

Financial Markets Daily

July 15, 2021

Main drivers for the financial markets today...

- **Negative stock markets, USD stable and government bond yields down, amid China growth slowdown, while investors digest the slightly more dovish comments from Powell yesterday in his semi-annual testimony, who will appear today before the Senate Banking Committee**
- **Markets will focus on earnings results. In Mexico we highlight Volaris' report, while in the US attention will be on Bank of New York Mellon, Morgan Stanley, Progressive Corp, US Bancorp, UnitedHealth Group, Cintas Corp, Truist Financial, and People's United Financial**
- **Regarding economic figures, yesterday 2Q21 China's GDP was released, with a 7.9% y/y growth, slightly below the 8.0% y/y consensus estimate, and less than the 18.3% y/y increase reported in 1Q21**
- **In the US, data related to the manufacturing sector will be published. We estimate manufacturing production to post a 0.4% m/m growth on June. While we estimate Empire Manufacturing at 20pts and the Philly Fed at 29pts in July. Jobless claims for the week ending July 10, will also be released. Consensus estimates them at 350k, below the 373k reported the previous week**
- **On the monetary policy front, Bank of Japan is expected to stay pat, with no changes in its monetary policy stance**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>UK</i>					
2:00	Unemployment rate* - May	%	--	4.7	4.7
<i>United States</i>					
8:30	Empire manufacturing* - Jul	index	20.0	18.4	17.4
8:30	Philadelphia Fed* - Jul	index	29.0	28.0	30.7
8:30	Initial jobless claims* - Jul 10	miles	--	350	373
9:15	Industrial production* - Jun	% m/m	--	0.6	0.8
9:15	Manufacturing production* - Jun	% m/m	0.4	0.3	0.9
9:30	Powell to deliver semi-annual testimony to Senate banking panel				
11:00	Fed's Evans Discusses the Economy				
<i>Japan</i>					
	Monetary policy decision (BoJ)	%	--	-0.10	-0.10

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	4,354.75	-0.3%
Euro Stoxx 50	4,067.95	-0.8%
Nikkei 225	28,279.09	-1.2%
Shanghai Composite	3,564.59	1.0%
<i>Currencies</i>		
USD/MXN	19.93	0.3%
EUR/USD	1.18	-0.2%
DX	92.53	0.1%
<i>Commodities</i>		
WTI	71.89	-1.7%
Brent	73.65	-1.5%
Gold	1,825.33	-0.1%
Copper	432.25	1.1%
<i>Sovereign bonds</i>		
10-year Treasury	1.32	-2pb

Source: Bloomberg

Equities

- Largely negative movements in equity markets as investors digest a slowdown in China's economic growth, while assessing when and to what extent the Fed may reduce stimulus in the face of higher than expected inflation
- In that sense, US futures anticipate a downward opening with the S&P500 trading 0.5% below its theoretical value. Netflix rises 2.3% in the pre-market after the announcement to expand into video games. Europe shows declines, with the EuroStoxx down 1.0%, contracted by Energy shares (-2.0%). In Asia, the session concluded mixed, with the Hang Seng up 0.8% versus a 1.2% decline in the Nikkei
- In Mexico, Volaris will release its results today at market close. In the US, Truist Financial, BNYM, UnitedHealth and Morgan Stanley's figures came in above estimates, while awaiting US Bancorp's numbers

Sovereign fixed income, currencies and commodities

- Positive performance in global rates with European assets adjusting up to -2bps while the Treasuries yield curve trades with 3bps gains concentrated in long-term tenors. Yesterday, the Mbonos' curve closed with gains of 3bps on average with the 10-year node at 6.88% (-3bps)
- Dollar with few changes (DXY -0.2%) and a negative bias in G10 currencies with SEK leading losses (-0.5%). In EM, performance is mixed KRW leads gains (+0.6%) while ZAR loses 0.7%. USD/MXN trades at 19.90 appreciating 0.1%
- Crude-oil prices print a 1.4% loss on the possibility of reaching an OPEC+ agreement to increase production. In metals, gold falls 0.2% to 1,824 US\$/oz t while in industrials the balances are positive

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,933.23	0.1%
S&P 500	4,374.30	0.1%
Nasdaq	14,644.95	-0.2%
IPC	49,435.88	0.3%
Ibovespa	128,406.50	0.2%
Euro Stoxx 50	4,099.50	0.1%
FTSE 100	7,091.19	-0.5%
CAC 40	6,558.38	0.0%
DAX	15,788.98	0.0%
Nikkei 225	28,608.49	-0.4%
Hang Seng	27,787.46	-0.6%
Shanghai Composite	3,528.50	-1.1%
<i>Sovereign bonds</i>		
2-year Treasuries	0.22	-3pb
10-year Treasuries	1.35	-7pb
28-day Cetes	4.41	11pb
28-day TIIE	4.52	0pb
2-year Mbono	5.68	-1pb
10-year Mbono	6.89	-3pb
<i>Currencies</i>		
USD/MXN	19.88	-0.8%
EUR/USD	1.18	0.5%
GBP/USD	1.39	0.3%
DXY	92.41	-0.4%
<i>Commodities</i>		
WTI	73.13	-2.8%
Brent	74.76	-2.3%
Mexican mix	69.22	-0.7%
Gold	1,827.53	1.1%
Copper	426.75	-0.9%

Source: Bloomberg

Corporate Debt

- HR Ratings revised downwards the ratings for issuances DOIXCB 15 / 15U to 'HR A- (E)' from 'HR AA+ (E)' and changed the Under Review status to Negative Watch. The downgrade is based on the possible cut on the monthly payments because of the request made by the contractor
- The Negative Watch is based on the effect that the formalization of the possible monthly pay cut will have on the terms of the delayed monthly payments, as well as the payments for the 2H21
- Value (Common Rep.) informed that Grupo GICSA will pay a premium to the bondholders of its unsecured note GICSA 16U, equal to 10bp on the outstanding amount (MXN 3.32 million)

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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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