

Financial Markets Daily

May 20, 2022

Main drivers for the financial markets today...

- **Stock markets higher, government bond yields mixed and USD little changed, with investor sentiment boosted by China's decision to cut the 5-year prime loan rate, mildly attenuating concerns about an economic slowdown**
- **With scarce data, focus will be on president Biden's trip to Asia and the banking sector expectations survey in Mexico. In the Eurozone, final consumer confidence data for May**
- **Specifically, the PBoC cut the 5-year prime loan rate to 4.45% from 4.60%, a record reduction and more than expected. The government aims to stimulate mortgage demand given sector weakness and economic risks from recent lockdowns**
- **Russia will stop sending natural gas to Finland on Saturday as the latter country denied paying in rubles. Although the effect will likely be limited, the country joins Poland and Bulgaria in the same situation. In this sense, lower energy supply keeps threatening growth and inflation in the region**
- **In a speech yesterday, Esther George from the Kansas City Fed –and a voting member this year– said that she is comfortable with 50bps hikes in each of the next two central bank decisions. Moreover, she stated that the 'rough equity market' will not derail the Fed's plans**
- **On the other hand, more ECB members are showing a hawkish bias. Ignazio Vizzo, of the Governing Council, said that they may be ready to increase rates for the first time in a decade in July**
- **May's consumer confidence in the UK fell by 2pts to -40pts, its worst level in 48 years. On the other hand, April's retail sales surpassed expectations as they rebounded 1.4% m/m, reversing the previous month contraction**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted by
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
10:00	Consumer Confidence* - May (F)	index	--	-21.5	-22.0
<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	3,936.75	1.0%
Euro Stoxx 50	3,702.11	1.7%
Nikkei 225	26,739.03	1.3%
Shanghai Composite	3,146.57	1.6%
<i>Currencies</i>		
USD/MXN	19.91	0.0%
EUR/USD	1.06	-0.1%
DXY	102.83	0.1%
<i>Commodities</i>		
WTI	112.45	0.2%
Brent	112.55	0.5%
Gold	1,846.11	0.2%
Copper	431.95	0.8%
<i>Sovereign bonds</i>		
10-year Treasury	2.85	1pb

Source: Bloomberg

Equities

- **We conclude the week with positive movements in the stock markets and greater risk-appetite, supported by some optimism generated by the measures implemented in China to boost the economy, after another week of high volatility**
- **Futures in the US anticipate a positive opening, with the S&P500 and Nasdaq trading more than 1% above their theoretical values, expecting greater volatility at the close due to the monthly expiration of options**
- **Europe trades with widespread gains, with the Eurostoxx advancing over 1.6%, erasing the week's losses, with the automakers sector leading the gains and with basic resources stocks boosted by gains in industrial metals. The consumer products sector is the only one with losses after Richemont lowered its expectations. In Asia, the rises of the Hang Seng and the indices in China stand out after the measures commented. In Mexico, the Mexbol Index could approach to 52,000pts**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds, with European assets adjusting up to +7bps while the US Treasury curve loses 1bps on average. Yesterday, the Mbonos' curve posted gains of 5bps on average and the 10-year benchmark closed at 8.80% (-5bps)**
- **The dollar trades with few changes (DXY +0.2%) while G-10 and emerging currencies post mixed movements. In developed currencies, NZD (+0.3%) and NOK (-0.2%) are at the ends. In EM the trade is capped by RUB (+3.2%) and ZAR (-0.2%). The Mexican peso is little changed at 19.91 per dollar**
- **Crude oil prices advance 0.3% on average as fears of a slowdown in China and purchases of cheap Russian crude oil to increase strategic reserves diminish. In metals, the positive bias prevails in both industrial and precious metals**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,253.13	-0.8%
S&P 500	3,900.79	-0.6%
Nasdaq	11,388.50	-0.3%
IPC	51,289.91	1.8%
Ibovespa	107,005.22	0.7%
Euro Stoxx 50	3,640.55	-1.4%
FTSE 100	7,302.74	-1.8%
CAC 40	6,272.71	-1.3%
DAX	13,882.30	-0.9%
Nikkei 225	26,402.84	-1.9%
Hang Seng	20,120.68	-2.5%
Shanghai Composite	3,096.97	0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	2.61	-6pb
10-year Treasuries	2.84	-5pb
28-day Cetes	7.03	6pb
28-day TIE	7.20	0pb
2-year Mbono	8.92	-4pb
10-year Mbono	8.82	-5pb
<i>Currencies</i>		
USD/MXN	19.92	-0.6%
EUR/USD	1.06	1.2%
GBP/USD	1.25	1.0%
DXY	102.72	-1.0%
<i>Commodities</i>		
WTI	112.21	2.4%
Brent	112.04	2.7%
Mexican mix	107.02	1.8%
Gold	1,841.85	1.4%
Copper	428.30	2.5%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings affirmed Grupo Industrial Saltillo's (GISSA) ratings at 'AA-(mex)' with a Stable outlook. The ratings reflect GISSA's strong business profile, based on the product and geographical diversification as well as a good business position in the different sectors it operates**
- **Fibra Shop announced that it closed a five-year authorized line of credit of MXN 1.8 billion. The funds from that line of credit will be allocated to early payment of the FSHOP 17 bond issuance, whose nominal value is MXN 1.4 billion pesos, expiring on July 19, and for general corporate uses**

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