

Financial Markets Daily

August 31, 2021

Main drivers for the financial markets today...

- **Stock markets higher except for China, impacted by the government's cutback in the amount of time that children can play online and the decline in the services PMI. USD lower and government bond yields up as market participants perceive that the Fed will reduce monetary stimulus at a very gradual pace**
- **Today's agenda in Mexico includes Banxico's Quarterly Report and banking credit. In the US, housing prices and the Conference Board's consumer confidence index. Later, Chile will announce its monetary policy decision and the PMI manufacturing will be released in China**
- **In the Eurozone, the governor of Austria's central bank and member of the ECB, Robert Holzmann, said that the institution should start debating how to reduce emergency stimulus measures (PEPP). This comes before next week's decision and after inflation surprised to the upside in August at 3% y/y, albeit with the latter expected to be temporary**
- **Eurozone countries could reintroduce travel curbs to US visitors as COVID-19 cases rebound, measures that had been lifted in June. Although these may only apply to unvaccinated individuals, it represents a relevant risk to the region's battered tourism sector**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Consumer prices - Aug (P)	% y/y	--	2.7	2.2
5:00	Core - Aug (P)	% y/y	--	1.5	0.7
Brazil					
8:00	Unemployment rate - Jun	%	--	14.5	14.6
United States					
9:00	S&P/CoreLogic housing prices - Jun	% y/y	--	18.6	17.0
10:00	Consumer confidence* - Aug	index	125.0	123.0	129.1
Mexico					
10:00	Banking credit - Jul	% y/y	-10.8	--	-11.8
10:00	International reserves - Aug 27	US\$bn	--	--	193.2
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 5-year Mbono (Mar'26); 10-year Udibono (Nov'31) and 5-year Bondes D				
13:00	Banxico's Quarterly Report				
Chile					
18:00	Monetary policy decision (BCCh)	%	--	1.25	0.75
China					
21:45	Manufacturing PMI (Caixin)* - Aug	index	--	50.1	50.3

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	4,520.75	-0.1%
Euro Stoxx 50	4,191.71	-0.2%
Nikkei 225	28,089.54	1.1%
Shanghai Composite	3,543.94	0.4%
<i>Currencies</i>		
USD/MXN	20.10	-0.2%
EUR/USD	1.18	0.3%
DX	92.42	-0.2%
<i>Commodities</i>		
WTI	68.67	-0.8%
Brent	72.78	-0.9%
Gold	1,813.29	0.2%
Copper	436.35	-0.3%
<i>Sovereign bonds</i>		
10-year Treasury	1.29	1pb

Source: Bloomberg

Equities

- **Mixed movements in equity markets as investors are cautious due to comments from an ECB member that it may be time to assess pandemic stimulus programs, new rules in China limiting the time children can play online video games, and while the perception of a gradual monetary stimulus reduction by the Fed prevails. On the corporate front, Zoom shares fall in pre-market trading as sales forecast shows a slowdown**
- **In Asia most markets closed positive. In Europe stocks drop, the Euro Stoxx decreases 0.2%. Shares from communication services, energy, and materials sector lead losses. In turn, in the US the futures of main indices show small changes pointing to a flat opening, after S&P 500 hit new record highs in the previous session and targeting its seventh consecutive month of gains**

Sovereign fixed income, currencies and commodities

- **Activity in sovereign bonds under pressure mainly in Europe where bonds adjust ~4bps excluding the UK, while the US Treasuries' curve prints adjustments of +1bp from the 5-year zone onwards. Yesterday, Mbonos experienced closing figures of ±1bp**
- **The USD weakens extending a performance in this way since Powell's comments at Jackson Hole, registering today a positive balance in G10 only with JPY slightly negative, also with a positive balance across EM FX. In the latter the USD/MXN strengthens 0.2% to 20.10**
- **Crude oil prices trade with modest losses, although head for their weakest month in the year for the WTI. The market assimilates latest Chinese data and waits for OPEC+ meeting tomorrow where a supply increase agreement is expected. Metals trade positive amid narrow ranges**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,399.84	-0.2%
S&P 500	4,528.79	0.4%
Nasdaq	15,265.89	0.9%
IPC	52,602.07	0.3%
Ibovespa	119,740.00	-0.8%
Euro Stoxx 50	4,198.80	0.2%
FTSE 100	7,148.01	0.0%
CAC 40	6,687.30	0.1%
DAX	15,887.31	0.2%
Nikkei 225	27,789.29	0.5%
Hang Seng	25,539.54	0.5%
Shanghai Composite	3,528.15	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	0.20	-1pb
10-year Treasuries	1.28	-3pb
28-day Cetes	4.44	-2pb
28-day TIE	4.75	0pb
2-year Mbono	5.49	0pb
10-year Mbono	6.98	-2pb
<i>Currencies</i>		
USD/MXN	20.14	-0.3%
EUR/USD	1.18	0.0%
GBP/USD	1.38	0.0%
DXY	92.65	0.0%
<i>Commodities</i>		
WTI	69.21	0.7%
Brent	73.41	1.0%
Mexican mix	66.47	0.9%
Gold	1,810.34	-0.4%
Copper	437.55	1.0%

Source: Bloomberg

Corporate Debt

- **HR Ratings affirmed Banorte's ratings at 'HR AAA' with Stable outlook and at 'HR+1' for the short-term, based on the importance the bank holds in Mexico's financial system, given its market participation is considered as systemic risk**
- **Moody's assigned credit ratings to the four proposed development bank issuances by Banobras, BANO 21 / 21-4X / 21-5X / 21U, at 'Aaa.mx' and 'Baa1' on national and global scale, respectively, in line with Mexico's sovereign rating**
- **Notice of partial early call for issuance TOYOTA 17-3 for MXN 1.25 billion on September 6, 2021. Once the principal payment takes place, the adjusted notional value will total MXN 50.00**

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>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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