

Financial Markets Daily

August 20, 2021

Main drivers for the financial markets today...

- **Stock markets down, USD stronger –particularly against EM currencies– and government bond yields lower, amid: (1) Approval of new privacy rules in China; (2) a series of lower-than-expected economic data globally; and (3) the Federal Reserve’s Jackson Hole symposium getting closer**
- **With few economic data today, investors’ attention will focus on comments by the Fed’s Kaplan, as well as Citibanamex’s survey of economic expectations in Mexico**
- **According to the US Labor Secretary, Marty Walsh, the spread of ‘delta’ may force some states that have already cut additional unemployment benefits to offer them again. This is very important as these expire nationwide on September 6, albeit with about half of all states having eliminated them already**
- **UK’s retail sales fell more than expected in July, down 2.5% m/m, its steepest decline since lockdowns in January. This situation, as well as a marginal moderation in inflation, could remove some pressure to the BoE about retiring some of their stimulus measures**
- **Regarding the virus, AstraZeneca informed that its antibody cocktail treatment against COVID-19 was found to be 77% effective against preventing symptomatic disease in high-risk people. Moreover, the UK government approved its first monoclonal antibody drug today, developed by Regeneron and Roche**
- **In Mexico, Labor Secretary Luisa María Alcalde said they are evaluating how to regulate worker conditions in the nation’s ‘gig’ economy through digital platforms. Although there is no proposal yet, there could be a clearer path ahead in the coming months**

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The most relevant economic data...

Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>				
15:30	Survey of expectations (Citibanamex)			

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	4,379.00	-0.5%
Euro Stoxx 50	4,117.57	-0.2%
Nikkei 225	27,013.25	-1.0%
Shanghai Composite	3,427.33	-1.1%
<i>Currencies</i>		
USD/MXN	20.26	0.5%
EUR/USD	1.17	0.0%
DX	93.62	0.1%
<i>Commodities</i>		
WTI	63.17	-0.8%
Brent	65.90	-0.8%
Gold	1,785.51	0.3%
Copper	405.15	0.3%
<i>Sovereign bonds</i>		
10-year Treasury	1.23	-2pb

Source: Bloomberg

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Equities

- We conclude the week with widespread losses in stock markets, as fast-spreading ‘delta’ strain has raised concerns of its impact on economic recovery and growth, while mayor employers have delayed their workers comeback into office until January, and with investors focused in the eventual reduction on stimulus
- As such, futures in the US anticipate a negative opening, with the S&P500 trading 0.5% below its theoretical value, and an empty economic agenda. We have ~95% results from S&P500 companies and a 93.7% rise in earnings has been achieved
- In Asia the session concluded in red, while regulatory curbs in China continue, now with tougher rules for how companies handle user data. Hang Seng’s 1.8% drop stands out, entering into a bear market. Europe also with losses, in track for the biggest weekly drop since February

Sovereign fixed income, currencies and commodities

- The week closes with modest gains in sovereign bond yields, registering an appreciation of 1bp in European securities and in US Treasuries, with the latter strengthening from the 2-year area onwards. The weekly balance for Mbonos heads for a 5bps sell-off, on average
- The USD extends the positive performance registered during the week, with the G10 universe only printing gains in JPY and CHF. In EM currencies, performance is also mostly under pressure with the USD/MXN depreciating 0.4% to 20.25
- Crude oil futures continue affected by concerns about possible effects on global demand given the rise in virus cases, reaching its lowest level since May. Moreover, the USD strengthening has affected the commodities sector in general. Metals trade mix with copper slightly higher in line with gold’s performance, while silver weakens modestly

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,894.12	-0.2%
S&P 500	4,405.80	0.1%
Nasdaq	14,541.79	0.1%
IPC	51,099.36	-1.7%
Ibovespa	117,164.70	0.4%
Euro Stoxx 50	4,124.71	-1.5%
FTSE 100	7,058.86	-1.5%
CAC 40	6,605.89	-2.4%
DAX	15,765.81	-1.3%
Nikkei 225	27,281.17	-1.1%
Hang Seng	25,316.33	-2.1%
Shanghai Composite	3,465.56	-0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	0.22	0pb
10-year Treasuries	1.24	-1pb
28-day Cetes	4.51	-1pb
28-day TIIIE	4.76	0pb
2-year Mbono	5.63	-3pb
10-year Mbono	7.06	2pb
<i>Currencies</i>		
USD/MXN	20.16	0.6%
EUR/USD	1.17	-0.3%
GBP/USD	1.36	-0.9%
DX-Y	93.57	0.5%
<i>Commodities</i>		
WTI	63.69	-2.7%
Brent	66.45	-2.6%
Mexican mix	60.25	-3.1%
Gold	1,780.38	-0.4%
Copper	404.35	-1.9%

Source: Bloomberg

Corporate Debt

- Moody's announced the completion of a periodic review of ratings of Petroleos Mexicanos (‘Ba3/A3.mx’). The publication does not announce a credit rating action. PEMEX BCA (Baseline Credit Assessment) of ‘caa3’ reflects the company's high vulnerability to low commodity prices given its excessive debt burden and weak liquidity
- PCR Verum affirmed Sistema de Credito Automotriz’ (SICREA) ratings at ‘A-/M’ and ‘2/M’ for the long and short term, respectively. The affirmation follows that, despite the lingering in its operation volume, the company keeps a strong financial position and an adequate risk profile, reflecting in its low leverage

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