

Financial Markets Daily

June 1, 2022

Main drivers for the financial markets today...

- **Stock markets with small changes, government bond yields mixed and the USD stronger. Investors continue debating over the magnitude of tightening needed to combat inflationary pressures, while analysts revise tech estimates lower**
- **Yesterday, Treasury Secretary, Janet Yellen, admitted that she was wrong last year by stating that inflation would cease to be a problem. Meanwhile, on the monetary front, Bostic (Atlanta Fed) mentioned that his suggestion of making a pause in September must not be taken as a sign of market rescue. Today we will be looking into comments from Williams (NY Fed) and Bullard (St. Louis Fed)**
- **Its expected that the US government announces support measures of US\$2.1 billion to support food production chains in the country. In addition, President Biden mentioned that he will send heavy missile systems to Ukraine to support the war effort**
- **On economic data, the manufacturing PMI in the Eurozone was slightly better than expected at 54.6pts, partly boosted by a better reading in Germany. In the US we will also be looking into these figure, the manufacturing ISM and auto sales**
- **In Mexico we have a tight schedule, highlight the release of Banxico's 1Q22 Quarterly Report. In addition, we expect IMEF's PMIs for May -expecting a slight decline in both indicators-, April's remittances -at US\$4,543.8 million- and Banxico's survey**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
9:45	Manufacturing PMI* - May (F)	index	57.5	57.5	57.5
10:00	ISM manufacturing* - May	index	54.8	54.5	55.4
11:30	Fed's Williams Makes Opening Remarks				
13:00	Fed's Bullard Discusses the Economic and Policy Outlook				
14:00	Beige Book				
	Total vehicle sales** - May	thousands	--	14.3	14.3
<i>Mexico</i>					
10:00	Family remittances - Apr	US\$m	4,543.8	4,450.0	4,680.6
10:00	Survey of expectations (Banxico)				
13:00	Manufacturing PMI (IMEF)* - May	index	51.3	--	52.5
13:00	Non-manufacturing PMI (IMEF)* - May	index	52.3	--	53.0
13:30	Banxico's Quarterly Report				

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	4,137.50	0.2%
Euro Stoxx 50	3,786.90	-0.1%
Nikkei 225	27,457.89	0.7%
Shanghai Composite	3,182.16	-0.1%
<i>Currencies</i>		
USD/MXN	19.69	0.2%
EUR/USD	1.07	-0.2%
DXY	102.04	0.3%
<i>Commodities</i>		
WTI	115.86	1.0%
Brent	116.90	-4.8%
Gold	1,830.83	-0.4%
Copper	428.60	-0.2%
<i>Sovereign bonds</i>		
10-year Treasury	2.88	3pb

Source: Bloomberg

Equities

- **Stock markets with a negative bias, as investors focus on the possibility that a more aggressive rise in interest rates will accentuate the likelihood of a recession, while high food and energy prices are hurting consumption**
- **Futures in the US anticipate an opening without a clear trend with the average of the main indices trading 0.2% above their theoretical value. Salesforce is surging more than 8.0% on pre-market after increasing its annual profit forecast due to stability in demand. Meanwhile, the Eurostoxx adjusted -0.1%, with the largest corrections in the energy and real estate sectors. Moreover, Asia closed mixed, highlighting the Nikkei's rise of 0.7% and the Hang Seng's decline of 0.6%, impacted by concerns of new Covid-19 outbreaks**
- **In Mexico, the Mexbol Index may stay trading between 51,500 and 51,800pts**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds with European assets adjusting +/-1bp while the US Treasuries yield curve loses up to 2bps. Yesterday, the Mbonos' curve closed with losses of 11bps on average and the 10-year benchmark ended at 8.62% (+15bps)**
- **The dollar strengthens (DXY +0.2%) as developed and EM currencies trade with a negative bias. In the first group, JPY (-0.6%) is the weakest one, while in emerging markets, trading is capped by ZAR (+0.7%) and TWD (-0.8%). The Mexican peso extends yesterday's losses by depreciating 0.3% to 19.71 per dollar**
- **Oil prices advance 1.2% with investors awaiting tomorrow's OPEC+ ministerial meeting and the approval of sanctions against Russia including a partial oil embargo. Metals prices are predominantly negative, with aluminum falling 1.3%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,990.12	-0.7%
S&P 500	4,132.15	-0.6%
Nasdaq	12,081.39	-0.4%
IPC	51,752.53	-0.8%
Ibovespa	111,350.51	0.3%
Euro Stoxx 50	3,789.21	-1.4%
FTSE 100	7,607.66	0.1%
CAC 40	6,468.80	-1.4%
DAX	14,388.35	-1.3%
Nikkei 225	27,279.80	-0.3%
Hang Seng	21,415.20	1.4%
Shanghai Composite	3,186.43	1.2%
<i>Sovereign bonds</i>		
2-year Treasuries	2.56	8pb
10-year Treasuries	2.84	11pb
28-day Cetes	7.01	-8pb
28-day TIE	7.23	0pb
2-year Mbono	9.06	9pb
10-year Mbono	8.65	14pb
<i>Currencies</i>		
USD/MXN	19.66	0.6%
EUR/USD	1.07	-0.4%
GBP/USD	1.26	-0.4%
DXY	101.75	0.1%
<i>Commodities</i>		
WTI	114.67	-0.3%
Brent	122.84	1.0%
Mexican mix	113.83	1.5%
Gold	1,837.35	-1.0%
Copper	429.60	-0.2%

Source: Bloomberg

Corporate Debt

- **PEMEX announced an invoice refinancing operation in exchange for PEMEX financial debt for an amount of around US\$2.0 billion**
- **S&P Global Ratings increased Consorcio ARA's rating to 'mxAA-' from 'mxA+' with a Stable outlook. The rating upgrade reflects the agency's opinion that ARA will keep a prudent financial policy in the next two years, while it preserves key factors of its credit profile such as a very low leverage and a strong liquidity position**
- **S&P Global Ratings increased Inmobiliaria Ruba and its unsecured issuance's ratings (RUBA 17) with a Stable outlook. The ratings upgrade reflects the agency's opinion that Ruba will keep a conservative growth strategy and a prudent financial policy in the following years, including leverage below 1.5x and a strong liquidity position**

Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, 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, 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	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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