

Financial Markets Daily

August 19, 2021

Main drivers for the financial markets today...

- **Negative stock markets, USD up and government bond yields down amid: (1) FOMC's minutes signaling that tapering will probably start this year; and (2) considerable increase in the number of cases of COVID-19 'delta' variant. Market participants will focus today on earnings results**
- **Regarding economic figures, in the US, jobless claims for the week ending August 14 will be released. Consensus estimates them at 364k, down from 375k previously, confirming that the recovery of the labor market continues. August's Philly Fed regional manufacturing indicator will also be published, which we estimate at 23pts, up from 21.9pts the previous month**
- **On the monetary policy front, the PBoC's decision in China will be announced in the evening. The benchmark lending rate is expected to remain unchanged, for the 16th straight month, but signs of less economic steam have generated speculation that a rate cut may be needed soon**
- **In Mexico, INEGI published the Timely Indicator of Economic Activity. For June, they estimate +0.3% m/m, with revisions lower in services and industry (already known). For July they expect +0.5% m/m, very positive despite increases in COVID-19 cases**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	Current account* - Jun	EURbn	--	--	11.7
<i>Mexico</i>					
7:00	Timely Indicator of Economic Activity* - Jul	% y/y	--	--	14.7
<i>United States</i>					
8:30	Philadelphia Fed* - Aug	index	23.0	24.2	21.9
8:30	Initial jobless claims* - Aug 14	thousands	368	--	375
<i>China</i>					
21:30	Rate decision 1-year Loan Prime Rate	%	--	3.85	--
21:30	Rate decision 5-year Loan Prime Rate	%	--	4.65	--

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	4,362.50	-0.7%
Euro Stoxx 50	4,107.81	-1.9%
Nikkei 225	27,281.17	-1.1%
Shanghai Composite	3,465.56	-0.6%
<i>Currencies</i>		
USD/MXN	20.16	0.6%
EUR/USD	1.17	-0.1%
DX	93.34	0.2%
<i>Commodities</i>		
WTI	63.20	-3.5%
Brent	66.15	-3.0%
Gold	1,787.14	0.0%
Copper	399.35	-3.1%
<i>Sovereign bonds</i>		
10-year Treasury	1.23	-3pb

Source: Bloomberg

Equities

- **Stock markets with negative movements, as investors digest the release of Fed's minutes, showing that it has begun to consider reducing asset purchases before the end of the year. As a result, concerns about economic growth increase, given the spread of the virus and the possibility of less monetary stimulus**
- **In the US, futures anticipate a downward opening, with the S&P500 trading at -0.8%. In Europe, stocks retreat, with the Stoxx 600 declining 2.0%. Asia closed negative, where Chinese technology shares were the most affected due to fears of increased regulation**
- **On the corporate front, Goldman Sachs announced the acquisition of the Dutch asset manager NN Investment Partners. With a 95% advance in earnings season, 4 S&P500 companies report today**

Sovereign fixed income, currencies and commodities

- **Positive performance in global rates with European assets adjusting up to -3bps while the US Treasury yield curve recorded gains of 4bps concentrated in long-term tenors. In the local market, yesterday the Mbonos' curve closed with gains of 2bps on average and the 10-year maturity closed at 7.03% (-1bps)**
- **The dollar trades in positive territory (DXY +0.2%) while G10 currencies display a negative performance, except JPY (+0.1%). In EM the dynamics are similar, with ZAR leading losses (-1.3%) while MXN trades at 20.15 per dollar depreciating 0.5%**
- **Crude oil prices fall 2.4% due to lower demand in China and the sale of strategic reserves by India to its state-run refineries. In metals, gold trades at 1,791 US\$/oz t (+0.2%) while industrials print losses**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,960.69	-1.1%
S&P 500	4,400.27	-1.1%
Nasdaq	14,525.91	-0.9%
IPC	51,986.08	0.8%
Ibovespa	116,642.60	-1.1%
Euro Stoxx 50	4,189.42	-0.2%
FTSE 100	7,169.32	-0.2%
CAC 40	6,770.11	-0.7%
DAX	15,965.97	0.3%
Nikkei 225	27,585.91	0.6%
Hang Seng	25,867.01	0.5%
Shanghai Composite	3,485.29	1.1%
<i>Sovereign bonds</i>		
2-year Treasuries	0.22	0pb
10-year Treasuries	1.26	0pb
28-day Cetes	4.52	1pb
28-day TIE	4.76	0pb
2-year Mbono	5.66	-2pb
10-year Mbono	7.04	-2pb
<i>Currencies</i>		
USD/MXN	20.04	0.2%
EUR/USD	1.17	0.0%
GBP/USD	1.38	0.1%
DXY	93.14	0.0%
<i>Commodities</i>		
WTI	65.46	-1.7%
Brent	68.23	-1.2%
Mexican mix	62.20	-1.2%
Gold	1,787.82	0.1%
Copper	412.00	-2.0%

Source: Bloomberg

Corporate Debt

- **Grupo Posadas announced it reached an agreement with the bondholders of its 7.875% Senior Notes due 2022. The agreement includes the exchange of the existing notes for new notes, extending the term of the Senior Notes by 5.5 years to December 30, 2022**
- **HR Ratings affirmed Betterware de México's long-term rating at 'HR AA+' with a Stable outlook and its short-term rating at 'HR1' based on the high levels of Debt Service Coverage Ratio (14.4x)**
- **Fitch Ratings affirmed Libramiento Elevado de Puebla's Future Flow LEPCB 18's rating at 'AA+(mex)vra' with a Negative outlook, reflecting the uncertainty that prevails around the traffic recovery**

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	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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