

Financial Markets Daily

July 1, 2022

Main drivers for the financial markets today...

- **Stock markets with small changes but downside bias, USD slightly positive and government bond yields negatives in a cautions backdrop and with investors assessing the impact of sharp interest rates hikes on the economy, with fears about a likely recession ahead**
- **In China, the government authorized a debt issue of US\$44.8 billion, aimed to finance infrastructure projects. The Minister of Finance commented that this is only a first phase, anticipating further stimulus in coming months. Regarding data from the country, the private sector manufacturing PMI for June returned to positive territory to 51.7pts**
- **In the Eurozone, June's inflation reached 8.6% a/a (previous: 8.1%) reaching a new all-time high. Again, the metric was pressured by high food and energy costs. Given this, expectations of a hike in the reference rate by the ECB have increased. In other economic data, the US will release the PMI and ISM manufacturing indicators for June. In Mexico we will pay attention to the IMEF indicators (June), family remittances (May), and Banxico's expectations survey**
- **On the situation in Ukraine, Hungary mentioned to the European Union that it will not oppose imposing more sanctions on Russia, only acting when its energy security is at stake. Meanwhile, President Putin has signed a decree transferring rights to a new natural gas plant project to a new Russian company, cutting ties with western oil companies**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted by
Refinitiv



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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Consumer prices - Jun (P)	% y/y	--	8.5	8.1
5:00	Core - Jun (P)	% y/y	--	3.9	3.8
<i>United States</i>					
9:45	Manufacturing PMI* - Jun (F)	index	52.4	--	52.4
10:00	ISM manufacturing* - Jun	index	54.5	55.0	56.1
	Total vehicle sales** - Jun	thousands	--	13.5	12.7
<i>Mexico</i>					
10:00	Family remittances - May	US\$m	5,107.4	4,927.5	4,718.1
10:00	Survey of expectations (Banxico)				
13:00	PMI manufacturing (IMEF)* - Jun	index	49.3	--	50.9
13:00	PMI non-manufacturing (IMEF)* - Jun	index	50.8	--	52.5

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	3,779.00	-0.3%
Euro Stoxx 50	3,443.82	-0.3%
Nikkei 225	25,935.62	-1.7%
Shanghai Composite	3,387.64	-0.3%
<i>Currencies</i>		
USD/MXN	20.24	0.6%
EUR/USD	1.04	-0.4%
DXY	105.04	0.3%
<i>Commodities</i>		
WTI	107.94	2.1%
Brent	111.45	-2.9%
Gold	1,786.57	-1.1%
Copper	357.95	-3.6%
<i>Sovereign bonds</i>		
10-year Treasury	2.94	-7pb

Source: Bloomberg

Equities

- **Negative bias in equity markets as investors are cautious due to persistent inflationary pressures and the potential effect of restrictive monetary policies on the economy, which continue to increase recession fears**
- **In Asia most markets closed negative. There were no operations in Hong Kong due to a holiday. In Europe stocks drop, the Eurostoxx sheds 0.3%. Shares from technology and real estate sectors superhead losses, while those from utilities and energy lead gains. In turn, in the US the futures of main indices point to a negative open by falling 0.4% on average**
- **In Mexico, the Mexbol may stand below the 47,400 pts**

Sovereign fixed income, currencies and commodities

- **Sovereign bond gains. European assets appreciate up to 8bp, mainly in peripheral bonds, while the Treasury curve steepens as a result of adjustments of -11bps on the short-end and -3bps on the long-end. Yesterday, the Mbonos' curve closed with gains of 6bps on average and the 10-year benchmark closed at 9.02% (-10bps)**
- **The dollar strengthens with the DXY printing gains of 0.3% as developed and emerging currencies trade in negative territory. In the first group AUD (-1.5%) leads the decliners while in the second group HUF (-1.3%) is the weakest. The Mexican peso follows the trend of its peers by depreciating 0.5% to 20.23 per dollar**
- **Crude oil prices advance 2.3% on persistent concerns about tight supply and signs of recovery of activity in China. Metals print sharp slumps, with copper falling 3.3%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,775.43	-0.8%
S&P 500	3,785.38	-0.9%
Nasdaq	11,028.74	-1.3%
IPC	47,524.45	-1.1%
Ibovespa	98,541.95	-1.1%
Euro Stoxx 50	3,454.86	-1.7%
FTSE 100	7,169.28	-2.0%
CAC 40	5,922.86	-1.8%
DAX	12,783.77	-1.7%
Nikkei 225	26,393.04	-1.5%
Hang Seng	21,859.79	-0.6%
Shanghai Composite	3,398.62	1.1%
<i>Sovereign bonds</i>		
2-year Treasuries	2.95	-9pb
10-year Treasuries	3.01	-8pb
28-day Cetes	7.71	4pb
28-day TIIE	8.03	1pb
2-year Mbono	9.39	-2pb
10-year Mbono	9.05	-9pb
<i>Currencies</i>		
USD/MXN	20.12	-0.1%
EUR/USD	1.05	0.4%
GBP/USD	1.22	0.4%
DXY	104.69	-0.4%
<i>Commodities</i>		
WTI	105.76	-3.7%
Brent	114.81	-1.2%
Mexican mix	104.79	-2.4%
Gold	1,807.27	-0.6%
Copper	371.00	-1.9%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings affirmed Financiera Bepensa's ratings at 'AA+(mex)' with a Stable outlook, and at 'F1+(mex)' for the short-term. The ratings are based in Fitch's insight on the capacity and propension of support its holding company, Fomento Corporativo Peninsular, would grant in case of necessity**
- **HR Ratings assigned a 'HR AAA' rating to Industrias Bachoco's proposed issuance, BACHOCO 22, with a Stable outlook. The rating assignment is based in the expectation that the company will maintain the strong liquidity position historically shown**

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>
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