

Financial Markets Daily

August 17, 2021

Main drivers for the financial markets today...

- **Stock markets negative, with the USD and government bond yields lower given:**
(1) Some profit taking after the S&P 500 index reached a new historical high;
(2) concern about lockdown policies being triggered by the 'delta' variant; and
(3) cautiousness ahead of Powell's speech
- **Specifically, Fed Chair Powell will talk at 2:30pm (ET) to a group of educators. While the message might be limited, market participants will be looking for clues for upcoming decisions and Jackson Hole. We will also have a speech from Neel Kashlari (Minneapolis Fed) in the day**
- **On economic data, in the US June's retail sales and industrial production will be published. We expect a sequential decrease in the former, while manufacturing could climb in the latter. In the Eurozone, revised figures for 2Q21 GDP were published, unchanged at 2.0% q/q. In the UK, June's unemployment rate improved at the margin to 4.7%**
- **Regarding the virus, the 'delta' variant continues wreaking havoc in some states in the US, mainly Florida. In China, the Ningbo port –the 3rd busiest in the world– was closed for a 9th straight day amid fears of contagions. New Zealand announced a new lockdown**
- **In China, the market regulator released draft rules banning unfair competition among online platform operators, adding to negative sentiment for the online entertainment sector in said country**

Gabriel Casillas
Chief Economist, Head of Research
and IRO
gabriel.casillas@banorte.com

Alejandro Padilla
Executive Director of Economic
Research and Financial Markets Strategy
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
Director of Economic Research
juan.alderete.macal@banorte.com

Manuel Jiménez
Director of Market Strategy
manuel.jimenez@banorte.com


www.banorte.com

@ analisis_fundam

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone and UK</i>					
2:00	Unemployment rate* - Jun	%	--	4.8	4.8
5:00	Gross domestic product - 2Q21 (F)	% y/y	--	13.7	13.7
5:00	Gross domestic product* - 2Q21 (F)	% q/q	--	2.0	2.0
<i>United States</i>					
8:30	Retail sales* - Jul	% m/m	-0.1	-0.3	0.6
8:30	Ex autos & gas* - Jul	% m/m	--	0.0	1.1
8:30	Control group* - Jul	% m/m	0.0	-0.3	1.1
9:15	Industrial production* - Jul	% m/m	0.4	0.5	0.4
9:15	Manufacturing production* - Jul	% m/m	0.4	0.7	-0.1
13:30	Powell Hosts Town Hall Discussion with Educators				
15:45	Fed's Kashlari Holds Town Hall on Economy				
<i>Mexico</i>					
10:00	International reserves - Aug 13	US\$bn	--	--	193.3
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				

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.
<i>Equity indices</i>		
S&P 500 Futures	4,452.00	-0.5%
Euro Stoxx 50	4,188.90	-0.3%
Nikkei 225	27,424.47	-0.4%
Shanghai Composite	3,446.98	-2.0%
<i>Currencies</i>		
USD/MXN	19.92	0.1%
EUR/USD	1.18	-0.1%
DX	92.73	0.1%
<i>Commodities</i>		
WTI	66.73	-0.8%
Brent	69.11	-0.6%
Gold	1,793.05	0.3%
Copper	426.00	-1.4%
<i>Sovereign bonds</i>		
10-year Treasury	1.22	-4pb

Source: Bloomberg

Equities

- **Negative movements in equity markets as investors are concerned about increased regulation in China, particularly in online companies, and regarding the COVID-19 delta variant impact on the global economy due to the possibility of new closures in some countries, while monitoring the crisis in Afghanistan**
- **In Asia most markets closed negative. In Europe stocks drop, the Euro Stoxx decreases 0.4%. Shares from financials, consumer discretionary and energy sector lead losses. In turn, in the US the futures of main indices point to a negative open by falling 0.5% on average, after the Dow Jones and S&P 500 hit new record highs in the previous session**
- **On the corporate front, Walmart's quarterly figures beat expectations, while Home Depot's Same Store Sales missed estimates**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds with European securities strengthening 2bps, on average, while Asia/Pacific experienced a slightly stronger close. US Treasuries rally 4bps, on average, from the 5-year region onwards**
- **The USD trades slightly positive as a result of a negative balance in most of the G10 currencies, excluding modest gains in JPY and CHF. EM FX is mixed and under narrow ranges with TRY leading gains (+0.6%). The USD/MXN trades mostly unchanged with respect to its previous close at 19.89 after touching 19.96 earlier today**
- **Fourth sessions of consecutive losses for main crude oil benchmarks with the market assimilating the potential impact in global demand due to the virus cases' pick-up. Metals trade mixed with slight losses in industrials and modest gains in precious**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,625.40	0.3%
S&P 500	4,479.71	0.3%
Nasdaq	14,793.76	-0.2%
IPC	51,384.91	-0.2%
Ibovespa	119,180.00	-1.7%
Euro Stoxx 50	4,202.44	-0.6%
FTSE 100	7,153.98	-0.9%
CAC 40	6,838.77	-0.8%
DAX	15,925.73	-0.3%
Nikkei 225	27,523.19	-1.6%
Hang Seng	26,181.46	-0.8%
Shanghai Composite	3,517.35	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	0.21	0pb
10-year Treasuries	1.27	-1pb
28-day Cetes	4.57	1pb
28-day TIIIE	4.75	0pb
2-year Mbono	5.68	5pb
10-year Mbono	7.07	10pb
<i>Currencies</i>		
USD/MXN	19.90	0.1%
EUR/USD	1.18	-0.2%
GBP/USD	1.38	-0.1%
DXY	92.63	0.1%
<i>Commodities</i>		
WTI	67.29	-1.7%
Brent	69.51	-1.5%
Mexican mix	63.49	-1.7%
Gold	1,787.45	0.4%
Copper	432.15	-1.4%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings ratified Fibra Hotel's rating and its FIHO 19 issue at 'A + (mex)'. The outlook remains Negative. According to the agency, the ratings reflect the expectation of sustained recovery in operations and results, adequate levels of liquidity and flexibility provided by the structure of the property portfolio with more than 77% of these free of encumbrance**
- **The Negative outlook reflects the still high uncertainty in the hospitality industry globally due to the pandemic, which continues to affect Fibra Hotel's revenue generation and EBITDA**
- **Call for the bondholders Assembly of the TMMCB 10 / 10-2 / 10-3 issues (Transportation Marítima Mexicana FF) for next August 26, 2021**

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, 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
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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Research and Strategy

Gabriel Casillas Olvera	Chief Economist, Head of Research and IRO	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Economic Research and Financial Market Strategy

Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Economic Research

Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1670 - 2707

Market Strategy

Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
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Fixed income and FX Strategy

Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698

Equity Strategy

Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Alik Daniel García Alvarez	Senior Strategist, Equity	alick.garcia.alvarez@banorte.com	(55) 1670 - 2250
Victor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746

Corporate Debt

Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Economic Studies

Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454