

# Financial Markets Daily

July 6, 2022

## Main drivers for the financial markets today...

- **Positive stock markets, S&P Futures with few changes, government bond yields and USD up. Investors are undecided between dip-buying at attractive valuations and concerns about economic growth, amid a new wave of infections in China and the worsening of the energy crisis in Europe**
- **Meanwhile, in the United Kingdom, the political crisis surrounding Prime Minister Boris Johnson worsens with the resignation of four ministers, on a day when he will face questioning in the House of Commons and later at a panel with lawmakers**
- **Attention on the release of the FOMC's last meeting minutes which we believe will be important to find signs of how worried the members of the Fed are about high inflation for longer than they estimated. Likewise, reasons why Esther George did not support the 75bp hike will be searched as well as the reasons why some marked their estimate in 2022 in the lower part of the dot plot. Despite the above, the position of the members of the Fed after the meeting has remained clearly *hawkish*. Therefore, we do not see the minutes changing the perception that the next rate hike will be 75bps. Regarding interventions by members of the central bank today, we highlight the participation of Williams**
- **In Mexico, INEGI published GFI for April, up 1.9% m/m (previous: 3.4%), with increases in both construction (+0.7%) as well as in machinery and equipment (+4.1%). In annual terms we saw +7.0%. Moreover, INEGI also released private consumption for the fourth month of the 2022. It rose 0.8% m/m (previous: 0.7%), boosted by imported goods (1.5%). This implies a total increase in consumption of 7.6% in annual terms**

Alejandro Padilla  
Chief Economist and  
Head of Research  
alejandro.padilla@banorte.com



Juan Carlos Alderete Macal, CFA  
Executive Director of Economic Research  
and Financial Markets Strategy  
juan.alderete.mactal@banorte.com

Alejandro Cervantes Llamas  
Executive Director of Quantitative Analysis  
alejandro.cervantes@banorte.com

Manuel Jiménez Zaldivar  
Director of Market Strategy  
manuel.jimenez@banorte.com

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>Mexico</i>					
7:00	Gross fixed investment - Apr	% y/y	5.0	7.1	5.9
7:00	Gross fixed investment* - Apr	% m/m	0.9	--	2.9
7:00	Private consumption - Apr	% y/y	--	--	8.8
7:00	Private consumption* - Apr	% m/m	--	--	0.7
<i>United States</i>					
9:45	Services PMI* - Jun (F)	index	51.6	51.6	51.6
9:45	Composite PMI* - Jun (F)	index	51.2	51.2	51.2
10:00	ISM services* - Jun	index	54.5	54.4	55.9
14:00	FOMC Meeting Minutes				

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	3,826.25	-0.2%
Euro Stoxx 50	3,413.26	1.6%
Nikkei 225	26,107.65	-1.2%
Shanghai Composite	3,355.35	-1.4%
<i>Currencies</i>		
USD/MXN	20.67	0.7%
EUR/USD	1.02	-0.7%
DXY	106.96	0.4%
<i>Commodities</i>		
WTI	100.13	0.6%
Brent	104.24	1.4%
Gold	1,760.84	-0.2%
Copper	339.95	-0.7%
<i>Sovereign bonds</i>		
10-year Treasury	2.80	-1pb

Source: Bloomberg

## Equities

- **Mixed stock markets, with positive bias, with investors making some opportunity buying's, although global economic recession concerns continue due to a restrictive monetary policy, given the high inflation environment**
- **Futures in the US anticipate a slightly negative opening with the major indices trading on average 0.2% below their theoretical value. At the same time, Europe is trading with profits, the Eurostoxx rose 1.6%, driven by the technology and real estate sectors. Furthermore, Asia closed mostly with losses, highlighting the Shanghai fall of 1.4% and the Hang Seng drop of 1.2%, meanwhile fears of a lower economic dynamism continue in China due to COVID-19 outbreaks**
- **On the national corporate front, Gap confirmed moderated passenger growth during June given good demand performance, in line with expectations. However, Oma registered a slower recovery pace due to weak international traffic**

## Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. European assets record adjustments of up to +3bps while Greek bonds gain up to 8bps. The Treasuries yield curve trades with losses of 1bp on average. Yesterday, the Mbonos' curve posted gains of 2bps on average and the 10-year benchmark closed at 8.87% (-4bps)**
- **The dollar extends yesterday's gains (DXY +0.4%) as most developed and emerging currencies lose ground. In the former group DKK (-0.8%) is the weakest while in the latter HUF (-1.9%) leads the declines. The Mexican peso depreciates 0.7% to 20.67 per dollar, approaching the highs registered in June**
- **Crude-oil prices bounce 0.6% on average after yesterday's sharp slump with markets assessing market conditions. Negative bias prevails in metals due to the possibility of a recession scenario**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,967.82	-0.4%
S&P 500	3,831.39	0.2%
Nasdaq	11,322.24	1.7%
IPC	47,503.22	-1.1%
Ibovespa	98,294.64	-0.3%
Euro Stoxx 50	3,359.83	-2.7%
FTSE 100	7,025.47	-2.9%
CAC 40	5,794.96	-2.7%
DAX	12,401.20	-2.9%
Nikkei 225	26,423.47	1.0%
Hang Seng	21,853.07	0.1%
Shanghai Composite	3,404.03	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	2.82	-1pb
10-year Treasuries	2.81	-7pb
28-day Cetes	7.72	1pb
28-day TIE	8.03	1pb
2-year Mbono	9.35	0pb
10-year Mbono	8.89	-5pb
<i>Currencies</i>		
USD/MXN	20.53	1.3%
EUR/USD	1.03	-1.5%
GBP/USD	1.19	-1.4%
DXY	106.54	1.3%
<i>Commodities</i>		
WTI	99.50	-8.2%
Brent	102.77	-9.5%
Mexican mix	95.13	-7.7%
Gold	1,764.76	-2.4%
Copper	341.50	-5.2%

Source: Bloomberg

## Corporate Debt

- **FEMSA informed an all-cash offer to acquire all Valora Holding AG' outstanding shares for CHF 260 per share. Valora will continue to be based in Muttentz, Switzerland, and will be responsible for developing the European convenience markets for FEMSA in the future. FEMSA will finance the acquisition for up to US\$1.2 billion / CHF 1.1 billion from its cash balance**
- **PCR Verum upgraded to 'AA/M (e)' from 'AA-/M (e)' the rating of VIVAACB 19 (Grupo Viva Aerobus ABS). Additionally, the Outlook changed to 'Stable' from 'Negative'. According to the agency, the upgrade in the rating is based on a recovery and growth in the income to the trust, after having presented significant effects due to the deterioration in Viva Aerobus operations as a consequence of the COVID-19 pandemic**

## 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
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandropadilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000

Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707

Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671

Fixed Income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144

Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Oscar Rodolfo Olivos Ortiz	Analyst	oscar.olivos@banorte.com	(55) 1103 - 4000

Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandrocervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suarez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Salvador Austria Valencia	Analyst, Quantitative Analysis	salvador.austria.valencia@banorte.com	(55) 1103 - 4000

Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldán Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899