

# Financial Markets Daily

July 20, 2021

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

- **Stock markets mixed, with the USD stable and government bond yields lower. Markets in Asia were negative, following yesterday's strong correction. Meanwhile, in Europe and futures in the US are trending up given the probability that the increase in COVID-19 cases does not translate into significant mobility restrictions, as well as on lower commodities prices, and strong earnings results**
- **Tensions between the US and China keep climbing, with the Asian nation denying being behind a series of cyberattacks on Microsoft platforms. Specifically, the US and its allies accuse Beijing of supporting groups of hackers that have been carrying out these activities**
- **In news on the virus, more companies in the US announced delays to their in-person return given renewed contagions from the 'delta' variant. Meanwhile, cases keep climbing in East Asia, while Australia returned to lockdowns**
- **In the US, tomorrow the Senate will vote over whether to start discussions on an early part of the infrastructure plan totaling US\$ 579 billion. Nevertheless, as negotiations are still underway the amount could be subject to change. We should mention that discussions are not limited between Republicans and Democrats, with strong divisions in the latter**
- **In China, 1- and 5-year prime loan rates were kept unchanged at 3.85% and 4.65%, respectively. This suggests some calm from the PBoC after it announced other measures to bolster liquidity in the financial market**
- **Today we have a light economic agenda, awaiting housing data for June in the US and the bi-weekly expectations survey from Citibanamex in Mexico. In the Eurozone, May's current account figures have already been published, with a EUR 11.7 billion surplus**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	Current account* - May	EURbn	--	--	22.8
<i>United States</i>					
8:30	Housing starts** - Jun	thousands	--	1,590	1,572
8:30	Building permits** - Jun	thousands	--	1,700	1,681
<i>Mexico</i>					
10:00	International reserves - Jul 16	US\$b	--	--	193.2
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 3-year Mbono (Sep'24); 30-year Udibono (Nov'50) and 5-year Bondes D				
15:30	Survey of expectations (Citibanamex)				

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	4,273.25	0.5%
Euro Stoxx 50	3,952.93	0.6%
Nikkei 225	27,388.16	-1.0%
Shanghai Composite	3,536.79	-0.1%
<i>Currencies</i>		
USD/MXN	20.05	-0.1%
EUR/USD	1.18	-0.3%
DX	93.04	0.2%
<i>Commodities</i>		
WTI	66.70	0.4%
Brent	68.64	0.0%
Gold	1,817.40	0.3%
Copper	421.50	0.3%
<i>Sovereign bonds</i>		
10-year Treasury	1.17	-2pb

Source: Bloomberg

## Equities

- **Mixed movements in equity markets as concerns about the rebound in COVID-19 contagions persist, although investors show some optimism hoping there would be no major closures in the economies and while the earnings season continues, being positive so far. Thus, in Asia the markets closed negative. There were no operations in Indonesia, Malaysia, and Singapore for holidays. In Europe stocks advance and in the US the futures of main indices point to a positive open by rising 0.6% on average**
- **In the corporate front, out of the 13 S&P 500 companies scheduled to report today, 8 have already updated investors with outperforming estimates, including Halliburton and Philip Morris International. Netflix will publish its figures after the market closes. In Mexico, yesterday Nemark reported positive results in 2Q21, with a strong recovery in volumes which reaffirms the company's favorable outlook. Today, Fibrapl and Gmxt will release its figures after the markets close**

## Sovereign fixed income, currencies and commodities

- **Positive dynamics prevail in sovereign global bonds following yesterday's rally, especially in US Treasuries, which strengthened by ~7bps and up to 10bps in the long end. Today European rates gain ~3bps and US Treasuries ~2bp. Yesterday the Mbonos curve started the week with gains of 3bps**
- **US dollar stable with a positive bias and mainly against G10 currencies, observing a mixed performance today against EM pairs. In the latter TRY leads gains (+0.4%) and the Mexican peso appreciates 0.1% to 20.05 per dollar after a 0.9% sell-off yesterday**
- **Crude oil trades with few variations after yesterday's sharp fall by ~7% amid the combination of the global risk aversion wave and OPEC+ agreement to increase production. With this movement futures trade close to a two-month low. Mixed metals**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,962.04	-2.1%
S&P 500	4,258.49	-1.6%
Nasdaq	14,274.98	-1.1%
IPC	49,096.47	-2.1%
Ibovespa	124,394.60	-1.2%
Euro Stoxx 50	3,928.53	-2.7%
FTSE 100	6,844.39	-2.3%
CAC 40	6,295.97	-2.5%
DAX	15,133.20	-2.6%
Nikkei 225	27,652.74	-1.3%
Hang Seng	27,489.78	-1.8%
Shanghai Composite	3,539.12	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	0.22	-1pb
10-year Treasuries	1.19	-10pb
28-day Cetes	4.38	1pb
28-day TIE	4.52	0pb
2-year Mbono	5.59	-3pb
10-year Mbono	6.87	-7pb
<i>Currencies</i>		
USD/MXN	20.08	0.9%
EUR/USD	1.18	-0.1%
GBP/USD	1.37	-0.7%
DX	92.89	0.2%
<i>Commodities</i>		
WTI	66.42	-7.5%
Brent	68.62	-6.8%
Mexican mix	63.13	-7.0%
Gold	1,812.64	0.0%
Copper	420.15	-2.8%

Source: Bloomberg

## Corporate Debt

- **HR Ratings affirmed Factoring Corporativo's long-term rating at 'HR A+' keeping the outlook Stable, and affirmed the short-term rating at 'HR2'**
- **HR Ratings affirmed Portafolio de Negocios' long-term rating at 'HR AA-' keeping the outlook Stable, and affirmed the short-term rating at 'HR1'**
- **The rating affirmation on Factoring Corporativo and Portafolio de Negocios is based in the strength of the company's capitalization ratio, which remained in solid levels in the first quarter of 2021**

## 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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## Guide for investment recommendations.

	Reference
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<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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