

Financial Markets Daily

July 22, 2021

Main drivers for the financial markets today...

- **Positive stock markets, USD and government bond yields with small changes as a favorable earnings season -86% of S&P500 firms beating expectations- has offset the spread of the delta virus variant that roiled markets at the start of the week**
- **Following the release of its strategy review, the ECB kept its monetary stance unchanged, but made changes to the forward guidance, explaining that, in support of its symmetric two per cent inflation target and in line with its monetary policy strategy, the Governing Council expects the key ECB interest rates to remain at their present or lower levels until it sees inflation reaching two per cent well ahead of the end of its projection horizon. Now the attention is on Lagarde's press conference**
- **In the US, Senate Republicans blocked debate on the infrastructure plan. The 49-51 vote fell well shy of the 60 needed to begin debate. Democrats plan to call up the bill again, while Republicans said by early next week there should be enough votes to bring up the proposal**
- **Regarding economic figures, in the US, jobless claims for the week ending July 17 will be released. Consensus estimates them at 350k, down from 360k the previous week. In the Eurozone, the consumer confidence indicator for July will be published. Consensus estimate stands at -2.6 (previous -3.3)**
- **In Mexico, INEGI published 1H-July's inflation, rising 0.37% 2w/2w, surprising higher once again. The core came in at 0.31% 2w/2w. With these results, annual inflation stood at 5.75% from 5.74% in the previous fortnight, with the core at 4.64% (previous: 4.58%)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Consumer prices - Jul 15	% 2w/2w	0.30	0.24	0.20
7:00	Core - Jul 15	% 2w/2w	0.23	0.22	0.21
7:00	Consumer prices - Jul 15	% y/y	5.68	5.62	5.74
<i>Eurozone</i>					
7:45	Monetary policy decision (ECB)	%	0.00	0.00	0.00
4:00	Consumer confidence* - Jul (P)	index	--	-2.5	-3.3
<i>United States</i>					
8:30	Initial jobless claims* - Jul 17	thousands	360	350	360
10:00	Existing home sales** - Jun	millions	--	5.9	5.8
<i>South African</i>					
	Monetary policy decision (S. African Reserve Bank)	%	--	3.50	3.50

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	4,355.50	0.1%
Euro Stoxx 50	4,071.78	1.1%
Nikkei 225	27,548.00	0.0%
Shanghai Composite	3,574.73	0.3%
<i>Currencies</i>		
USD/MXN	20.14	0.0%
EUR/USD	1.18	-0.2%
DX	92.76	0.0%
<i>Commodities</i>		
WTI	70.91	0.9%
Brent	72.86	0.9%
Gold	1,795.61	-0.4%
Copper	428.25	0.0%
<i>Sovereign bonds</i>		
10-year Treasury	1.29	0pb

Source: Bloomberg

Equities

- **Positive movements in stock markets, underpinning the biggest three-day rally not seen since April, as better corporate results boost optimism and offset concerns about setbacks in economic growth and the delta variant. Thus, US futures anticipate a positive opening, with the S&P500 trading +0.1%. Europe shows gains (EuroStoxx +1.1%), reacting to ECB comments. Asia closed higher, highlighting the Hang Seng's 1.8% advance**
- **In Mexico, yesterday Alfa and Alpek showed a clear recovery trend, where they even raised their EBITDA guidance. Axtel continued to be pressured by the Government. Finally, Lacomex posted lower than expected growth. Today, we await the results of Asur, Gentera, Gfnorte, Hotel, Mega, Terra and Walmex after the market closes. In the US, Abbot Laboratories and Intel will release their results**

Sovereign fixed income, currencies and commodities

- **Mixed balance in global rates with European assets adjusting -2bps. In addition, US Treasuries print losses of 1bps in the longest-end of the yield curve after an +6bps adjustment yesterday. In Mexico, the Mbonos' curve sold-off 7bps in mid- and longer-term securities yesterday**
- **The USD trades unchanged amid a positive performance in G10 currencies with NOK as the strongest pair (+0.8%). In EM, bias is positive with HUF leading gains (+0.6%), while MXN trades close its 100-day MA at 20.17 per dollar, equivalent to 0.1% depreciation**
- **Crude-oil gains ~0.7%, after its biggest rally in three months of 4.3% yesterday, supported by favorable expectations about recovery in demand. Mixed performance in metals, industrials register gains of 0.7%, while gold trades below 1,800 \$/oz t (-0.4%)**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,798.00	0.8%
S&P 500	4,358.69	0.8%
Nasdaq	14,631.95	0.9%
IPC	50,035.17	1.6%
Ibovespa	125,929.30	0.4%
Euro Stoxx 50	4,026.68	1.8%
FTSE 100	6,998.28	1.7%
CAC 40	6,464.48	1.9%
DAX	15,422.50	1.4%
Nikkei 225	27,548.00	0.6%
Hang Seng	27,224.58	-0.1%
Shanghai Composite	3,562.66	0.7%
<i>Sovereign bonds</i>		
2-year Treasuries	0.21	1pb
10-year Treasuries	1.29	7pb
28-day Cetes	4.34	1pb
28-day TIE	4.51	1pb
2-year Mbono	5.56	-1pb
10-year Mbono	6.95	7pb
<i>Currencies</i>		
USD/MXN	20.15	0.0%
EUR/USD	1.18	0.1%
GBP/USD	1.37	0.6%
DXY	92.75	-0.2%
<i>Commodities</i>		
WTI	70.30	4.3%
Brent	72.23	4.2%
Mexican mix	66.33	5.1%
Gold	1,803.66	-0.4%
Copper	427.20	0.2%

Source: Bloomberg

Corporate Debt

- **FIBRA Prologis announced the acquisition of an 242,643 square feet industrial space in Ciudad Juárez for an amount of US\$19.1 million**
- **S&P Global Ratings ratified its ratings of nine classes of notes called TFOVIS and TFOVICB, on a national scale at 'mxAAA (sf)'. According to the agency, the ratings affirmation reflects its opinion on the current levels of credit protection in the form of overcollateralization, timely payment guarantees and financial margins that continue to be sufficient to support its current ratings**
- **Fitch Ratings affirmed Activos Financieros (Acfi) rating as Master Administrator at 'AAFC2 (mex)' after considering a neutral impact on operations due to the Coronavirus**

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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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	Reference
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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