

Financial Markets Daily

June 22, 2022

Main drivers for the financial markets today...

- **Stock markets negative, with government bond yields and crude oil down and USD little changed. Inflows to safe-haven assets pick up on concerns of a severe impact from restrictive monetary policy and inflationary pressures on global economic activity**
- **Markets will be watching closely to Powell's semi-annual testimony before the Senate Banking Committee, as well as a packed agenda of Fed speakers, where Barkin, Evans and Harker are expected to discuss the economic backdrop**
- **In addition, Joe Biden plans to ask Congress today to suspend the federal gas tax for a three-month horizon to tackle inflationary pressures coming from higher fuel prices. The suspension of the 18.4 cents tax seeks to establish gasoline prices at US\$5 per gallon**
- **On the development of Ukraine's war which stands at day 119, the International Energy Agency (IEA) asked the European Union to prepare for a complete shutdown of gas supplies coming from Russia**
- **In economic data, UK inflation for May showed a 0.7% m/m increase, lower than the 2.5% of the previous month. With this, annual inflation stood at 9.1% from 9.0% in April. Consumer confidence for June in the Eurozone will be published later today**

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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|------------------------|---|-------|---------|--------|----------|
| <i>Eurozone and UK</i> | | | | | |
| 2:00 | UK Consumer prices - May | % y/y | -- | 7.9 | 7.8 |
| 2:00 | Core - May | % y/y | -- | 6.0 | 6.2 |
| 10:00 | Consumer confidence - Jun (F) | index | -- | -20.5 | -21.1 |
| <i>United States</i> | | | | | |
| 9:00 | Fed's Barkin speaks to West Virginia Chamber of Commerce | | | | |
| 9:30 | Powell Delivers Semi-Annual Testimony Before Senate Panel | | | | |
| 12:00 | Fed's Barkin speaks to the Federal City Council | | | | |
| 12:50 | Fed's Evans Discusses Economic Outlook | | | | |
| 13:30 | Fed's Harker and Barkin Discuss the Economic Outlook | | | | |

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 | 3,721.75 | -1.2% |
| Euro Stoxx 50 | 3,435.45 | -1.7% |
| Nikkei 225 | 26,149.55 | -0.4% |
| Shanghai Composite | 3,267.20 | -1.2% |
| <i>Currencies</i> | | |
| USD/MXN | 20.08 | -0.2% |
| EUR/USD | 1.05 | -0.1% |
| DX | 104.55 | 0.1% |
| <i>Commodities</i> | | |
| WTI | 104.63 | -5.4% |
| Brent | 110.36 | -3.7% |
| Gold | 1,840.17 | 0.4% |
| Copper | 391.15 | -3.2% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 3.20 | -8pb |

Source: Bloomberg

Equities

- **Stock markets with negative sentiment, in which investors assess more restrictive monetary policies by central banks given high inflation levels, while increasing the odds of an economic recession. Besides, attention remains into Powell's semi-annual testimony in front of lawmakers on Wednesday**
- **Futures in the US anticipate a negative opening with the major indices trading on average 1.4% below their theoretical value. Likewise, Europe is trading at widespread losses, the Eurostoxx adjusting by 1.7%, recording the biggest declines in the utilities and energy sectors. Asia also closed to the downside, highlighting the Han Seng drop of 2.6% and the Shanghai slid of 1.2%**
- **In Mexico, the Mexbol Index could be trading between the 47,500 and 48,000pts, following its international peers' behavior**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds, with European assets adjusting up to -13bps while the Treasuries yield curve posts gains of 6bps on average. Yesterday, the Mbonos curve closed with losses of 4bps on average and the 10-year benchmark ended at 9.22% (+6bps)**
- **The dollar trades w/few changes (DXY +0.1%) while G-10 and emerging market currencies trade with a negative bias. In the former group, NZD (-1.3%) leads losses and JPY (+0.3%) is the only positive. In emerging markets, RUB (+4.0%) separates from its peers while PLN (-0.8%) is the weakest. The Mexican peso started with losses, which have been reversed in the last hour of activity to trade at 20.08 per dollar (+0.2%)**
- **Crude-oil prices fall 4.6% on average due to concerns about the economic outlook while awaiting the API inventories report. Metals prices are negatively biased, with copper and nickel prices adjusting by more than 3%**

Previous closing levels

| | Last | Daily chg. |
|------------------------|-----------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 30,530.25 | 2.1% |
| S&P 500 | 3,764.79 | 2.4% |
| Nasdaq | 11,069.30 | 2.5% |
| IPC | 48,104.38 | 0.7% |
| Ibovespa | 99,684.50 | -0.2% |
| Euro Stoxx 50 | 3,494.00 | 0.7% |
| FTSE 100 | 7,152.05 | 0.4% |
| CAC 40 | 5,964.66 | 0.8% |
| DAX | 13,292.40 | 0.2% |
| Nikkei 225 | 26,246.31 | 1.8% |
| Hang Seng | 21,559.59 | 1.9% |
| Shanghai Composite | 3,306.72 | -0.3% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 3.20 | 2pb |
| 10-year Treasuries | 3.27 | 5pb |
| 28-day Cetes | 7.50 | -24pb |
| 28-day TIIE | 7.36 | 2pb |
| 2-year Mbono | 9.61 | 3pb |
| 10-year Mbono | 9.24 | 4pb |
| <i>Currencies</i> | | |
| USD/MXN | 20.12 | -0.7% |
| EUR/USD | 1.05 | 0.2% |
| GBP/USD | 1.23 | 0.2% |
| DXY | 104.44 | -0.3% |
| <i>Commodities</i> | | |
| WTI | 110.65 | 1.0% |
| Brent | 114.65 | 0.5% |
| Mexican mix | 106.72 | 0.8% |
| Gold | 1,832.98 | -0.3% |
| Copper | 404.85 | 0.5% |

Source: Bloomberg

Corporate Debt

- **Vinte announced that on June 29, 2022, it will carry out the full early amortization of the VINTE 19X issuance, for which the payment of MXN 293 million will be made, corresponding to the total principal amount. In accordance with the issue summary, in the event that the early amortization is carried out after 36th interest period (April 10, 2022), the issuer is not required to pay any premium**
- **Fitch Ratings affirmed the debt ratings of the ZONALCB 06U issuance at 'AA(mex)vra'; ZONALCB 06-2U at 'A(mex)vra'; and ZONALCB 06-3U at 'B-(mex)vra'. The total debt is backed by the future flows generated by the Santa Ana - Altar toll road in Sonora. According to the agency, the ratings reflect the risk associated with a highway that has historically shown high traffic volatility and is highly sensitive to changes in the economic environment**

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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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