

Financial Markets Daily

July 19, 2021

Main drivers for the financial markets today...

- Stock markets lower, with the USD up and government bond yields down, amid market participants' concerns that the significant increase in new cases of COVID-19's 'delta' variant and considerably higher inflation could delay the economic recovery
- US legislators could move forward this week on the approval of the US\$579 billion infrastructure plan. The US Senate Majority leader, Chuck Schumer, said they could set up an initial vote as soon as Wednesday. Nevertheless, there are still differences about how to pay for the plan, which could pose additional difficulties for its approval
- This week the focus will be on the monetary policy decision by the ECB, as well as Indonesia, South Africa and Russia. There will not be speeches by Fed members due to the silence period ahead of the July 28th decision
- In the US, data slated for this week includes housing figures (Jun), PMI sentiment indicators (Jul) and initial jobless claims. In addition, the current account (May), consumer confidence and PMI indicators (Jul) will be released in the Eurozone
- Mexico's *Timely Indicator of Economic Activity* was released today. For May, they estimate 0.6% m/m, with a revision higher in industry, but services lower. For June they anticipate +0.3% m/m, with strength in services despite more challenging COVID-19 conditions
- Moreover, the main drivers in coming days include retail sales (May) as well as CPI (1H-Jul), with the latter estimated at 0.30% 2w/2w. Likewise, the Citibanamex expectations survey will be released

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Timely Indicator of Economic Activity* - Jun	% y/y	--	--	24.8
<i>China</i>					
21:30	Rate decision 1-year Loan Prime Rate	%	--	3.85	3.85
21:30	Rate decision 5-year Loan Prime Rate	%	--	4.65	4.65

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	4,282.25	-0.8%
Euro Stoxx 50	3,947.65	-2.2%
Nikkei 225	27,652.74	-1.3%
Shanghai Composite	3,539.12	0.0%
<i>Currencies</i>		
USD/MXN	19.99	0.5%
EUR/USD	1.18	-0.3%
DX	92.97	0.3%
<i>Commodities</i>		
WTI	69.76	-2.9%
Brent	71.66	-2.6%
Gold	1,805.92	-0.3%
Copper	425.00	-1.9%
<i>Sovereign bonds</i>		
10-year Treasury	1.24	-6pb

Source: Bloomberg

Equities

- **Equity markets kicked-off the week with a negative performance as investors are concerned about the impact that the rebound in COVID-19 infections -due to the highly contagious 'delta' variant- and inflationary pressures, could have on the global economic recovery. Meanwhile, in the corporate front, today 6 companies of the S&P 500 will release earnings, including IBM after the market closes**
- **In Asia the markets closed negative. In Europe stocks drop, with the Euro Stoxx down 2.2%. Utilities, financials and energy sectors lead losses. In turn, US futures point to a negative open by falling 1.1% on average**
- **In Mexico, Nemak will release its 2Q21 earnings results after the market closes**

Sovereign fixed income, currencies and commodities

- **Positive balance in global rates, with European assets adjusting -3bps. In addition, US Treasuries print gains of up to 8bps in the longest-end of the yield curve. In Mexico, the Mbonos' curve closed last week with a 5bps rally in short term assets and a 11bps sell-off in longer-term securities**
- **The USD trades with gains against the majority of G10 currencies except for JPY (+0.4%), while CAD is the weakest (-1.3%). In EM, bias is negative with RUB leading losses (-0.8%), while MXN trades at 19.99 per dollar (-0.5%) after a 0.1% weekly depreciation**
- **Crude-oil registers losses of ~3% assimilating the OPEC+ agreement to gradually increase output starting in August after adjusting the UAE production baseline. Negative performance in metals, with greater losses in industrials (-1.0%) vs precious (-0.5%)**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,687.85	-0.9%
S&P 500	4,327.16	-0.8%
Nasdaq	14,427.24	-0.8%
IPC	50,148.13	-0.3%
Ibovespa	125,960.30	-1.2%
Euro Stoxx 50	4,035.77	-0.5%
FTSE 100	7,008.09	-0.1%
CAC 40	6,460.08	-0.5%
DAX	15,540.31	-0.6%
Nikkei 225	28,003.08	-1.0%
Hang Seng	28,004.68	0.0%
Shanghai Composite	3,539.30	-0.7%
<i>Sovereign bonds</i>		
2-year Treasuries	0.22	0pb
10-year Treasuries	1.29	-1pb
28-day Cetes	4.37	-7pb
28-day TIE	4.52	0pb
2-year Mbono	5.62	0pb
10-year Mbono	6.94	4pb
<i>Currencies</i>		
USD/MXN	19.89	-0.3%
EUR/USD	1.18	-0.1%
GBP/USD	1.38	-0.4%
DXY	92.69	0.1%
<i>Commodities</i>		
WTI	71.81	0.2%
Brent	73.59	0.2%
Mexican mix	67.88	0.2%
Gold	1,812.05	-1.0%
Copper	432.30	0.0%

Source: Bloomberg

Corporate Debt

- **HR Ratings affirmed BBVA Leasing México's long-term ratings at 'HR AAA' with a Stable outlook and its short-term ratings at 'HR+1'**
- **The rating affirmation is based in the operative synergies the company holds with BBVA México, as well as on the financial support granted by the former through a line of credit of US\$1.0 billion being a subsidiary of BBVA Group**
- **BBVA Leasing México currently has two unsecured long-term bonds in the market, BBVALMX 18 / 18-2, with an outstanding amount of MXN 5.1 billion and an upcoming maturity in August 2021**

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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