

# Financial Markets Daily

June 16, 2022

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

- Negative stock markets, USD down and government bond yields higher, assimilating the Fed's 75bp hike yesterday (the largest since 1994) and a hawkish bias suggesting greater tightening forward to shovel the worst inflation in four decades, but with rising recession fears
- On the monetary policy front, the Bank of England hiked its reference rate by 25bp to 1.25%. The decision was not unanimous, with 6 of the 9 members voting in favor and 3 supporting a more aggressive 50bp hike. With this, the rate reaches its highest level in 13 years. The UK is experiencing its highest inflation in 40 years and the central bank expects inflation to rise above 10% later this year
- For its part, the Swiss National Bank surprised after it increased its interest rate by 50bp and for the first time in 15 years, from -0.75% to -0.25%, joining other central banks in tightening monetary policy to fight inflation
- Later, there will also be a monetary policy decision in Japan, where it is estimated that it will keep its reference rate unchanged
- Gas prices soared again in Europe after the flow from Russia to the continent slowed down, with benchmark futures rising 24% after a 46% rise earlier this week. This situation raises concerns that countries will have to ration their consumption, which in turn would impact economic activity
- Regarding economic figures, the Philly Fed manufacturing index will be published in the US, which we estimate will grow to 4.0pts from 2.6pts in the previous month. In addition, jobless claims for the week ending June 11 will be posted

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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
<i>UK</i>					
7:00	Monetary policy decision (BoE)	%	--	1.250	1.000
<i>United States</i>					
8:30	Housing starts** - May	thousands	--	1,707	1,724
8:30	Building permits** - May	thousands	--	1,785	1,823
8:30	Initial jobless claims* - Jun 11	thousands	208	215	229
8:30	Philadelphia Fed* - Jun	index	4.0	5.0	2.6
<i>Japan</i>					
	Monetary policy decision (BoJ)	%	--	--	-0.10

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	3,700.75	-2.4%
Euro Stoxx 50	3,442.29	-2.5%
Nikkei 225	26,431.20	0.4%
Shanghai Composite	3,285.39	-0.6%
<i>Currencies</i>		
USD/MXN	20.61	1.8%
EUR/USD	1.04	-0.5%
DX	105.10	-0.1%
<i>Commodities</i>		
WTI	113.19	-1.8%
Brent	116.28	-1.9%
Gold	1,819.28	-0.8%
Copper	408.35	-1.9%
<i>Sovereign bonds</i>		
10-year Treasury	3.48	19pb

Source: Bloomberg

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## Equities

- **Stock markets with negative sentiment, in which technology companies are among the biggest decliners globally, while investors reflect concerns about a tighter monetary policy from various central banks that increase the odds of an economic recession, given the high inflation environment**
- **Futures in the US anticipate a negative opening with the major indices trading on average 2.4% below their theoretical value. In the same sense, Europe trades with falls, the Eurostoxx adjusts 2.5%, with the largest corrections in the technology and materials sectors. In turn, Asia closed mixed, following up the stock markets movements during the previous session, with the Hang Seng dropping 2.2% and the Nikkei increasing 0.4%**
- **In Mexico, the Mexbol Index could be trading below the 48,000pts, following its international peer's behavior**

## Sovereign fixed income, currencies and commodities

- **Sovereign bonds resumed losses, with European assets adjusting up to +18bps. While the US Treasury curve registered losses of 14bps, on average, just after yesterday's rally. Yesterday, the Mbonos curve registered gains of 6bps, on average, concentrated in the belly and the long-end**
- **The dollar strengthens amid negative performance in developed currencies with NOK (-1.1%) as the weakest, while safe-haven currencies CHF and JPY are the only ones with gains. In emerging markets, the bias is also negative with PLN (-1.7%) and KRW (+0.3%) at the extremes. The Mexican peso depreciates 1.8% to 20.61 after gaining 1.6% yesterday**
- **Crude-oil declined as investors weighed Fed interest rate hike and US production increase. Mixed performance in industrial metals and negative for precious, with gold trading around 1,820 \$/oz t (-0.7%)**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,668.53	1.0%
S&P 500	3,789.99	1.5%
Nasdaq	11,099.15	2.5%
IPC	48,344.97	0.4%
Ibovespa	102,806.82	0.7%
Euro Stoxx 50	3,532.32	1.6%
FTSE 100	7,273.41	1.2%
CAC 40	6,030.13	1.3%
DAX	13,485.29	1.4%
Nikkei 225	26,326.16	-1.1%
Hang Seng	21,308.21	1.1%
Shanghai Composite	3,305.41	0.5%
<i>Sovereign bonds</i>		
2-year Treasuries	3.19	-24pb
10-year Treasuries	3.28	-19pb
28-day Cetes	7.21	6pb
28-day TIE	7.30	2pb
2-year Mbono	9.48	-11pb
10-year Mbono	9.18	-9pb
<i>Currencies</i>		
USD/MXN	20.26	-1.6%
EUR/USD	1.04	0.3%
GBP/USD	1.22	1.5%
DX	105.16	-0.3%
<i>Commodities</i>		
WTI	115.31	-3.0%
Brent	118.51	-2.2%
Mexican mix	110.92	-2.7%
Gold	1,833.82	1.4%
Copper	418.25	0.2%

Source: Bloomberg

## Corporate Debt

- **S&P Global Ratings confirmed Grupo Radio Centro's ratings at 'mxCC' and removed them from its Negative CreditWatch list. The outlook is Negative. The coupon payment of issuance RCENTRO 16 was paid on time, so the company avoided a payment default**
- **HR Ratings assigned an 'HR A' rating to Grupo Vasconia's sustainability-linked bond, VASCONI 22L. The ratings were based on the refinancing and change in the maturity profile of MXN 800 million as a result of this issuance**
- **S&P Global Ratings assigned an 'mxAAA (sf)' rating to issuance ECREDCB 22, backed by a consumer loans portfolio originated by Exitus Credit and Crediconfia**

## Certification of Analysts.

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>
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