

# Financial Markets Daily

July 29, 2021

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

- **Stock markets up, USD lower and government bond yields rising as they react to an investors call organized by China's regulators about restrictions on education firms, cash injections by the PBoC, as well as corporate results that exceeded expectations**
- **Moreover, there is progress in the approval process of the infrastructure package in the US, despite the perception of market participants of a higher probability that the Fed will begin tapering earlier than anticipated after yesterday's decision**
- **Investors' focus today on 2Q21 GDP and personal consumption, as well as weekly initial jobless claims. July's inflation will be released in the Eurozone early Friday. Moreover, the earnings season continues in the US**
- **The US Senate voted yesterday to begin the debate on a bipartisan infrastructure deal worth US\$550 billion. This opens the possibility of a final approval as soon as next week. Nevertheless, the deal still faces obstacles due to the very tight majority that Democrats hold in both chambers of Congress**
- **China raised export tariffs to some steel materials yesterday. This could lower incentives for shipments abroad, with the government trying to control the pickup in domestic prices, which in turn could induce price pressures abroad as economies continue reopening**
- **The economic confidence index in the Eurozone increased to a new historical high of 119pts in July, with gains in both industry and services. This was driven by lower COVID-19 restrictions despite the reintroduction of some measures recently due to the 'delta' variant**

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## The most relevant economic data...

|                      | Event/Period                        | Unit      | Banorte | Survey | Previous |
|----------------------|-------------------------------------|-----------|---------|--------|----------|
| <i>Eurozone</i>      |                                     |           |         |        |          |
| 5:00                 | Economic confidence* - Jul          | index     | --      | 118.5  | 117.9    |
| 5:00                 | Consumer confidence* - Jul (F)      | index     | --      | --     | -4.4     |
| 8:00                 | Consumer prices - Jul (P)           | % y/y     | --      | 3.2    | 2.3      |
| <i>United States</i> |                                     |           |         |        |          |
| 8:30                 | Gross domestic product** - 2Q21 (P) | % q/q     | 9.2     | 8.5    | 6.4      |
| 8:30                 | Personal consumption** - 2Q21 (P)   | % q/q     | 10.9    | 10.4   | 11.4     |
| 8:30                 | Initial jobless claims* - Jul 24    | thousands | --      | 380    | 419      |

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        | 4,400.00  | 0.1%       |
| Euro Stoxx 50          | 4,123.51  | 0.5%       |
| Nikkei 225             | 27,782.42 | 0.7%       |
| Shanghai Composite     | 3,411.72  | 1.5%       |
| <i>Currencies</i>      |           |            |
| USD/MXN                | 19.86     | -0.3%      |
| EUR/USD                | 1.19      | 0.2%       |
| DX                     | 92.04     | -0.3%      |
| <i>Commodities</i>     |           |            |
| WTI                    | 72.81     | 0.6%       |
| Brent                  | 75.19     | 0.6%       |
| Gold                   | 1,825.29  | 1.0%       |
| Copper                 | 452.95    | 1.1%       |
| <i>Sovereign bonds</i> |           |            |
| 10-year Treasury       | 1.26      | 3pb        |

Source: Bloomberg

## Equities

- **Positive equity markets, as strong corporate results and an unchanged monetary policy after the Fed meeting, fueled optimism among investors. In the US, futures anticipate an upward opening, with the S&P500 trading at +0.2%. Ford is up 3.9% in the pre-market after raising its 2021 outlook, while Facebook falls 3.7%. In Europe the major markets advance, with the Stoxx 600 gaining 0.4%. In Asia, the Shanghai Comp rose 1.5% and the Nikkei 0.7%**
- **Yesterday in Mexico, Alsea and Livepol posted a faster-than-expected recovery. Also Orbia, that raised its guidance. Gap reached pre-pandemic levels. Femsa's figures showed a solid advance and in clear recovery. Lab reported in line with expectations, likewise Chdraui, who announced the completion of Smart & Final's acquisition. Cemex reported better than expected figures, which should be well received by the market. Today, Amazon reports in the US**

## Sovereign fixed income, currencies and commodities

- **Negative performance in global rates with European assets adjusting +2bps. Meanwhile, US Treasuries slid by as much as +3bps in long-term tenors. In Mexico, the Mbonos' curve printed yesterday gains of 4bps on average with the 10-year node closing at 6.92% (-4bps).**
- **The USD trades lower (DXY -0.3%) weakening against the full spectrum of G10 currencies with NZD leading the gains (+0.6%). In EM, the performance is similar with ZAR as the strongest (+1.1%), while MXN trades at 19.85 (+0.3%), scoring seven favorable sessions.**
- **Crude oil futures gain 0.2% on the back of a higher than expected drop in US inventories and confidence in the recovery of global economic activity. In metals, gold trades at 1,825 \$/oz t (+1.0%) while in industrials the balance is positive**

## Previous closing levels

|                        | Last       | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i>  |            |            |
| Dow Jones              | 34,930.93  | -0.4%      |
| S&P 500                | 4,400.64   | 0.0%       |
| Nasdaq                 | 14,762.58  | 0.7%       |
| IPC                    | 51,344.11  | 0.9%       |
| Ibovespa               | 126,285.60 | 1.3%       |
| Euro Stoxx 50          | 4,103.03   | 0.9%       |
| FTSE 100               | 7,016.63   | 0.3%       |
| CAC 40                 | 6,609.31   | 1.2%       |
| DAX                    | 15,570.36  | 0.3%       |
| Nikkei 225             | 27,581.66  | -1.4%      |
| Hang Seng              | 25,473.88  | 1.5%       |
| Shanghai Composite     | 3,361.59   | -0.6%      |
| <i>Sovereign bonds</i> |            |            |
| 2-year Treasuries      | 0.20       | 0pb        |
| 10-year Treasuries     | 1.23       | -1pb       |
| 28-day Cetes           | 4.32       | -3pb       |
| 28-day TIE             | 4.52       | 0pb        |
| 2-year Mbono           | 5.60       | -3pb       |
| 10-year Mbono          | 6.93       | -3pb       |
| <i>Currencies</i>      |            |            |
| USD/MXN                | 19.92      | -0.3%      |
| EUR/USD                | 1.18       | 0.2%       |
| GBP/USD                | 1.39       | 0.2%       |
| DXY                    | 92.32      | -0.1%      |
| <i>Commodities</i>     |            |            |
| WTI                    | 72.39      | 1.0%       |
| Brent                  | 74.74      | 0.3%       |
| Mexican mix            | 68.73      | 0.6%       |
| Gold                   | 1,807.11   | 0.4%       |
| Copper                 | 448.20     | -1.4%      |

Source: Bloomberg

## Corporate Debt

- **HR Ratings affirmed Financiera Independencia's (Findep) long-term ratings at 'HR A' with a Stable outlook and at 'HR2' for the short-term**
- **HR Ratings affirmed Banregio's long- and short-term ratings at 'HR AAA' and 'HR+1', respectively, based on its adequate financial performance, and operation stability, despite a low dynamic economic environment**
- **Likewise, HR Ratings affirmed lessor Start Banregio's ratings at 'HR AAA' and 'HR+1' based on the explicit financial support it receives from its main shareholder: Banregio**

## 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  | When the share expected performance is greater than the MEXBOL estimated performance. |
| HOLD | When the share expected performance is similar to the MEXBOL estimated performance.   |
| SELL | When the share expected performance is lower than the MEXBOL estimated performance.   |

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