

# Financial Markets Daily

June 10, 2022

## Main drivers for the financial markets today...

- **Stock markets mainly down, USD slightly up and mixed government bond yields with investors cautious assimilating ECB's confirmation of further monetary tightening and awaiting US CPI report ahead of next week's FOMC's meeting**
- **It is expected that today at the Summit of the Americas, Biden will announce a migration agreement, in which he will ask his neighbors in Latin America to share the responsibility to contain recent migration in the continent**
- **Regarding economic figures, for May's inflation report in the US we estimate +0.7% m/m from the previous +0.3% m/m, with which the annual variation will stand at 8.2% from 8.3%. This will confirm that the maximum for the year was already reached in March at 8.5%, but it will also make it clear that the decline in inflation is being very moderate and will remain high throughout the year. In the core component, we estimate +0.4% m/m from +0.6% previously, with which the annual variation will stand at 5.9% from 6.2%. Likewise, the preliminary consumer sentiment report for June from the University of Michigan will be published. We expect it at 58pts**
- **In Mexico, INEGI published industrial production for April, up 0.6% m/m (+2.7% y/y), surprising higher. We highlight improvements in all sectors, but particularly in mining (+1.4% m/m) and manufacturing (+1.2%), with construction more modest (+0.5%). Wage negotiations will also be released**

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>Mexico</i>					
7:00	Industrial production - Apr	% y/y	1.4	1.6	2.6
7:00	Industrial production* - Apr	% m/m	-0.1	-0.1	0.4
7:00	Manufacturing output - Apr	% y/y	2.5	2.6	3.6
0:00	Wage negotiations - May	% y/y	--	--	5.4
<i>Brazil</i>					
8:00	Retail sales - Apr	% y/y	--	2.1	4.0
8:00	Retail sales* - Apr	% m/m	--	0.1	1.0
<i>United States</i>					
8:30	Consumer prices* - May	% m/m	0.7	0.7	0.3
8:30	Ex. food & energy* - May	% m/m	0.4	0.5	0.6
8:30	Consumer prices - May	% y/y	8.2	8.3	8.3
8:30	Ex. food & energy - May	% y/y	5.9	5.9	6.2
10:00	U. of Michigan Confidence* - Jun (P)	index	58.0	58.3	58.4

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	4,012.75	-0.1%
Euro Stoxx 50	3,657.14	-1.8%
Nikkei 225	27,824.29	-1.5%
Shanghai Composite	3,284.83	1.4%
<i>Currencies</i>		
USD/MXN	19.72	0.3%
EUR/USD	1.06	-0.3%
DXY	103.46	0.2%
<i>Commodities</i>		
WTI	122.43	0.8%
Brent	124.15	0.9%
Gold	1,840.45	-0.4%
Copper	435.25	-0.7%
<i>Sovereign bonds</i>		
10-year Treasury	3.04	-1pb

Source: Bloomberg

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## Equities

- **Negative sentiment prevails in equity markets with investors showing concern over the expectation of lower global economic growth, after a more hawkish tone from the ECB at its monetary policy meeting yesterday, while awaiting the US inflation report, which could give signals about the pace of interest rate hikes by the Fed**
- **In Asia most markets closed negative. In Europe stocks drop, the Euro Stoxx sheds 1.8%. Shares from financials, utilities, and consumer staples sectors lead losses. In turn, in the US the futures of main indices are mixed and show little change (-0.1% on average)**
- **In Mexico, the Mexbol may stand around the 49,200 pts**

## Sovereign fixed income, currencies and commodities

- **Mixed performance in government rates, with European assets adjusting +/- 3bps while the US Treasury curve flattens as a result of 2bps losses on the short-end and 2bps gains on the long-end. Yesterday the Mbonos' curve closed with gains of 1bp on average and the 10-year benchmark at 8.96% (-2bps)**
- **The dollar strengthens (DXY +0.3%) while G-10 and EM currencies trade with mixed performance. In the former group NZD (+0.5%) and GBP (-0.4%) are at the ends, while in the latter HUF (-1.5%) is the weakest. The Mexican peso extends yesterday's losses by depreciating 0.3% to 19.73 per dollar**
- **Crude oil prices print 0.8% gains on expectations of higher demand due to China's reopening of activities. Meanwhile, the performance is negative in both industrial and precious metals**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,272.79	-1.9%
S&P 500	4,017.82	-2.4%
Nasdaq	11,754.23	-2.7%
IPC	49,290.22	-1.1%
Ibovespa	107,093.71	-1.2%
Euro Stoxx 50	3,724.45	-1.7%
FTSE 100	7,476.21	-1.5%
CAC 40	6,358.46	-1.4%
DAX	14,198.80	-1.7%
Nikkei 225	28,246.53	0.0%
Hang Seng	21,869.05	-0.7%
Shanghai Composite	3,238.95	-0.8%
<i>Sovereign bonds</i>		
2-year Treasuries	2.81	4pb
10-year Treasuries	3.04	2pb
28-day Cetes	7.34	1pb
28-day TIEE	7.27	0pb
2-year Mbono	9.29	0pb
10-year Mbono	8.97	-1pb
<i>Currencies</i>		
USD/MXN	19.67	0.5%
EUR/USD	1.06	-0.9%
GBP/USD	1.25	-0.4%
DXY	103.22	0.7%
<i>Commodities</i>		
WTI	121.51	-0.5%
Brent	123.07	-0.4%
Mexican mix	115.98	-0.3%
Gold	1,847.95	-0.3%
Copper	438.10	-1.7%

Source: Bloomberg

## Corporate Debt

- **Fitch Ratings affirmed Unifin's international default ratings at 'BB-' and its national scale long-term ratings at 'A-(mex)'. Also, it removed the Negative Observation and assigned a Negative outlook. According to the agency, the affirmation and resolution of the Negative Observation reflect a reduced risk on the short-term refinancing after the extension. In turn, the Negative outlook reflects the execution risk associated with Unifin's additional financing strategies**
- **S&P Global Ratings downgraded APPCVCB 17 (APP Coatzacoalcos – Villahermosa FF) rating to 'mxBBB+' from 'mxA+', at the same time, it withdrew the CreditWatch with negative implications. According to the agency, the recent signing of the Modification Agreement of the Contract for the Provision of Services in the highway section, includes a cut in availability payments of around 16.6% for the following 24 months**

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, 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 Thalia 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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	Reference
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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#### Research and Strategy

Alejandro Padilla Santana	Chief Economist and Head of Research	alejandra.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
Yazmin Selene Pérez Enriquez	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
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#### 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	Analyst, 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
Víctor 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	alejandra.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
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
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	alejandra.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandra.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandra.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
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandra.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
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899