

Financial Markets Daily

June 24, 2022

Main drivers for the financial markets today...

- **Stock markets higher as tech stocks rebound, government bond yields up and USD losing. Investors evaluate the threats of a possible recession and are adjusting their views on inflation and the path of interest rate hikes, while also assimilating the latest comments from Fed members**
- **Focus on final data for June's U. of Michigan consumer confidence, May's new home sales and comments from Bullard and Daly of the Fed**
- **The German government warned that if Russia cuts natural gas supplies to the country, this could result in an energy market collapse and eventually detonate a financial crisis. In this backdrop, they raised the warning level of the plan in this front to step up the measures aimed to avert a crisis because of the lack of gas**
- **June's consumer confidence in the UK according to GfK dropped to a historical low of -41pts. The fall happened in an environment of strong inflationary pressures, disruptions because of strikes and an increasing risk of a recession**
- **According to Bloomberg, the US is preparing to step up its complaints towards Mexico's management of the energy sector based on the rules in USMCA. The piece states that the office of the US Trade Representative, Katherine Tai, has been working on the possibility of requesting formal consultations on the matter**
- **In Mexico, April's GDP-proxy IGAE picked up 1.1% m/m (+1.3% y/y). By sector, industry rose 0.6% and services 1.3%, highlighting entertainment (8.3%) and retail sales (8.0%). The primary sector contracted 1.3%**

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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>Germany</i>					
4:00	IFO Survey (business climate)* - Jun	index	--	92.7	93.0
<i>Mexico</i>					
7:00	Global economic activity indicator (IGAE) - Apr	% y/y	1.2	1.3	0.4
7:00	Global economic activity indicator (IGAE)* - Apr	% m/m	1.0	0.7	0.3
<i>United States</i>					
8:00	Fed's Bullard discusses central banks and inflation				
10:00	New home sales** - May	thousands	590	592	591
10:00	U. of Michigan Confidence* - Jun (F)	index	50.2	50.2	50.2
16:00	Fed's Daly Speaks at Shadow Open Market Conference				

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	3,827.75	0.7%
Euro Stoxx 50	3,491.18	1.6%
Nikkei 225	26,491.97	1.2%
Shanghai Composite	3,349.75	0.9%
<i>Currencies</i>		
USD/MXN	19.97	-0.3%
EUR/USD	1.05	0.1%
DX	104.30	-0.1%
<i>Commodities</i>		
WTI	106.02	1.7%
Brent	111.72	1.5%
Gold	1,825.31	0.1%
Copper	374.00	0.0%
<i>Sovereign bonds</i>		
10-year Treasury	3.11	2pb

Source: Bloomberg

Equities

- **Stock markets end the week with positive movements, on dip-buying, while investors continue to evaluate the risks on the environment and the possibility that hikes in interest rates will conclude by year-end**
- **In that sense, futures in the US anticipate a positive opening, with the S&P500 trading 0.7% above its theoretical value and the Nasdaq almost 1% higher, supported by the advance of technology stocks**
- **In Europe we saw significant gains, with Eurostoxx rising almost 1.5%, also supported by technology and utilities. Meanwhile, Asia also closed with widespread gains, highlighting the rise of the Hang Seng of 2.1%, followed by the Nikkei with 1.2%.**
- **In Mexico, the Mexbol Index reflects in our opinion, an excessive adjustment, with a FV/EBITDA multiple at 6.7x, while we expect today it may return above 47,000pts**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds, with European assets adjusting up to +8bps while the Treasuries yield curve loses 2bps on average. Yesterday, the Mbonos' curve flattened with gains of 14bps, on average, from the 5-year benchmark**
- **The dollar weakens (DXY -0.2%) enabling a positive bias among G-10 currencies while emerging currencies trade with mixed changes. In the first group, NOK (+0.8%) leads the gains while in the second group the trade is delimited by RUB (+0.8%) and PHP (-0.6%). MXN appreciates 0.3% to 19.96, which could accumulate 6 consecutive days of gains**
- **Crude oil prices advance 1.2% on robust demand in Asia, mainly in India, which has increased its purchases of Russian oil. In metals, gold advanced 0.2% to 1,826 \$/t oz, while industrials traded with a negative bias, highlighting Nickel, which falls 7.0%**

Corporate Debt

- **Crédito Real informed that it is aware of news reports that a certain group of bondholders representing less than US\$ 10 million in loans filed an involuntary Chapter 11 petition against the company before a US Bankruptcy Court. With the statement, the company considers that the involuntary request is inadmissible and will fight the dismissal of the Involuntary Request**
- **Fitch Ratings upgraded Grupo Traxión and its TRAXION 20 issuance to 'A+(mex)' from 'A(mex)' and changed the outlook to Stable from Positive. According to the agency, the rating upgrade reflects Grupo Traxión's continued strong operating performance, which translates into an expected leverage ratio (debt to EBITDA) close to 2.0x and free cash flow generation in neutral to positive, while the company continues to deploy its growth strategy**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,677.36	0.6%
S&P 500	3,795.73	1.0%
Nasdaq	11,232.19	1.6%
IPC	46,657.88	-1.0%
Ibovespa	98,080.34	-1.4%
Euro Stoxx 50	3,436.29	-0.8%
FTSE 100	7,020.45	-1.0%
CAC 40	5,883.33	-0.6%
DAX	12,912.59	-1.8%
Nikkei 225	26,171.25	0.1%
Hang Seng	21,273.87	1.3%
Shanghai Composite	3,320.15	1.6%
<i>Sovereign bonds</i>		
2-year Treasuries	3.01	-4pb
10-year Treasuries	3.09	-7pb
28-day Cetes	7.63	0pb
28-day TIE	7.39	1pb
2-year Mbono	9.53	-4pb
10-year Mbono	9.01	-14pb
<i>Currencies</i>		
USD/MXN	20.02	-0.2%
EUR/USD	1.05	-0.4%
GBP/USD	1.23	0.0%
DXY	104.43	0.2%
<i>Commodities</i>		
WTI	104.27	-1.8%
Brent	110.05	-1.5%
Mexican mix	102.39	-1.3%
Gold	1,822.77	-0.8%
Copper	374.65	-5.2%

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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	Reference
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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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