghai Composite	3,528.50	-1.1%
<i>Currencies</i>		
USD/MXN	19.98	-0.3%
EUR/USD	1.18	0.2%
DX-Y	92.61	-0.2%
<i>Commodities</i>		
WTI	74.82	-0.6%
Brent	76.23	-0.3%
Gold	1,816.97	0.5%
Copper	428.15	-0.8%
<i>Sovereign bonds</i>		
10-year Treasury	1.39	-3pb

Source: Bloomberg

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Equities

- **Stock markets with negative movements, as the higher-than-expected inflation report fueled concerns of an earlier-than-expected interest rate hike, overshadowing positive corporate results. Thus, US futures are little changed, with the S&P500 trading at +0.1%**
- **In Europe, the Stoxx 600 falls 0.3%, with declines in almost all sectors, except those of energy and technology. Likewise, in Asia markets dropped, where the Shanghai Comp declined 1.1%**
- **On the corporate front, yesterday in Mexico, Amx's 2Q21 report was in line with our estimates at the operating level, where the figures in Mexico and the increase of subscribers in Brazil stood out. In the US, today we highlight the results of Citigroup, Wells Fargo, and Bank of America, which already reported with revenues below expectations**

Sovereign fixed income, currencies and commodities

- **Mixed performance in global rates with European assets adjusting +/-1bp. In addition, US Treasuries print gains of 3bps in the longest-end of the yield curve. In Mexico, the Mbonos' curve closed yesterday with a 10bps sell-off, on average, with the 10-year benchmark ending at 6.91% (+14bps)**
- **The USD trades negative (DXY -0.2%) amid positive dynamics in G10 currencies with NZD leading gains (+1.0%). In EM, bias is mixed with RUB as the strongest currency (+0.3%), followed by MXN trading at 19.98 per dollar (+0.3%) after a 1.0% depreciation yesterday**
- **Crude-oil registers losses of 0.3% assimilating that OPEC+ will schedule a new date for a meeting soon after the UAE is said to reached a preliminary new baseline. Negative performance in industrial metals (-0.5%), while precious trade with gains. Gold prints gains of 0.5% trading at 1,817 \$/oz t**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,888.79	-0.3%
S&P 500	4,369.21	-0.4%
Nasdaq	14,677.65	-0.4%
IPC	49,274.97	-1.0%
Ibovespa	128,167.70	0.4%
Euro Stoxx 50	4,094.56	0.0%
FTSE 100	7,124.72	0.0%
CAC 40	6,558.47	0.0%
DAX	15,789.64	0.0%
Nikkei 225	28,718.24	0.5%
Hang Seng	27,963.41	1.6%
Shanghai Composite	3,566.52	0.5%
<i>Sovereign bonds</i>		
2-year Treasuries	0.25	3pb
10-year Treasuries	1.42	5pb
28-day Cetes	4.30	-5pb
28-day TIE	4.52	0pb
2-year Mbono	5.69	-1pb
10-year Mbono	6.92	14pb
<i>Currencies</i>		
USD/MXN	20.05	1.0%
EUR/USD	1.18	-0.7%
GBP/USD	1.38	-0.5%
DXY	92.75	0.5%
<i>Commodities</i>		
WTI	75.25	1.6%
Brent	76.49	1.8%
Mexican mix	69.70	0.0%
Gold	1,807.76	0.1%
Copper	430.70	-0.2%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings affirmed Grupo Carso's long- and short-term ratings at 'AAA(mex)' and 'F1+(mex)', respectively, with a Stable outlook. The ratification reflects Grupo Carso's strong business profile known for its diversification by segments and geographic, for holding a good share in the different markets where it operates and for having a consistently solid credit profile**
- **Fitch Ratings assigned an 'A+(mex)' long-term rating for Consorcio ARA, based on its revenue diversification by market segment and geographic, its focus on keeping a solid financial profile with high cash and short-term investments, and its ability of positive free cash flow generation, even during the low part of the economic cycle**

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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