

Financial Markets Daily

May 27, 2022

Main drivers for the financial markets today...

- **Stock markets higher, government bond yields little changed, and USD on the downside. Investor sentiment has improved on the back of attractive valuations after the sell-off in recent weeks, coupled with earnings that suggest the US economy remains resilient despite inflation worries and higher interest rates**
- **Investors focused today on the PCE deflator, trade balance and personal income and spending during April in the US. Moreover, NATO's Parliamentary Assembly begins today in Lithuania**
- **According to some surveys and interviews, US businesses are starting to get increasingly cautious about wage increases due to their impact on profit margins and final demand for their goods and services. If this trend consolidates, it would be a positive signal for the Fed**
- **Russia must pay around US\$ 100 million in interest from a couple of foreign bonds today. The government said these resources have already been deposited. Nevertheless, nervousness prevails about the possibility of a default after the US Treasury imposed additional restrictions to ban these payments**
- **China's industrial payments fell 8.5% y/y in April, its worst performance since the same month of 2020. This shows the strong impact that new COVID-19 dynamics have had in underlying economic dynamism. Moreover, tensions with the US could rise as the latter country plans to start new negotiations to increase economic ties with Taiwan**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	Monetary aggregates (M3)* - Apr	% y/y	--	6.3	6.3
<i>United States</i>					
8:30	Trade balance* - Apr	US\$bn	--	-114.8	-127.1
8:30	Personal income* - Apr	% m/m	--	0.5	0.5
8:30	Personal spending* - Apr	% m/m	--	0.7	1.1
8:30	Real personal spending* - Apr	% m/m	0.7	0.7	0.2
8:30	PCE Deflator* - Apr	% m/m	--	0.2	0.9
8:30	Core* - Apr	% m/m	--	0.3	0.3
8:30	PCE Deflator - Apr	% y/y	--	6.2	6.6
8:30	Core - Apr	% y/y	--	4.9	5.2
10:00	U. of Michigan Confidence* - May (F)	index	59.1	59.1	59.1

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	4,065.50	0.2%
Euro Stoxx 50	3,773.95	0.9%
Nikkei 225	26,781.68	0.7%
Shanghai Composite	3,130.24	0.2%
<i>Currencies</i>		
USD/MXN	19.74	-0.1%
EUR/USD	1.07	-0.1%
DXY	101.84	0.0%
<i>Commodities</i>		
WTI	113.57	-0.5%
Brent	117.15	-0.2%
Gold	1,859.09	0.5%
Copper	427.65	0.5%
<i>Sovereign bonds</i>		
10-year Treasury	2.72	-2pb

Source: Bloomberg

Equities

- This Friday, stock markets present widespread gains on dip-buying, after the strong adjustments of previous weeks due to fears of a recession, and today highlighting the advance of technology companies in China. In the US, futures also anticipate a positive opening, with the S&P500 trading 0.2% above its theoretical value, in the face of resilient consumers, despite inflationary pressures
- Europe is also on the rise with the technology and consumer sectors also leading the way; while utilities and energy companies fall, affected by the UK government's announcement to implement a windfall tax on oil and gas companies. In Asia, stock markets closed positive after the top two Internet companies reported higher-than-expected revenue, while China Faw Group announced it was interested in a major stake in DiDi. In Mexico, the Mexbol Index could approach to 52,500pts

Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds, with European assets adjusting up to 6bps, while the US Treasury curve posts gains of up to 3bp at long-term tenors. Yesterday, the Mbonos' curve flattened, as a result of 9bps pressures on the short- and mid-end, as well as 1bp gains on the long-end
- The dollar trades with few changes on the DXY, while gains in G-10 currencies prevail and emerging currencies trade with mixed changes. In the first group NZD (+0.6%) is the strongest while in the second group KRW (+0.9%) and RUB (-3.1%) are at the ends. The Mexican peso appreciates 0.1% to 19.74 per dollar, extending yesterday's gains
- Crude oil prices fall 0.4% on average, the G-7 asked OPEC+ to increase production to counteract the effect of the war in Ukraine. In metals, gold rallies 0.5% while industrials are trading with gains

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,637.19	1.6%
S&P 500	4,057.84	2.0%
Nasdaq	11,740.65	2.7%
IPC	52,143.00	0.8%
Ibovespa	111,889.88	1.2%
Euro Stoxx 50	3,740.31	1.7%
FTSE 100	7,564.92	0.6%
CAC 40	6,410.58	1.8%
DAX	14,231.29	1.6%
Nikkei 225	26,604.84	-0.3%
Hang Seng	20,116.20	-0.3%
Shanghai Composite	3,123.11	0.5%
<i>Sovereign bonds</i>		
2-year Treasuries	2.48	-2pb
10-year Treasuries	2.75	0pb
28-day Cetes	7.07	6pb
28-day TIE	7.21	0pb
2-year Mbono	8.92	8pb
10-year Mbono	8.62	3pb
<i>Currencies</i>		
USD/MXN	19.77	-0.3%
EUR/USD	1.07	0.4%
GBP/USD	1.26	0.2%
DXY	101.83	-0.2%
<i>Commodities</i>		
WTI	114.09	3.4%
Brent	117.40	3.0%
Mexican mix	110.44	2.1%
Gold	1,850.63	-0.2%
Copper	425.90	0.1%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings downgraded Vinte's long-term ratings on the global scale to 'BB-' from 'BB' and on the national scale to 'mxA-' from 'mxA'. Outlook is Stable. According to the agency, the downgrade reflects its expectation that Vinte's adjusted leverage will remain above 2.0x in the next 12-18 months. Likewise, it expects that Vinte's revenues will continue to grow close to 10%, thanks to its high-quality product, and that its profitability will gradually recover despite the volatility of the economy
- Currently, Vinte has five issuances in the national debt market, with an outstanding amount of MXN 2.1 billion, including four sustainable issues, VINTE 18X, 19X, 19-2X and 20X. It is important to mention that the VINTE 18X issuance has a partial guarantee by IDB Invest for the lesser of MXN 250 million or 50% of the outstanding

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