

Financial Markets Daily

June 8, 2022

Main drivers for the financial markets today...

- **Stock markets mostly lower, government bond yields, USD and crude oil up. Investors remain concerned about the impact of restrictive policies from central banks on economic growth, amid high levels of inflation and pressures on energy prices**
- **The OECD published its “Economic Outlook”, with a downward revision in the 2022 global growth estimate, standing at 3.0% –in line with the forecast decrease announced yesterday by the World Bank (2.9%)–. The main reasons behind the revision were the war in Ukraine, inflationary pressures, and potentially long-lasting damage to supply chains. The forecast for the US changed from 3.8% to 2.5%, with Mexico’s projection lower at 1.9% (-30bps). China’s forecast now stands at 4.4%, with the Eurozone growing 2.6%**
- **On other economic data, final 1Q22 GDP for the Eurozone was published, coming in at 0.6% q/q (5.4% y/y), higher than the consensus. In Germany, industrial production in April was lower than expected at 0.7% m/m. Finally, China’s trade balance will be released tonight**
- **On central banking, Michel Barr has the support of both parties to become the Fed’s next Vice President of supervision. His nomination could be voted on and approved in coming days**
- **On geopolitical issues, President Biden is seeking legislative support to approve a US\$4.3 billion plan to obtain enriched uranium from domestic producers and thereby stop depending on Russian supply. Ukraine announced plans to implement humanitarian corridors and thereby resume grain exports**

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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
5:00	OECD Publishes Economic Outlook				
Eurozone					
2:00	GER Industrial production* - Apr	% m/m	--	1.2	-3.9
5:00	EZ Gross domestic product- 1Q22 (F)	% y/y	--	5.1	5.1
5:00	EZ Gross domestic product* - 1Q22 (F)	% q/q	--	0.3	0.3
China					
21:00	Trade balance - May	USDbn	--	57.8	51.1
21:00	Exports - May	% y/y	--	8.0	3.9
21:00	Imports - May	% y/y	--	2.5	0.0

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	4,146.00	-0.3%
Euro Stoxx 50	3,793.33	-0.4%
Nikkei 225	28,234.29	1.0%
Shanghai Composite	3,263.79	0.7%
<i>Currencies</i>		
USD/MXN	19.60	0.1%
EUR/USD	1.07	0.3%
DX	102.35	0.0%
<i>Commodities</i>		
WTI	120.76	1.1%
Brent	121.88	1.1%
Gold	1,850.62	-0.1%
Copper	442.55	-0.2%
<i>Sovereign bonds</i>		
10-year Treasury	3.01	4pb

Source: Bloomberg

Equities

- **Stock markets with negative bias, as investors assess the impact of higher costs and lower economic dynamism on corporate earnings, while weighing a tighter monetary policy by central banks**
- **Futures in the US anticipate a negative opening with the main indices trading on average 0.3% below their theoretical value. Europe is trading with losses, the Eurostoxx has adjusted -0.3%, recording the biggest declines in the communications and real estate sectors. In addition, Credit Suisse has slip more than 5.0% after indicating that investment banking poor performance will lead to a third consecutive quarterly loss**
- **Asia closed mostly positive, highlighting the Hang Seng increase of 2.2% and the Nikkei of 1.0%, supported by the easing on internet companies' restrictions in China. For its part, Alibaba and JD.com observe higher advances of 4.0% pre-market**

Sovereign fixed income, currencies and commodities

- **Widespread pressures in sovereign bonds, with European rates adjusting +6bps, on average, while the US Treasury curve print a 3bps sell-off at the long-end. Yesterday, the short-term Mbonos adjusted +5bps, while the long-end closed with few changes**
- **The dollar rises (BBDXY +0.2%) amid mixed performance in developed currencies with JPY (-1.0%) and EUR (+0.3%) a the extremes. In emerging markets, the bias is also mixed with TRY (-2.4%) as the weakest. The Mexican peso depreciates 0.1% to 19.60 per dolar**
- **Crude-oil trades near three-months highs as US summer driving season ramps up pace and China's lockdowns ease. Metals recorded a mixed balance and grains gain ground**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,180.14	0.8%
S&P 500	4,160.68	1.0%
Nasdaq	12,175.23	0.9%
IPC	50,139.20	0.1%
Ibovespa	110,069.76	-0.1%
Euro Stoxx 50	3,806.74	-0.8%
FTSE 100	7,598.93	-0.1%
CAC 40	6,500.35	-0.7%
DAX	14,556.62	-0.7%
Nikkei 225	27,943.95	0.1%
Hang Seng	21,531.67	-0.6%
Shanghai Composite	3,241.76	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	2.73	0pb
10-year Treasuries	2.97	-7pb
28-day Cetes	7.32	3pb
28-day TIIE	7.25	0pb
2-year Mbono	9.27	3pb
10-year Mbono	8.93	0pb
<i>Currencies</i>		
USD/MXN	19.59	0.2%
EUR/USD	1.07	0.1%
GBP/USD	1.26	0.5%
DXY	102.32	-0.1%
<i>Commodities</i>		
WTI	119.41	0.8%
Brent	120.57	0.9%
Mexican mix	113.59	0.7%
Gold	1,852.37	0.6%
Copper	443.55	0.0%

Source: Bloomberg

Corporate Debt

- **HR Ratings downgraded DMXI 15 rating (Desarrollos Eólicos Mexicanos de Oaxaca FF) to 'HR C- (E)' from 'HR A- (E)' and changed the outlook from Negative to CreditWatch Negative. According to the agency, the rating review follows the income level consistently below its estimate for the period from October 2021 to March 2022 (20.6% lower)**
- **Fitch Ratings upgraded FIMUBCB 21 issuance (Fimubac's ABS) rating to 'AAA(mex)vra' from 'AA+(mex)vra'. According to the agency, historical information and the performance of Fimubac's transactions since 2017 have shown that exposure to new business partners and non-bank financial institutions presents the same level of risk as loans originated directly by Fimubac thanks to solid policies and origination controls**

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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