

Financial Markets Daily

July 16, 2021

Main drivers for the financial markets today...

- **Stock markets mixed, with the USD lower and government bond yields slightly up as investors weigh: (1) Strong corporate earnings; though cautious about: (2) COVID-19; and (3) fear of higher inflation. However, on the latter, latest comments from Fed Chair, Jerome Powell, seem to ease concerns about an abrupt tapering**
- **Tensions between the US and China continue to climb, with the expectation that the Biden administration releases an 'advice' over the risks of doing business in Hong Kong. This comes on top of other actions which seek to lower the influence of the Asian nation**
- **In news on the virus, cases keep rising in southeast Asia, with a 41% increase in new cases due to the spread of the 'delta' variant. This is also resulting in higher contagion in Europe, possibly jeopardizing the reopening in the UK**
- **The BoJ kept its monetary stance unchanged, although revising their growth forecasts lower and those for inflation higher. In addition, they outlined important measures in terms of 'green' financing**
- **On economic data, attention will center on June's retail sales in the US, expecting a marginal contraction of 0.1%. Consumer sentiment from the University of Michigan will also be released. We will also have comments from John Williams from the New York Fed. Meanwhile, in the Eurozone, June's inflation was confirmed at 1.9%, with the trade balance showing an EUR9.4 billion surplus**
- **In Mexico, today, Rogelio Ramírez de la O will take over as Finance Minister**

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>					
5:00	Trade balance* - May	EURbn	--	8.0	9.4
<i>United States</i>					
8:30	Advance retail sales* - Jun	% m/m	-0.1	-0.4	-1.3
8:30	Ex autos & gas* - Jun	% m/m	--	0.3	-0.8
8:30	Control group* - Jun	% m/m	0.4	0.5	-0.7
9:00	Fed's Williams Partakes in event on culture in workplace				
10:00	U. of Michigan confidence*-Jul (P)	index	87.0	86.5	85.5

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	4,359.50	0.2%
Euro Stoxx 50	4,045.80	-0.3%
Nikkei 225	28,003.08	-1.0%
Shanghai Composite	3,539.30	-0.7%
<i>Currencies</i>		
USD/MXN	19.89	-0.3%
EUR/USD	1.18	-0.1%
DX	92.70	0.1%
<i>Commodities</i>		
WTI	71.62	0.0%
Brent	73.36	-0.1%
Gold	1,817.79	-0.6%
Copper	434.05	0.2%
<i>Sovereign bonds</i>		
10-year Treasury	1.32	2pb

Source: Bloomberg

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Equities

- **Week concludes with mixed movements in stock markets while investors keep weighing the virus advance vs corporate earnings that continue showing favorable signs of recovery. As such, futures in the US anticipate a positive opening, with the S&P500 trading 0.2% above its theoretical value, awaiting economic data and corporate results to be published**
- **Today only three companies of the S&P500 will release its earnings results: Kansas City Southern, Charles Schwab and State Street. The announcement of Moderna shares to be included in the S&P500 sample stands out**
- **Yesterday in Mexico, Volaris surprised very favorable with positive figures even surpassing pre-pandemic levels, which should be welcomed by the market. Today we expect AC before the trading session opening**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds with European securities appreciating 1-2bps while US Treasuries pressure by ~2bps with the long-end underperforming. Yesterday the Mbonos' curve rallied 3bps in short-term tenors while it registered pressures in longer-term maturities. This week the curve heads for a steepening bias with the long-end pressured**
- **USD modestly strong with most of G10 currencies weakening although under narrow ranges, while in EM currencies performance is mixed with ZAR leading the appreciation with a 1.3% gain. USD/MXN appreciates 0.4% to 19.87, the third strongest in EM**
- **Modest gains in crude oil although heading for a negative weekly balance amid the uncertainty on OPEC+ policy production for the following months and potential weight of new variants and cases' pickup in global demand. Mixed metals with precious negative**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,987.02	0.2%
S&P 500	4,360.03	-0.3%
Nasdaq	14,543.13	-0.7%
IPC	50,274.85	1.7%
Ibovespa	127,467.90	-0.7%
Euro Stoxx 50	4,056.39	-1.1%
FTSE 100	7,012.02	-1.1%
CAC 40	6,493.36	-1.0%
DAX	15,629.66	-1.0%
Nikkei 225	28,279.09	-1.2%
Hang Seng	27,996.27	0.8%
Shanghai Composite	3,564.59	1.0%
<i>Sovereign bonds</i>		
2-year Treasuries	0.22	0pb
10-year Treasuries	1.30	-5pb
28-day Cetes	4.44	3pb
28-day TIIIE	4.52	0pb
2-year Mbono	5.62	-6pb
10-year Mbono	6.90	1pb
<i>Currencies</i>		
USD/MXN	19.95	0.3%
EUR/USD	1.18	-0.2%
GBP/USD	1.38	-0.2%
DXY	92.62	0.2%
<i>Commodities</i>		
WTI	71.65	-2.0%
Brent	73.47	-1.7%
Mexican mix	67.74	-2.1%
Gold	1,829.47	0.1%
Copper	432.30	1.3%

Source: Bloomberg

Corporate Debt

- **HR Ratings revised downwards the ratings for Grupo GICSA and its unsecured notes GICSA 15 / 16U / 17 / 18U / 19 to 'HR BBB+' from 'HR A-' and changed the Stable outlook to Negative Watch. The downgrade was based on the observed decline in the key metrics, as a result of the COVID-19 pandemic impacts on the company's financial results**
- **HR Ratings upgraded Navistar Financial's long-term rating to 'HR AAA' from 'HR BBB+', changing the outlook to Stable from Positive, and the short-term rating to 'HR+1' from 'HR2'. The upgrade is based on the completion of the acquisition process between Traton SE and Navistar International Corporation**

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
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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 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	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@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
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454