

# Financial Markets Daily

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

- **Stock markets lower –except Japan, as they catch up after a few days closed–, USD mixed and government bond yields mostly lower, amid: (1) Escalation of US-China tensions; (2) new restrictions on profit generation and raising capital among education companies in China; and (3) the upcoming Federal Reserve decision**
- **This week’s main drivers will come from the Fed policy decision, in tandem with 2Q21 GDP in the US, Mexico, the Eurozone and other regions, as well as the earnings season**
- **In geopolitics, the Prime Minister of Iraq, Mustafa al-Kadhimi, will meet President Biden at the White House. In Peru, Pedro Castillo will start his presidential term**
- **Additionally, Hungary and Colombia will also announce their monetary policy decisions. In the US, negotiations among legislators will continue ahead of the two-year federal debt ceiling suspension that ends on July 31st**
- **In the US, reports on housing prices (May), along with new and pending home sales, durable goods orders, personal income and spending, and core PCE deflator (Jun), as well as consumer sentiment indicators (Jul). The Eurozone will release the unemployment rate (Jun), inflation and consumer confidence (Jul), while China will publish PMI indicators (Jul)**
- **In Mexico the unemployment rate for June stood at 3.97% from 4.12% in the previous month (seasonally adjusted). Moreover, we will observe the GDP monthly proxy IGAE (May), trade balance, banking credit and public finances (Jun). Pemex will release its quarterly results and Banxico’s governor Díaz de León will speak at a symposium organized by the IMF**

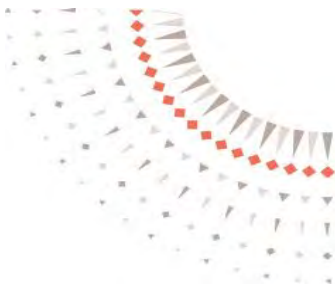
## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
4:00	IFO Survey (business climate)* - Jul	index	--	102.4	101.8
<i>Mexico</i>					
7:00	Unemployment rate - Jun	%	4.48	4.48	3.99
<i>United States</i>					
10:00	New home sales** - Jun	thousands	--	800	769

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



July 26, 2021

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### A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,393.50	-0.2%
Euro Stoxx 50	4,092.45	-0.4%
Nikkei 225	27,833.29	1.0%
Shanghai Composite	3,467.44	-2.3%
<i>Currencies</i>		
USD/MXN	20.09	0.1%
EUR/USD	1.18	0.2%
DX	92.70	-0.2%
<i>Commodities</i>		
WTI	71.59	-0.7%
Brent	73.71	-0.5%
Gold	1,807.70	0.3%
Copper	446.85	1.4%
<i>Sovereign bonds</i>		
10-year Treasury	1.24	-4pb

Source: Bloomberg

### Equities

- **Equity markets kick off the week with a negative performance as investors react to increased tensions between China and the US, as well as regulatory pressures in China affecting education companies. Meanwhile, in comings days there will be a higher flow of corporate earnings, highlighting technology companies. Out of the 11 S&P 500 companies scheduled to report today, 3 have already updated investors with outperforming estimates, including Hasbro Inc. Tesla will publish its figures after the market closes**
- **In Asia most markets closed negative with the Hang Seng falling 4.1%. In Europe stocks drop, with the Euro Stoxx down 0.4%. In turn, futures of the main US indices point to a negative open by falling 0.3% on average**
- **In Mexico, Kof will release its 2Q21 earnings results after the market closes**

### Sovereign fixed income, currencies and commodities

- **Favorable balance in global rates with European assets adjusting -1bp. In addition, US Treasuries print gains of up to 4bps in the longest-end of the yield curve. In Mexico, the Mbonos' curve had a 10bps sell-off on average last week, with the 10-year node closing at 7.03% (+9bps)**
- **The USD trades slightly negative amid a mixed performance in G10 currencies. In EM, bias is negative with RUB as the weakest (-0.4%), while MXN trades below its 100-day MA at 20.12 per dollar (-0.1%), after a 0.9% weekly depreciation**
- **Crude-oil adjusts -0.6%, as more Delta cases cloud the optimistic expectations about demand recovery. Positive performance in metals, with industrials outperforming precious. In this sense, copper and gold register gains of 1.4% and 0.3%, respectively**

### Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,061.55	0.7%
S&P 500	4,411.79	1.0%
Nasdaq	14,836.99	1.0%
IPC	50,268.45	0.1%
Ibovespa	125,052.80	-0.9%
Euro Stoxx 50	4,109.10	1.2%
FTSE 100	7,027.58	0.9%
CAC 40	6,568.82	1.3%
DAX	15,669.29	1.0%
Nikkei 225	27,548.00	0.0%
Hang Seng	27,321.98	-1.4%
Shanghai Composite	3,550.40	-0.7%
<i>Sovereign bonds</i>		
2-year Treasuries	0.20	0pb
10-year Treasuries	1.28	0pb
28-day Cetes	4.37	2pb
28-day TIIE	4.51	0pb
2-year Mbono	5.62	5pb
10-year Mbono	7.02	4pb
<i>Currencies</i>		
USD/MXN	20.07	-0.3%
EUR/USD	1.18	0.0%
GBP/USD	1.37	-0.1%
DX-Y	92.91	0.1%
<i>Commodities</i>		
WTI	72.07	0.2%
Brent	74.10	0.4%
Mexican mix	68.34	0.5%
Gold	1,802.15	-0.3%
Copper	440.00	1.4%

Source: Bloomberg

### Corporate Debt

- **In the last week of July and the first half of August no auctions are scheduled in the pipeline. We attribute this fact mainly to the holiday period and the low number of maturities expected during these months**
- **Fitch Ratings affirmed the Institute of the National Fund for the Consumption of Workers' (Fonacot Institute) rating as Primary Administrator of Credit Financial Assets at ‘AAFC2 (mex)’. The Outlook is Stable**
- **According to the agency, the measures implemented to limit the spread of the virus continue to affect the economy. Company closures and rising unemployment are factors that Fitch believes could affect payroll loan performance**

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