

# Financial Markets Daily

May 24, 2022

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

- **Stock markets lower, with government bond yields negative and the USD with small changes given fears over the global economic backdrop. We highlight declines in tech stocks, dragged by SNAP given less promising estimates**
- **On monetary policy, attention will be on Jerome Powell’s (Fed President) speech this morning. Meanwhile, Christine Lagarde (ECB President) mentioned that given that inflationary pressures in Europe are stemming from supply bottlenecks and not from demand pressures, it is not necessary to remove stimulus at an accelerated pace**
- **In China, the government announced a plan of 33 policies to support business and consumer spending. Among them we note fiscal measures (including tax rebates), additional resources for banks and actions to improve logistics. It is expected that the stimulus has a spillover effect of “tens of billions of dollars”, without knowing an exact amount**
- **On economic data, May’s PMIs in Germany were mixed, with progress in manufacturing but with services weaker. Meanwhile, both measures for the Eurozone aggregate declined. Finally, in the UK both sectors declined strongly. In the US attention will center on these same figures as well as April’s new house sales**
- **In Mexico, INEGI published 1H-May’s inflation at -0.06% 2w/2w, high considering a favorable seasonality. The core came in at 0.31% 2w/2w. With these results, annual inflation came in at 7.58% (previous: 7.62%), with the core at 7.24% (previous: 7.27%)**

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Winners of the award for best economic  
forecasters for Mexico in 2021, granted by  
Refinitiv



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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Consumer prices - 15 May	% m/m	-0.01	-0.06	0.18
7:00	Core - 15 May	% m/m	0.44	0.28	0.27
7:00	Consumer prices - 15 May	% y/y	7.64	7.60	7.65
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 3-year Mbono (Mar'25); 30-year Udibono (Nov'50) and 1-, 2-, 3-, and 5-year Bondes F				
<i>United States</i>					
9:45	Manufacturing PMI* - May (P)	index	57.2	57.8	59.2
9:45	Services PMI* - May (P)	index	56.0	55.3	55.6
10:00	New home sales** - Apr	thousands	--	750	763
12:20	Fed's Powell makes welcoming remarks at an Economic Summit				

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	3,933.00	-1.0%
Euro Stoxx 50	3,684.49	-0.6%
Nikkei 225	26,748.14	-0.9%
Shanghai Composite	3,070.93	-2.4%
<i>Currencies</i>		
USD/MXN	19.84	-0.2%
EUR/USD	1.07	0.3%
DXY	102.01	-0.1%
<i>Commodities</i>		
WTI	110.61	0.3%
Brent	113.80	0.3%
Gold	1,859.24	0.3%
Copper	429.40	-1.2%
<i>Sovereign bonds</i>		
10-year Treasury	2.81	-4pb

Source: Bloomberg

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## Equities

- **Stock markets are trading lower as investor’s concerns about the impact of a tighter Fed stance could have on growth continue**
- **Futures in the US anticipate a negative opening with the S&P500 trading 1.0% below its theoretical value. The technology sector operates with significant losses, after Snap – owner of Snapchat – warned of lower profits and revenues amid deteriorating macro trends, and falling ~30% in the pre-market trading**
- **In Europe, we also see widespread falls with the utilities sector showing the biggest declines after the UK mentioned the possibility of a windfall tax. Asia also closed negative, after having already digested the measures implemented the previous week to support growth**

## Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds amid risk-off mood, with European assets adjusting around -2bps while the US Treasury curve gains 3bps on average. Yesterday the Mbonos' curve steepened, as a result of gains of 4bps on the short-end and losses of up to +3bps on long-term securities**
- **The dollar trades with few changes (DXY -0.1%) amid mixed performance in G-10 and EM currencies. In the former group, trading is capped by JPY (+0.3%) and GBP (-0.7%) while in the latter, RUB (+5.0%) and TRY (-1.2%) are at the ends. The Mexican peso appreciated 0.2% to 19.83 per dollar**
- **Crude oil prices advance 0.4% on the possibility that the EU will reach an agreement on banning Russian crude oil imports. In metals, gold print 0.3% gains, while industrials trade in negative territory**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,880.24	2.0%
S&P 500	3,973.75	1.9%
Nasdaq	11,535.27	1.6%
IPC	51,376.89	-0.3%
Ibovespa	110,345.82	1.7%
Euro Stoxx 50	3,708.39	1.4%
FTSE 100	7,513.44	1.7%
CAC 40	6,358.74	1.2%
DAX	14,175.40	1.4%
Nikkei 225	27,001.52	1.0%
Hang Seng	20,470.06	-1.2%
Shanghai Composite	3,146.86	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	2.62	4pb
10-year Treasuries	2.85	7pb
28-day Cetes	7.05	8pb
28-day TIIE	7.21	1pb
2-year Mbono	8.89	-1pb
10-year Mbono	8.69	0pb
<i>Currencies</i>		
USD/MXN	19.87	0.1%
EUR/USD	1.07	1.2%
GBP/USD	1.26	0.9%
DXY	102.08	-1.0%
<i>Commodities</i>		
WTI	110.29	-2.6%
Brent	113.42	0.8%
Mexican mix	108.18	0.3%
Gold	1,853.59	0.4%
Copper	434.55	1.6%

Source: Bloomberg

## Corporate Debt

- **S&P Global Ratings affirmed PACCAR Financial Mexico's ratings at 'mxAAA' and 'mxA-1+'; the outlook is Stable. According to the agency, the company has shown stability in the business despite remaining focused on the heavy vehicle segment in Mexico. Also, they expect the financial institution to maintain very solid capitalization levels, while maintaining manageable asset quality and a stable financing base**
- **PCR Verum ratified Hospitales MAC's rating at 'AA-/M' and '1/M'. Simultaneously, the 'AA-/M' ratings for each of the SALUD 20 and 21 issuances were affirmed. The outlook is stable. According to the agency, Hospitales MAC's ratings reflect the good evolution in its financial performance, together with the significant growth in its installed capacity**

## Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, David Alejandro Arenas Sánchez, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Oscar Rodolfo Olivos Ortiz, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia 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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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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