

Financial Markets Daily

June 3, 2022

Main drivers for the financial markets today...

- **Stock markets positive with government bond yields higher, S&P500 futures down and USD with small changes, with the latter awaiting the US employment report, which will be an important indicator of the current state of the economy**
- **Attention remains on the OPEC+ agreement to increase its oil production in the summer. The adjustment would cover 0.4% of global demand. Markets have taken this decision as a possible first step for Saudi Arabia, among other members, to fill in the gap in production left by the sanctions on Russia. In this context, the European Union signed another package of sanctions that implies that 90% of Russian oil imports to the EU will be banned until the end of 2022**
- **On economic data, in the US, markets will be looking into May's employment report, anticipating 325 thousand new jobs and with the unemployment rate at 3.6%, as well as the implications that these will have on the Fed decisions. On other regions, we highlight the retail sales (Apr) in the Eurozone surprised to the downside (-1.3% m/m)**
- **Lastly, on the monetary policy front, we will have comments from Brainard, who yesterday stated that 50bps hikes in June and July are reasonable considering figures known at that moment. Regarding the ECB, the market sees the beginning of monetary tightening with small increases, unlike 50bps or higher hikes made by other central institutes**

Alejandro Padilla
Chief Economist and
Head of Research
alejandro.padilla@banorte.com



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research
and Financial Markets Strategy
juan.alderete.macal@banorte.com

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com

Manuel Jiménez Zaldivar
Director of Market Strategy
manuel.jimenez@banorte.com

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
2:00	GER Trade balance - Apr	EURbn	--	4.3	13.1
5:00	EZ Retail sales* - Apr	% m/m	--	0.2	-0.4
<i>Brazil</i>					
8:00	Industrial production - Apr	% y/y	--	-0.5	-0.2
8:00	Industrial production* - Apr	% m/m	--	0.2	0.3
<i>United States</i>					
8:30	Nonfarm payrolls* - May	thousands	325	325	428
8:30	Unemployment rate* - May	%	3.6	3.5	3.6
9:45	Services PMI* - May (F)	index	--	53.6	53.5
9:45	Composite PMI* - May (F)	index	--	53.8	53.8
10:00	ISM services* - May	index	--	56.5	57.1
10:30	Fed's Brainard discusses the Community Reinvestment Act				

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	4,146.50	-0.7%
Euro Stoxx 50	3,804.08	0.2%
Nikkei 225	27,761.57	1.3%
Shanghai Composite	3,195.46	0.0%
<i>Currencies</i>		
USD/MXN	19.55	0.1%
EUR/USD	1.07	-0.1%
DXY	101.91	0.1%
<i>Commodities</i>		
WTI	116.10	-0.7%
Brent	116.99	-0.5%
Gold	1,865.57	-0.2%
Copper	452.00	-0.7%
<i>Sovereign bonds</i>		
10-year Treasury	2.92	1pb

Source: Bloomberg

Equities

- We conclude the week with almost widespread gains in stock markets, following yesterday's inertia, although investors remain cautious ahead of non-farm payrolls in the US
- Futures anticipate a negative opening, with the S&P500 trading 0.7% below its theoretical value, after Elon Musk mentioned it will cut Tesla's payroll on a challenging economic outlook and dragging down the performance of the electric vehicle sector. Meanwhile, Lululemon and Okta earnings are well received by the market
- In Europe we see moderate gains, while the UK remains closed by Queen Elizabeth II's Platinum Jubilee. Asia closed positive, although stock exchanges in China and Hong Kong remain closed for holidays
- In Mexico, the Mexbol Index may continue consolidating near 51,000pts

Sovereign fixed income, currencies and commodities

- Negative bias in sovereign bonds, with European assets adjusting up to +4bps. Meanwhile, the US Treasury curve posts 2bps losses concentrated on the short-end. Yesterday, the Mbonos' curve posted gains of 3bps, on average
- The dollar trades with few changes (DXY +0.1%) while developed currencies exhibit a negative bias and emerging currencies trade mixed. In the former group NOK (-0.4%) is the weakest and in the latter trading is capped by RUB (+2.2%) and PLN (-0.5%). Mexican peso depreciates 0.1% to 19.55 per dollar
- Oil prices fall 0.6% on average assimilating the latest OPEC+ decision, however, this will not be enough to offset the effect of the sanctions against Russia. Mixed performance in metals, with palladium falling 1.5%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,248.28	1.3%
S&P 500	4,176.82	1.8%
Nasdaq	12,316.90	2.7%
IPC	50,971.38	-1.0%
Ibovespa	112,392.91	0.9%
Euro Stoxx 50	3,795.13	0.9%
FTSE 100	7,532.95	0.0%
CAC 40	6,500.44	1.3%
DAX	14,485.17	1.0%
Nikkei 225	27,413.88	-0.2%
Hang Seng	21,082.13	-1.0%
Shanghai Composite	3,195.46	0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	2.63	-1pb
10-year Treasuries	2.91	0pb
28-day Cetes	7.14	-2pb
28-day TIE	7.24	1pb
2-year Mbono	9.18	2pb
10-year Mbono	8.69	-1pb
<i>Currencies</i>		
USD/MXN	19.53	-0.9%
EUR/USD	1.07	0.9%
GBP/USD	1.26	0.7%
DXY	101.82	-0.7%
<i>Commodities</i>		
WTI	116.87	1.4%
Brent	117.61	1.1%
Mexican mix	110.55	0.8%
Gold	1,868.58	1.2%
Copper	455.25	5.2%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings downgraded Grupo Radio Centro's ratings to 'mxCC' from 'mxCCC+' and placed them on Negative CreditWatch. The agency considers that Radio Centro's request for an extension on its coupon payment reflects its liquidity vulnerability and would derive in a potential default
- S&P Global Ratings confirmed Unifin's global scale ratings at 'B+' and its local scale ratings at 'mxBBB' and 'mxA-3' and withdrew them from its Negative CreditWatch list after the agreement reached with the holders of its international notes due 2022 for the extension of its maturity date to May 2024. The outlook is Negative
- PCR Verum affirmed TV Azteca's ratings at 'D/M'

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Victor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Oscar Rodolfo Olivos Ortiz	Analyst	oscar.olivos@banorte.com	(55) 1103 - 4000
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suarez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Salvador Austria Valencia	Analyst, Quantitative Analysis	salvador.austria.valencia@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 1670 - 1899