

# Financial Markets Daily

August 4, 2021

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

- Mixed stock markets, USD relatively stable and government bond yields mainly down. Asia and Europe are up -except for Japan where some firms revised its earnings guidance downwards-, due to strong earnings reports and less concerns about China regulations
- Regarding economic figures, in the US the ADP private employment report for July will be released. We estimate 750k jobs created (consensus of 683,000), after a generation of 692k jobs the previous month. The report takes on even more relevance than usual, after Powell said at the press conference following the last FOMC's meeting that they are still somewhat far from "*substantial progress*" toward the goal of maximum employment. On the other hand, the non-manufacturing ISM will also be published, which the consensus estimates at 60.6pts from 60.1pts previously. Regarding the *Fed speakers* agenda, we highlight the interventions of Bullard and Clarida
- In other regions, the attention today is on the Copom's monetary policy decision in Brazil, where we estimate an acceleration in the rate hike cycle with an increase of 100bp. This in a context in which inflation has continued its upward trend and stands at 8.59%. It should be remembered that, the inflation target for this year and in 2022 is 3.75% and 3.5%, respectively, with a tolerance range of + / -1.5pp. Even more worrisome is the rise in inflation expectations, with that corresponding to next year standing at 3.80%, above the goal

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Retail sales* - Jun	% m/m	--	--	4.6
United States					
8:15	ADP employment* - Jul	thousands	750	650	692
9:45	Services PMI (Markit)* - Jul (F)	index	59.8	59.8	59.8
9:45	Composite PMI (Markit)* - Jul (F)	index	--	--	59.7
10:00	ISM services* - Jul	index	61.3	60.5	60.1
10:00	Barkin del Fed, habla sobre lo esperado en política monetaria				
Brazil					
17:30	Monetary policy decision (Central bank of Brazil)	%	--	5.25	4.25

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; \* Seasonally adjusted, \*\* Seasonally adjusted annualized rate.

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## A glimpse to the main financial assets

	Last	Daily chg.
<b>Equity indices</b>		
S&P 500 Futures	4,408.25	-0.2%
Euro Stoxx 50	4,138.30	0.5%
Nikkei 225	27,584.08	-0.2%
Shanghai Composite	3,477.22	0.8%
<b>Currencies</b>		
USD/MXN	19.87	-0.1%
EUR/USD	1.19	0.0%
DX	92.07	0.0%
<b>Commodities</b>		
WTI	69.80	-1.1%
Brent	71.82	-0.8%
Gold	1,818.55	0.4%
Copper	437.00	-0.4%
<b>Sovereign bonds</b>		
10-year Treasury	1.15	-2pb

Source: Bloomberg

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## Equities

- Stock markets mixed, although with a positive bias. Optimism among investors is fueled by strong corporate results and reduced concern over China's regulatory restrictions on the entertainment and technology sectors. Meanwhile, the spread of the delta strain keeps market sentiment contained
- In the US, futures anticipate a flat opening, with the S&P500 trading at -0.2% after reaching a new record high yesterday. In Europe, the Stoxx 600 is up 0.6%, with gains across all sectors. In Asia, the Shanghai Comp and the Hang Seng advanced 0.9%
- On the corporate front, 38 S&P500 companies are scheduled to report today, among which General Motors stands out. In Mexico, yesterday Volaris released a 132.5% y/y increase in passenger traffic, still above pre-pandemic levels

## Sovereign fixed income, currencies and commodities

- Modest positive balance in global rates with European assets adjusting -2bps. In addition, US Treasuries print a 1bp rally in mid-term securities. In Mexico, Mbonos registered yesterday a 4bps sell-off in the longest-end of the yield curve, on average, with the 10-year node closing at 6.93% (+4bps)
- The USD trades fairly unchanged amid a favorable performance in most of the G10 currencies with NZD leading gains (+0.9%). In EM, bias is mixed with movements bounded by +/-0.4%, while MXN trades at 19.85 per dollar (+0.2%), scoring two favorable sessions in a row
- Crude-oil heads for its third negative session due to more Delta cases clouding the global demand recovery. Mixed performance in metals. Industrial metals trade with 0.3% losses, while precious register gains with gold trading at 1,817 US\$/oz t (+0.4%)

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	35,116.40	0.8%
S&P 500	4,423.15	0.8%
Nasdaq	14,761.29	0.5%
IPC	51,633.91	1.5%
Ibovespa	123,576.60	0.9%
Euro Stoxx 50	4,117.95	0.0%
FTSE 100	7,105.72	0.3%
CAC 40	6,723.81	0.7%
DAX	15,555.08	-0.1%
Nikkei 225	27,641.83	-0.5%
Hang Seng	26,194.82	-0.2%
Shanghai Composite	3,447.99	-0.5%
<b>Sovereign bonds</b>		
2-year Treasuries	0.17	0pb
10-year Treasuries	1.17	-1pb
28-day Cetes	4.33	-2pb
28-day TIE	4.51	0pb
2-year Mbono	5.62	-1pb
10-year Mbono	6.93	3pb
<b>Currencies</b>		
USD/MXN	19.89	-0.1%
EUR/USD	1.19	-0.1%
GBP/USD	1.39	0.2%
DX	92.08	0.0%
<b>Commodities</b>		
WTI	70.56	-1.0%
Brent	72.41	-0.7%
Mexican mix	66.46	-1.0%
Gold	1,810.44	-0.2%
Copper	438.60	-1.1%

Source: Bloomberg

## Corporate Debt

- Credito Real informed the approval of the sale of certain SME business assets. According to the statement, this sale is part of the renewed focus on the Company's best performing segments and of the comprehensive risk mitigation strategy. The proceeds from the sale will be part of the Company's tools to carry out the repurchase of debt securities that it has issued abroad
- S&P Global Ratings downgraded SIPYTCB 13 (Inversionistas en Autotransportes Mexicanos ABS) rating to 'D' from 'mxCC'. According to the agency, the downgrade occurs as a result of the failure to pay full interest on the payment date of July 30, 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, Alik Daniel García Álvarez, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo and Juan Barbier Arizmendi, 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
<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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