

Financial Markets Daily

June 13, 2022

Main drivers for the financial markets today...

- **Stock markets lower, while government bond yields and the USD increase as sentiment worsens after May's inflation in the US last week which is inducing renewed bets of at least one 75bps hike by the Fed in any of the next three decisions, with the first of them on Wednesday**
- **April's industrial production in the UK surprised to the downside at -0.6% m/m, while the monthly GDP indicator was also lower than expected at -0.3%, its highest decline in a year. This situation could complicate the BOE's plans to hike rates**
- **Market focus this week on monetary policy decisions, especially by the Fed, in which we see a 50bps hike of the Fed funds rate, with a hawkish tone. Meetings also in Brazil, UK, Switzerland, and Japan, with rate increases expected in the first two**
- **Several speeches from ECB members, including by president Lagarde, as well as Powell from the Fed. In other events, the first plenary meeting of the WTO in five years, primary elections in 4 US states, and the 1st round of legislative elections in France**
- **In US economic data releases, we will know producer prices, retail sales, building permits and housing starts, industrial production (May), regional manufacturing indicators Empire and Philly Fed (Jun), and weekly jobless claims**
- **Going to other regions, we highlight China's activity figures (May); trade balance and industrial production in the Eurozone (Apr); economic activity in Brazil (Apr); unemployment rate in the UK (Apr); and ZEW survey in Germany (Jun)**
- **In Mexico, only same-store sales by ANTAD members (May)**

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forecasters for Mexico in 2021, granted by
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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|---------------|------------------------------|-------|---------|--------|----------|
| UK | | | | | |
| 2:00 | Industrial production* - Apr | % m/m | -- | 0.3 | -0.2 |
| Mexico | | | | | |
| | ANTAD same-store sales - May | % y/y | -- | -- | 14.2 |

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. |
|------------------------|-----------|------------|
| Equity indices | | |
| S&P 500 Futures | 3,809.25 | -2.3% |
| Euro Stoxx 50 | 3,514.19 | -2.4% |
| Nikkei 225 | 26,987.44 | -3.0% |
| Shanghai Composite | 3,255.55 | -0.9% |
| Currencies | | |
| USD/MXN | 20.37 | 2.0% |
| EUR/USD | 1.05 | -0.5% |
| DXY | 104.76 | 0.6% |
| Commodities | | |
| WTI | 118.51 | -1.8% |
| Brent | 119.90 | -1.7% |
| Gold | 1,856.08 | -0.8% |
| Copper | 418.95 | -2.4% |
| Sovereign bonds | | |
| 10-year Treasury | 3.23 | 8pb |

Source: Bloomberg

Equities

- **Equity markets kicked-off the week with negative movements due to growing concerns about a more aggressive stance from the Fed in its monetary policy decision this week, after last Friday's US inflation data, reigniting recession fears**
- **Asian markets closed negative, also affected by China's Covid situation. In Europe stocks drop, with the Euro Stoxx shedding 2.4%. Shares from technology, real estate, and consumer discretionary sectors lead losses. In the same way, US futures of main indices point to a negative open by falling 2.4% on average, with the S&P500 on track to fall back into bear market territory**
- **In Mexico, the Mexbol may stand below the 47,500 pts**

Sovereign fixed income, currencies and commodities

- **Significant losses in sovereign bonds. European rates adjust +10bps on average, while the US Treasuries' curve prints a sell-off of up to 14bps at the short-end. In Mexico, the Mbonos' yield curve recorded a 23bps average sell-off, with the 10-year reference closing at 9.01%**
- **Dollar strengthens against all developed currencies, with NOK (-1.4%) leading losses. In EM, the bias is also negative, except for RUB (+2.1%). In addition, MXN trades as the weakest at 20.37 per dollar (-2.0%)**
- **Crude-oil fell more than 1.5% as investors weighted the possibility of further monetary tightening in the US to curb inflation and more lockdowns in China. Negative balance in metals, with nickel adjusting -4.6%, while gold trades at 1,856 \$/oz t (-0.8%)**

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 31,392.79 | -2.7% |
| S&P 500 | 3,900.86 | -2.9% |
| Nasdaq | 11,340.02 | -3.5% |
| IPC | 48,471.52 | -1.7% |
| Ibovespa | 105,481.23 | -1.5% |
| Euro Stoxx 50 | 3,599.20 | -3.4% |
| FTSE 100 | 7,317.52 | -2.1% |
| CAC 40 | 6,187.23 | -2.7% |
| DAX | 13,761.83 | -3.1% |
| Nikkei 225 | 27,824.29 | -1.5% |
| Hang Seng | 21,806.18 | -0.3% |
| Shanghai Composite | 3,284.83 | 1.4% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 3.06 | 25pb |
| 10-year Treasuries | 3.16 | 11pb |
| 28-day Cetes | 7.41 | 7pb |
| 28-day TIE | 7.27 | 0pb |
| 2-year Mbono | 9.36 | 7pb |
| 10-year Mbono | 9.01 | 4pb |
| <i>Currencies</i> | | |
| USD/MXN | 19.96 | 1.5% |
| EUR/USD | 1.05 | -0.9% |
| GBP/USD | 1.23 | -1.4% |
| DX | 104.15 | 0.9% |
| <i>Commodities</i> | | |
| WTI | 120.67 | -0.7% |
| Brent | 122.01 | -0.9% |
| Mexican mix | 115.20 | -0.7% |
| Gold | 1,871.60 | 1.3% |
| Copper | 429.45 | -2.0% |

Source: Bloomberg

Corporate Debt

- **This week we expect auction activity in the banking market, with the auction of up to MXN 9 billion through the participation of Banco Actinver and BBVA México, highlighting that the last one seeks to issue its first sustainable bond. In the corporate market we anticipate that the auctions will be concentrated in the last week of the month**
- **HR Ratings upgraded Grupo Axa's rating to 'HR A+' from 'HR A' and changed the outlook to Positive from Stable. According to the agency, the rating action is based on the generation of Free Cash Flow (FCF) of MXN 1.4 billion during the last twelve months (LTM) as of 1Q22 (+3.8% vs. MXN 1.4 billion as of 1Q21 LTM) as a result of the increase in EBITDA**
- **Grupo Axa has two issuances in the national debt market, AXO 16-2 / 19-2, with an outstanding amount of MXN 1.6 billion and maturities in 2026**

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|-------------|--|
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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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