

Financial Markets Daily

May 30, 2022

Main drivers for the financial markets today...

- **Stock markets and government bond yields higher, while the USD declines, with improved sentiment as China reduced COVID-19 restrictions and announced measures to boost their economy. Nevertheless, high inflation figures in Europe maintain concerns about monetary policy dynamics**
- **US markets closed today in remembrance of Memorial Day. In other regions, May's consumer confidence in the Eurozone stood at 105.0pts, virtually in line with consensus, with the region's leaders discussing the prohibition of oil imports from Russia**
- **Market focus this week on May's employment reports in the US on fears of a global slowdown, but this country has stayed resilient. Other figures include PMI indicators in China and inflation in the Eurozone, both for the same month. Moreover, the *Quarterly Report* by Banxico**
- **Events include a European Union leaders' meeting to discuss the war in Ukraine and a virtual meeting of OPEC and allies. In Colombia, this weekend's first round of the presidential election showed that Rodolfo Hernandez and Gustavo Petro will go to the 2nd round on June 19th**
- **Other economic data releases in the US include housing prices (Mar), factory and durable goods orders (Apr), ISM indicators for manufacturing and services, vehicle sales and consumer confidence (May)**
- **Mexico's agenda also includes the public finance report, banking credit, IMEF's PMIs indicators, consumer confidence (May) and the expectations survey from Banxico**

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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
United States					
	Markets closed in remembrance of Memorial Day				
Eurozone					
5:00	Economic confidence* - May	index	--	104.9	105.0
5:00	Consumer Confidence* - May (F)	index	--	--	-21.1
8:00	GER Consumer prices - May (P)	% y/y	--	7.6	7.4
Mexico					
15:30	Public finances (PSBR, year-to-date) - Apr	MXNmn	--	--	-112.9
China					
21:30	Manufacturing PMI* - May	index	--	49.0	47.4
21:30	Non-manufacturing PMI* - May	index	--	45.0	41.9
21:30	Composite PMI* - May	index	--	--	42.7

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	4,189.00	0.8%
Euro Stoxx 50	3,838.29	0.8%
Nikkei 225	27,369.43	2.2%
Shanghai Composite	3,149.06	0.6%
<i>Currencies</i>		
USD/MXN	19.46	-0.6%
EUR/USD	1.08	0.4%
DX	101.39	-0.3%
<i>Commodities</i>		
WTI	115.50	0.4%
Brent	119.81	0.3%
Gold	1,854.70	0.1%
Copper	433.35	0.6%
<i>Sovereign bonds</i>		
10-year Treasury	2.74	0pb

Source: Bloomberg

Equities

- The week starts with positive movements in main stock indices on the back of optimism about the reduced number of infections in China, extending gains of the previous week. However, a limited trading volume is anticipated as markets in the US remain closed on 'Memorial Day' Holiday
- Markets in Asia closed with widespread gains, standing out the 2.2% in Japan's Nikkei and the 2.1% in Hong Kong's Hang Seng. In Europe, advances continue to spread, with the "luxury" sector leading the way, as plans of reopening activities in China support sentiment
- In the US, futures are trading positive despite the holiday, while the S&P500 has managed to erase May's losses in the face of portfolio's rebalancing in recent days. In Mexico, the Mexbol Index could consolidate around 52,500pts

Sovereign fixed income, currencies and commodities

- US markets are closed due to Memorial Day, decreasing liquidity levels. Widespread losses in sovereign bonds, with European rates printing an average 8bps sell-off. In Mexico, the Mbonos' yield curve flattened last week with average gains of 16bps from the belly to the long-end
- Dollar retreats amid a favorable performance in most developed currencies, except for JPY (-0.2%) and CHF (-0.3%). In EM, the bias is also positive, with RUB (+5.2%) outperforming, followed by KRW (+1.4%). The MXN trades past its 19.50psychological level for the first time since March 2020, at 19.46 per dollar (+0.6%)
- Crude-oil advances as China eased lockdowns and the EU works on a plan to ban Russian crude oil imports. Widespread gains in metals, with nickel rallying 7.7%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,212.96	1.8%
S&P 500	4,158.24	2.5%
Nasdaq	12,131.13	3.3%
IPC	52,463.55	0.6%
Ibovespa	111,941.68	0.0%
Euro Stoxx 50	3,808.86	1.8%
FTSE 100	7,585.46	0.3%
CAC 40	6,515.75	1.6%
DAX	14,462.19	1.6%
Nikkei 225	26,781.68	0.7%
Hang Seng	20,697.36	2.9%
Shanghai Composite	3,130.24	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	2.48	0pb
10-year Treasuries	2.74	-1pb
28-day Cetes	7.08	1pb
28-day TIE	7.22	1pb
2-year Mbono	8.97	5pb
10-year Mbono	8.53	-9pb
<i>Currencies</i>		
USD/MXN	19.58	-0.9%
EUR/USD	1.07	0.1%
GBP/USD	1.26	0.2%
DXY	101.67	-0.2%
<i>Commodities</i>		
WTI	115.07	0.9%
Brent	119.43	1.7%
Mexican mix	112.20	1.6%
Gold	1,853.72	0.2%
Copper	430.65	1.1%

Source: Bloomberg

Corporate Debt

- May will close with an issued amount of MXN 19.1 billion, comparing negatively (-39.7%) with the same month of 2021. Going forward, we expect placements to continue in June, still with preference in unsecured issuances with high credit ratings
- FEFA reported that it received from Sustainalytics US the annual review of the first report of the FEFA 20G Social Bond, concluding that the projects financed with the proceeds of the issuance were used as declared in the bond's reference framework. The report reported that 100% of the proceeds were used in projects in the categories of entrepreneurship (49%), work initiative and productivity (39%), as well as financial inclusion (12%) for the benefit of 10,007 women

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