

Financial Markets Daily

July 7, 2022

Main drivers for the financial markets today...

- **Positive stock markets, USD and government bond yields up as fears about inflation and the pace of monetary tightening faded, while commodities got boost from China's stimulus plan**
- **In the United Kingdom, Minister Boris Johnson resigned today in the face of a series of scandals, but said that he will remain in his position until his successor is found**
- **On the monetary policy front, ECB's last meeting minutes were published, highlighting that there is uncertainty in the markets about the level of the neutral rate. On the other hand, in terms of interventions by Fed members, we highlight the participation of Bullard and Waller**
- **In Mexico, Banxico's last meeting minutes will be released. Our attention will be on members' comments on: (1) The possibility (or not) of an increase of greater or lesser magnitude; (2) the potential trajectory of the next adjustments; and (3) the appropriate level for the terminal rate of the cycle**
- **Regarding economic figures, INEGI published June's inflation at +0.84% m/m, with pressures at the non-core (1.07%), but with the core surprising lower (0.77%). As such, annual inflation reached 7.99% (previous: 7.65%), with the core at 7.49% (previous: 7.28%)**

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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>Mexico</i>					
7:00	Consumer prices - Jun	% m/m	0.87	0.83	0.18
7:00	Core - Jun	% m/m	0.83	0.82	0.59
7:00	Consumer prices - Jun	% y/y	8.02	7.98	7.65
7:00	Core - Jun	% y/y	7.56	7.54	7.28
10:00	Banxico's minutes				
<i>Eurozone</i>					
7:30	Minutes ECB				
<i>United States</i>					
8:30	Trade balance* - May	US\$bn	--	-84.7	-87.1
8:30	Initial jobless claims* - Jul 2	thousands	233	230	231
13:00	Fed's Waller Interviewed During NABE Event				
13:00	Fed's Bullard discuss US economy and monetary policy				
<i>Peru</i>					
19:00	Monetary policy decision (BCRP)	%	--	6.00	5.50

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	3,860.25	0.3%
Euro Stoxx 50	3,475.06	1.6%
Nikkei 225	26,490.53	1.5%
Shanghai Composite	3,364.40	0.3%
<i>Currencies</i>		
USD/MXN	20.57	-0.4%
EUR/USD	1.02	0.1%
DX	106.91	-0.2%
<i>Commodities</i>		
WTI	99.57	1.1%
Brent	101.71	1.0%
Gold	1,744.11	0.3%
Copper	355.05	3.9%
<i>Sovereign bonds</i>		
10-year Treasury	2.91	-1pb

Source: Bloomberg

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Equities

- **Positive stock markets, where risk assets advance given possible attractive valuations, while investors weigh the adjudgment in monetary policy after the Fed's minute**
- **Futures in the US anticipates a slightly positive opening, with its three major indices trading on average at 0.3% above their theoretical value. Likewise, Europe is trading with profits, the Eurostoxx advances 1.6% with the energy sector leading the gains. Asia closed mostly positive, highlighting the Nikkei increase of 1.5%, Asian semiconductor stocks rallied after Samsung reported a larger-than-forecasted revenue jump**
- **In Mexico, Asur reported slightly lower-than-expected passenger traffic due to weaker demand in Puerto Rico, while Volar continues to show favorable growth dynamics, although the rise in fuel costs will continue to pressure profitability**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European rates adjust up to +25bp. Meanwhile, the Treasury curve fluctuates between losses and gains of +/-2bps. Yesterday, the Mbonos curve registered pressures of 10bps, on average**
- **The dollar loses ground allowing positive performance in developed currencies with AUD (+0.8%) leading the group. In emerging markets, the bias is mixed with KRW (+0.5%) and RUB (-1.1%) at the extremes. Meanwhile, MXN gains 0.4% to 20.57 per dollar, after a cumulative depreciation of 1.9% in the last three sessions**
- **Crude-oil fluctuates between losses and gains after yesterday both references reached levels below 100 \$/bbl. In metals, both industrial and precious trade with a positive bias, with gold halting the week's losses**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,037.68	0.2%
S&P 500	3,845.08	0.4%
Nasdaq	11,361.85	0.3%
IPC	47,722.29	0.5%
Ibovespa	98,718.98	0.4%
Euro Stoxx 50	3,421.84	1.8%
FTSE 100	7,107.77	1.2%
CAC 40	5,912.38	2.0%
DAX	12,594.52	1.6%
Nikkei 225	26,107.65	-1.2%
Hang Seng	21,586.66	-1.2%
Shanghai Composite	3,355.35	-1.4%
<i>Sovereign bonds</i>		
2-year Treasuries	3.00	18pb
10-year Treasuries	2.93	12pb
28-day Cetes	7.70	-2pb
28-day TIE	8.03	0pb
2-year Mbono	9.45	9pb
10-year Mbono	8.96	7pb
<i>Currencies</i>		
USD/MXN	20.66	0.6%
EUR/USD	1.02	-0.8%
GBP/USD	1.19	-0.2%
DX	107.10	0.5%
<i>Commodities</i>		
WTI	98.53	-1.0%
Brent	100.69	-2.0%
Mexican mix	93.08	-2.2%
Gold	1,738.86	-1.5%
Copper	340.80	-0.2%

Source: Bloomberg

Corporate Debt

- **Grupo Aeroméxico carried out a bond issue for US\$762.5 million in the Singapore market. The bonds will mature in March 2027 and will pay a fixed rate of 8.5%. The net proceeds will be used to pay the DIP credit (debtor in possession) acquired as part of the restructuring process**
- **PCR Verum affirmed Be Grand and its BEGRAND 18 issuance rating at 'BBB+/M'; the outlook remained Negative. According to the agency, the Negative outlook remains due to the fact that PCR Verum contemplates the possibility of a slowdown in Be Grand sales and deeds, derived from the expected effects on the real estate and housing sector in the prevailing economic environment**

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, 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 Thalia 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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