

Financial Markets Daily

June 14, 2022

Main drivers for the financial markets today...

- **Stock markets skewed negative –but S&P 500 futures up–, government bond yields mixed and USD with few changes. This dynamic happens with investors expecting more aggressive hikes by the Fed to curb the highest inflation in 40 years in the face of tomorrow's monetary policy decision**
- **On economic figures, producer price figures for May will be published in the US, where an increase is expected relative to the previous month both at the headline and core levels. The market will also focus on the primary elections in four US states (Maine, Nevada, North Dakota, and South Carolina)**
- **In Germany, June's ZEW survey of expectations improved at the margin, standing at -28.0pts vs. -34.3pts in May. Fewer investors anticipate a further economic deterioration, although sentiment remains depressed**
- **Tonight, China will publish industrial production, retail sales and fixed investment (year to date) for May, where a more modest decline is expected in the first two compared to the previous month**
- **Hong Kong's government stated that they will not implement stricter measures to contain the virus at least until July 1st as hospitals are not overwhelmed. Nevertheless, this announcement comes in an environment in which anxiety about COVID-19 policies in China and Hong Kong prevails, as the strategy has affected trade dynamism**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
2:00	Consumer prices - May (F)	% y/y	--	8.7	8.7
5:00	ZEW Survey (Expectations) - Jun	index	--	-26.8	-34.3
<i>United States</i>					
8:30	Producer prices* - May	% m/m	--	0.8	0.5
8:30	Ex. food & energy* - May	% m/m	--	0.6	0.4
<i>Mexico</i>					
10:00	International reserves - Jun 10	US\$bn	--	--	199.3
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 30-year Mbono (Nov'47); 20-year Udibono (Nov'35) and 1-, 2-, and 3-year Bondes F				
<i>China</i>					
22:00	Industrial production - May	% y/y	--	-1.0	-2.9
22:00	Retail sales - May	% y/y	--	-7.1	-11.1
22:00	Gross fixed investment (YTD) - May	% y/y	--	6.1	6.8

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	3,766.50	0.3%
Euro Stoxx 50	3,488.71	-0.4%
Nikkei 225	26,629.86	-1.3%
Shanghai Composite	3,288.91	1.0%
<i>Currencies</i>		
USD/MXN	20.56	0.5%
EUR/USD	1.05	0.5%
DXY	105.06	0.0%
<i>Commodities</i>		
WTI	121.92	0.8%
Brent	123.33	0.9%
Gold	1,821.70	0.1%
Copper	419.70	-0.3%
<i>Sovereign bonds</i>		
10-year Treasury	3.31	-5pb

Source: Bloomberg

Equities

- **Stock markets with negative bias, while investors remain cautious with the possibility that a more aggressive rise in interest rates will accentuate the probability of a recession, besides supply chains disruptions and the war in Ukraine continue driving high inflation levels**
- **Futures in the US anticipate an upward opening with the major indices trading on average 0.3% above their theoretical value. Oracle hikes more than 13.0% on pre-market after reporting higher than expected results. In turn, the Eurostoxx adjusted -0.4%, recording the biggest declines in the industrial and consumer staples sectors. Meanwhile, Asia closed mixed, highlighting the Nikkei's drop of 1.3% and the Shanghai's rise of 1.0%, noticing some opportunity buying's**
- **In Mexico, the Mexbol Index may stay trading between 48,300 and 48,800pts**

Sovereign fixed income, currencies and commodities

- **Mixed balance in sovereign bonds. European rates print a 4bps sell-off , on average, while the US Treasury curve registers gains of up to 7bps at the short-end. Yesterday, Mbonos recorded a 19bps sell-off, on average, with the 10-year reference closing at 9.22% (+21bps)**
- **The dollar trades with few changes amid mixed performance in G10 and EM currencies. In the former, NOK (-0.5%) and CHF (+0.4%) stand at the extremes. In the latter, MXN (-0.5%) trades as the weakest currency at 20.56 per dolar, after a 2.4% depreciation yesterday**
- **Crude-oil registers gains with Brent and WTI trading above 120 US\$/bbl amid tight energy market balances. In this sense, futures trade in backwardation (spot higher than futures). In metals and grains, the dynamics are mostly negative**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,516.74	-2.8%
S&P 500	3,749.63	-3.9%
Nasdaq	10,809.23	-4.7%
IPC	48,445.30	-0.1%
Ibovespa	102,598.18	-2.7%
Euro Stoxx 50	3,502.50	-2.7%
FTSE 100	7,205.81	-1.5%
CAC 40	6,022.32	-2.7%
DAX	13,427.03	-2.4%
Nikkei 225	26,987.44	-3.0%
Hang Seng	21,067.58	-3.4%
Shanghai Composite	3,255.55	-0.9%
<i>Sovereign bonds</i>		
2-year Treasuries	3.35	29pb
10-year Treasuries	3.36	20pb
28-day Cetes	7.38	-3pb
28-day TIIE	7.28	1pb
2-year Mbono	9.53	17pb
10-year Mbono	9.22	21pb
<i>Currencies</i>		
USD/MXN	20.46	2.5%
EUR/USD	1.04	-1.0%
GBP/USD	1.21	-1.5%
DXY	105.08	0.9%
<i>Commodities</i>		
WTI	120.93	0.2%
Brent	122.27	0.2%
Mexican mix	115.06	-0.1%
Gold	1,819.26	-2.8%
Copper	422.80	-1.9%

Source: Bloomberg

Corporate Debt

- **CFE announced it carried out its first Liability Management operation in the international markets for a target amount of US\$ 1.0 billion. The operation consisted in the voluntary repurchase of six bonds and observed a demand 23% above the target amount. The issuer accepted all of the presented offers for a nominal amount of US\$ 1.23 billion**
- **HR Ratings downgraded CAMESA's ratings to 'HR BBB' from 'HR A-' and changed the outlook to Negative from Stable. The rating action follows the fall in the capitalization ratio vs. the previous year, as the ratio remains below the regulatory limit set by the CNBV**

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	Reference
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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