

# Financial Markets Daily

August 27, 2021

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

- **Stock markets with small changes, but with S&P futures positive, government bond yields down and USD stable, with investors cautious, awaiting Powell's remarks at 9:00am CT at Jackson Hole virtual symposium "Macroeconomic Policy in an Uneven Economy", looking for any signs about Fed's tapering**
- **As for economic data, the July personal income and expenditure report will be released in the US. Despite the weakness in retail sales figures for the same month, we expect a 0.1% m/m rise in personal spending. This is due to the fact that the sales report basically includes consumption on goods, while the figures to be published today also include spending on services. The latter has been recovering significantly amid the reopening of the economy. The report will also show the Core PCE price deflator, the Fed's preferred inflation measure, which is expected to place its annual variation at 3.6% from 3.5% previously**
- **Speculation continues surrounding who will be the Fed's chairman as of February 2022. It is said that White House advisers are supporting Powell's re-election, with Lael Brainard (also a possible candidate for the post) as regulation vice president**
- **In Mexico, INEGI released July's trade balance, posting a US\$4,062.9 million deficit. Inside, exports rose 0.2% m/m (29.1% y/y) despite weakness in the auto sector (-3.0% m/m), with imports at +0.3% m/m (52.3% y/y), positive considering a challenging backdrop for the month**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Trade balance - Jul	US\$m	1,253.9	-175.0	762.0
<i>United States</i>					
8:30	Trade balance* - Jul	US\$bn	--	-90.7	-92.1
8:30	Personal income* - Jul	% m/m	--	0.1	0.1
8:30	Personal spending* - Jul	% m/m	--	0.4	1.0
8:30	Real personal spending* - Jul	% m/m	0.1	-0.1	0.5
8:30	PCE Deflator* - Jul	% m/m	--	0.4	0.5
8:30	Core* - Jul	% m/m	--	0.3	0.4
8:30	PCE Deflator - Jul	% y/y	--	4.1	4.0
8:30	Core - Jul	% y/y	--	3.6	3.5
10:00	U. of Michigan Confidence* - Aug (F)	index	--	71.0	70.2
10:00	Fed's Annual Jackson Hole Policy Retreat				

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	4,479.75	0.3%
Euro Stoxx 50	4,170.89	0.0%
Nikkei 225	27,641.14	-0.4%
Shanghai Composite	3,522.16	0.6%
<i>Currencies</i>		
USD/MXN	20.38	0.1%
EUR/USD	1.18	0.1%
DX	93.04	0.0%
<i>Commodities</i>		
WTI	68.50	1.6%
Brent	72.07	1.4%
Gold	1,794.74	0.1%
Copper	426.45	0.4%
<i>Sovereign bonds</i>		
10-year Treasury	1.35	0pb

Source: Bloomberg

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## Equities

- **We conclude the week with mixed movements in stock markets, though moderate, with all eyes on Jerome's Powell speech at Jackson Hole symposium**
- **Futures in the US anticipate a positive opening, with the S&P500 trading 0.3% above its theoretical value, after yesterday's profit taking, and with investors looking for signals on monetary policy, and awaiting economic figures to be released today**
- **In Asia the trading session concluded mixed. Hikes in China's indices stand out, supported by central bank signals to cushion the economy. Europe trades with small changes, while the Eurostoxx is on track for a seventh straight month of gains supported by recovery prospects. In Mexico, the Mexbol Index may continue consolidating above 52,000pts**

## Sovereign fixed income, currencies and commodities

- **Modest variations in sovereign bonds with European securities trading within a band of  $\pm 1$ bp, while US Treasuries strengthen around 1bp from the 5-year area onwards, unchanged in shorter-term maturities. Yesterday the Mbonos' yield curve steepened with a rally of  $\sim 2$ bps in short- and mid-term tenors following Banxico's minutes**
- **USD indices are little changed with a slight negative bias and heading for a weekly decline after a sharp gain the previous week. Today's balance in G10 currencies is mostly positive while in EM FX is mixed, with the USD/MXN at 20.37 (-0.1%)**
- **Crude oil has fully recovered the losses experienced a week ago and is printing its strongest weekly gain in almost a year, amid some moderation of the uncertainty on lower demand joining a production shut down in the Gulf of Mexico. Metals trade mixed amid narrow ranges**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,213.12	-0.5%
S&P 500	4,470.00	-0.6%
Nasdaq	14,945.81	-0.6%
IPC	52,290.69	-0.1%
Ibovespa	118,724.00	-1.7%
Euro Stoxx 50	4,169.87	-0.3%
FTSE 100	7,124.98	-0.4%
CAC 40	6,666.03	-0.2%
DAX	15,793.62	-0.4%
Nikkei 225	27,742.29	0.1%
Hang Seng	25,415.69	-1.1%
Shanghai Composite	3,501.66	-1.1%
<i>Sovereign bonds</i>		
2-year Treasuries	0.24	0pb
10-year Treasuries	1.35	1pb
28-day Cetes	4.47	-1pb
28-day TIE	4.75	0pb
2-year Mbono	5.53	-3pb
10-year Mbono	7.03	2pb
<i>Currencies</i>		
USD/MXN	20.36	0.6%
EUR/USD	1.18	-0.2%
GBP/USD	1.37	-0.5%
DXY	93.06	0.3%
<i>Commodities</i>		
WTI	67.42	-1.4%
Brent	71.07	-1.6%
Mexican mix	64.57	-1.3%
Gold	1,792.43	0.1%
Copper	425.95	-0.4%

Source: Bloomberg

## Corporate Debt

- **HR Ratings downgraded ION Financiera's rating to 'HR BBB-' from 'HR BBB', modifying the outlook from Negative to Stable and ratifying the short-term rating at 'HR3'. According to the agency, the downgrade revision is based on the deterioration of its profitability for three consecutive years**
- **S&P Global Ratings confirmed CIENCB 15 (Multiple Contribution Fund FF) ratings at 'mxAAA', due to S&P considers that there is an almost certain probability that the federal government will provide timely and sufficient support for the fulfillment of the issuer's financial obligations**
- **HR Ratings ratified the rating of the UNFINCB 17-3 / 17-4 issues (Unfin's ABS) at 'HR AAA (E)' with a Stable outlook, derived from the Maximum Delay supported by the issuances**

## 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
<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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