

Financial Markets Daily

June 17, 2022

Main drivers for the financial markets today...

- **Stock markets positive –except Japan–, government bond yields and the USD also up, just rebounding after the recent sell-off, though fears of an economic downturn, amid the sharply tighter monetary policy implemented globally to tackle inflation, keep investors cautious**
- **Regarding fears of a recession in the US, President Biden mentioned yesterday that it can be avoided if inflation is controlled. In this context, yesterday he signed a legislation aimed at indirectly lowering the costs of maritime freight**
- **On the monetary policy front, the BoJ announced that it will maintain its ultra-lax monetary stance, leaving its reference rate unchanged. This caused the yen to slump to a 24-year low this week**
- **In the Eurozone, ECB President Christine Lagarde told Finance Ministers that the new anti-crisis tool will be implemented if the borrowing costs of weaker nations rise too far or too fast. This new mechanism would pursue to prevent erratic market movements from putting pressure on individual nations. We will also be awaiting comments from Fed Chairman Powell this morning**
- **On economic data, May's inflation in the Eurozone was line with expectations, with the headline number at 8.1% y/y and core at 3.8%. In the US, May's industrial production figures will be released, expecting a slight slowdown**
- **Lastly, the European Commission recommended that Ukraine be given candidate status, paving the road for it to eventually join the European Union. This comes after the visit of leaders from Germany, France and Italy**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted by
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Consumer prices - May (F)	% y/y	--	8.1	7.4
5:00	Core - May (F)	% y/y	--	3.8	3.8
<i>United States</i>					
9:15	Industrial production* - May	% m/m	0.6	0.4	1.1
9:15	Manufacturing production* - May	% m/m	0.6	0.3	0.8

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	3,701.75	0.8%
Euro Stoxx 50	3,478.34	1.5%
Nikkei 225	25,963.00	-1.8%
Shanghai Composite	3,316.79	1.0%
<i>Currencies</i>		
USD/MXN	20.41	0.0%
EUR/USD	1.05	-0.3%
DX	104.32	0.7%
<i>Commodities</i>		
WTI	117.37	-0.2%
Brent	119.73	-0.1%
Gold	1,846.27	-0.6%
Copper	408.30	-0.6%
<i>Sovereign bonds</i>		
10-year Treasury	3.22	2pb

Source: Bloomberg

Equities

- **Positive movements in most stock markets, reflecting some relief rally and dip-buying after recent sell-off. Meanwhile, high volatility is expected in today's session as it is 'Quadruple Witching Day' –major expiration of options & futures contracts–**
- **Futures in the US anticipate a positive opening, with the S&P500 trading 0.8% above its theoretical value, after hitting yesterday late 2020 lows. In Europe we see widespread gains, above 1%, after reaching a one-year low. Asia closed mixed, highlighting the losses in Japan with the Nikkei falling 1.8%, while in China and Hong Kong the advances were close to 1%**
- **In Mexico, attractive valuation levels – FV/EBITDA of 6.7x – could incentivize some risk appetite and helping the Mexbol Index to exceed 48,000pts, although volatility will continue**

Sovereign fixed income, currencies and commodities

- **Mixed performance in government rates, with European periphery assets adjusting up to -29bps while the Treasuries curve loses 2bps on average. Yesterday, the Mbonos' curve recorded average pressures of 1bp with the Mbono May'31 closing at 9.21% (+3bps)**
- **The dollar strengthens with the DXY rising 0.7% as most G-10 and emerging market currencies trade in negative territory. In the former group JPY (-1.6%) is the weakest as it digests the BoJ's monetary policy decision. In the latter group, ZAR (+0.7%) and PHP (-0.5%) are at the ends of the spectrum. The Mexican peso is trading at 20.39 per dollar, representing an appreciation of 0.1%**
- **Volatility in the energy sector continues in light of a Russian reduction in the supply of gas to Europe. Meanwhile, in metals, the negative bias prevails due to the expectation of an economic slowdown**

Corporate Debt

- **Crédito Real announced that, on April 22, 2022, it failed to make the required principal payment on a US\$50 million loan to BNP Paribas, but has been making interest payments**
- **On June 20, 2022, the early total call of issuance CDVITOT 12-2U (Infonavit's MBS) will take place, for an amount of MXN 15.47 million, or 2.1 million Udis**
- **PCR Verum ratified Grupo Axo's long-term ratings at 'A/M' and its short-term ratings at '1/M' with a Stable outlook. At the same time, the rating agency withdrew the ratings by the issuer's choice**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	29,927.07	-2.4%
S&P 500	3,666.77	-3.3%
Nasdaq	10,646.10	-4.1%
IPC	47,558.51	-1.6%
Ibovespa	102,806.82	0.0%
Euro Stoxx 50	3,427.91	-3.0%
FTSE 100	7,044.98	-3.1%
CAC 40	5,886.24	-2.4%
DAX	13,038.49	-3.3%
Nikkei 225	26,431.20	0.4%
Hang Seng	20,845.43	-2.2%
Shanghai Composite	3,285.39	-0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	3.09	-10pb
10-year Treasuries	3.20	-9pb
28-day Cetes	7.64	43pb
28-day TIIE	7.32	2pb
2-year Mbono	9.59	11pb
10-year Mbono	9.22	4pb
<i>Currencies</i>		
USD/MXN	20.41	0.7%
EUR/USD	1.05	1.0%
GBP/USD	1.24	1.4%
DXY	103.63	-1.5%
<i>Commodities</i>		
WTI	117.59	2.0%
Brent	119.81	1.1%
Mexican mix	112.40	1.3%
Gold	1,857.33	1.3%
Copper	412.65	-1.3%

Source: Bloomberg

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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