

Financial Markets Daily

July 4, 2022

Main drivers for the financial markets today...

- **Stock markets mixed –with US futures higher, but with Europe down–, government bond yields up and USD lower, with investors still cautious on a possible global recession given higher interest rates, as well as political tensions in Italy, and a new rise of COVID-19 cases in China**
- **US markets closed today in remembrance of Independence Day. In Germany, May's trade balance surprised lower with a €1 billion deficit on a weaker-than-expected performance in exports (-0.5% m/m)**
- **Markets focused this week on June's nonfarm payrolls in the US, in which we see 290k new jobs and a stable unemployment rate at 3.6%. Other relevant releases include the latest meeting minutes from the Fed, ECB, Banxico and Colombia**
- **Monetary policy decisions in Israel, Australia, Malaysia, Peru and Poland. Moreover, speeches from several Fed and ECB members, with the latter also presenting its Climate Change Action Plan**
- **The G20 Foreign Ministers Meeting will be held in Bali, focused on the war between Russia and Ukraine. The UN will release its annual report on Food Security and Nutrition in the World, with very high concerns because of the steep rise in food prices globally**
- **US data includes factory orders, trade balance, consumer credit (May), ADP employment report and ISM services (Jun). In other regions, we highlight inflation in China and Brazil (Jun); retail sales (May) in the Eurozone; and industrial production (May) in Brazil and Germany**
- **Mexico's agenda is full, with gross fixed investment, private consumption (Apr), inflation, consumer confidence, wage negotiations (Jun) and the banking sector survey**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
	Markets closed due to Independence Day holiday				
<i>Germany</i>					
2:00	Trade balance - May	EURbn	--	1.6	3.1
<i>China</i>					
21:45	Services PMI (Caixin)* - Jun	index	--	49.0	41.4
21:45	Composite PMI (Caixin)* - Jun	index	--	--	42.2

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	3,815.75	-0.3%
Euro Stoxx 50	3,469.44	0.6%
Nikkei 225	26,153.81	0.8%
Shanghai Composite	3,405.43	0.5%
<i>Currencies</i>		
USD/MXN	20.24	-0.1%
EUR/USD	1.05	0.4%
DX	104.92	-0.2%
<i>Commodities</i>		
WTI	108.07	-0.3%
Brent	111.40	-0.2%
Gold	1,806.77	-0.3%
Copper	358.60	-0.9%
<i>Sovereign bonds</i>		
10-year Treasury	2.88	0pb

Source: Bloomberg

Equities

- The week starts with mixed movements in stock markets as investors continue elucidating between recession fears and concerns about high inflation
- US markets will remain closed in remembrance of the 'Independence Day' Holiday, though futures remain negative and the S&P500 is trading 0.3% below its theoretical value
- Europe trades with widespread gains on dip-buying after recent declines, with the energy, commodities and travel sectors leading higher. Mixed closes in Asia, with the 0.8% rise in the Nikkei and the +0.7% in the Shanghai contrasting with the Hang Seng's 0.1% decline. In Mexico, we anticipate a weekly trading range for the Mexbol Index between 47,000 and 48,800pts

Sovereign fixed income, currencies and commodities

- Today, liquidity will be low as the US market will be closed. Meanwhile, European rates adjust up to +14bps. Last week, the Mbonos curve registered a slight steepening with average gains at the short-end of 18bps and of 7bps at the long-end
- The dollar loses ground, allowing positive performance in developed currencies, with NOK (+1.4%) leading. In emerging markets, the bias is mixed, with ZAR (+1.0%) and TRY (-0.5%) at the extremes. Meanwhile, MXN gains 0.1% to 20.24 per dollar, after a weekly depreciation of 1.9%
- Crude-oil fluctuates between gains and losses as investors assess a possible economic slowdown, even though the physical market does not reflect it yet. Industrial and precious metals trade with a negative bias, with copper losing 2.5%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,097.26	1.0%
S&P 500	3,825.33	1.1%
Nasdaq	11,127.84	0.9%
IPC	47,743.15	0.5%
Ibovespa	98,953.90	0.4%
Euro Stoxx 50	3,448.31	-0.2%
FTSE 100	7,168.65	0.0%
CAC 40	5,931.06	0.1%
DAX	12,813.03	0.2%
Nikkei 225	25,935.62	-1.7%
Hang Seng	21,859.79	0.0%
Shanghai Composite	3,387.64	-0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	2.83	-12pb
10-year Treasuries	2.88	-13pb
28-day Cetes	7.69	-2pb
28-day TIE	8.03	0pb
2-year Mbono	9.32	-7pb
10-year Mbono	8.94	-11pb
<i>Currencies</i>		
USD/MXN	20.26	0.7%
EUR/USD	1.04	-0.7%
GBP/USD	1.21	-0.7%
DXY	105.14	0.4%
<i>Commodities</i>		
WTI	108.43	2.5%
Brent	111.63	-2.8%
Mexican mix	103.02	-1.7%
Gold	1,811.43	0.2%
Copper	360.40	-2.9%

Source: Bloomberg

Corporate Debt

- HR Ratings upgraded Banco Actinver's ratings to 'HR AA' from 'HR AA-' with a Stable outlook. The upgrade was based on the improvement shown in the net capitalization ratio, which stood at 14.7% as of 1Q22, after the 13.6% as of 1Q21
- After the bank's rating action, HR Ratings upgraded the ratings for Corporación Actinver and Arrendadora Actinver to 'HR AA-' from 'HR A+' with a Stable outlook
- HR Ratings affirmed Corporativo GBM's rating at 'HR AA+', changing the Under Review status to Stable outlook, based on the previously announced investment phase is currently in advanced stages

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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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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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