

# Financial Markets Daily

July 8, 2022

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

- **Stock markets mixed, with S&P500 futures negatives, government bond yields mixed and the USD up. Investors remain in shock after the assassination of Japan's former Prime Minister and cautiously awaiting US employment data, looking for further clues on Fed's pace of monetary tightening and hoping that inflation can be brought under control without causing an economic downturn**
- **In Japan, former Prime Minister Shinzo Abe died after being shot at a campaign rally. Abe was considered the most influential politician in Japan**
- **In UK, Prime Minister Boris Johnson's term still does not have a defined date. Johnson clarified yesterday that it would be within three months. However, within his party they want his successor to be elected towards the end of the summer. Potential successors include Ben Wallace (Defense Minister), and Rishi Sunak (former Finance Minister)**
- **Regarding the virus, China continues to remove restrictions. Specifically, in Beijing they eliminated a vaccine mandate, while in Shanghai they reopened entertainment activities such as cinemas, even with the rising focalized contagions**
- **On economic data, in US, June's employment report will be published, expecting 290 thousand new jobs and an unemployment rate of 3.6%. Meanwhile, in China and Brazil, June's consumer prices will be released. Finally, we will also be on the look to the comments of John Williams (New York Fed)**

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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>Brazil</i>					
8:00	Consumer prices - Jun	% m/m	--	0.71	0.47
8:00	Consumer prices - Jun	% y/y	--	11.95	11.73
<i>United States</i>					
8:30	Nonfarm payrolls* - Jun	thousands	290	273	390
8:30	Unemployment rate* - Jun	%	3.6	3.6	3.6
11:00	Fed's Williams Speaks in Puerto Rico				
15:00	Consumer credit* - May	US\$bn	--	30.0	38.1
<i>China</i>					
21:30	Consumer prices - Jun	% y/y	--	2.5	2.1
<i>Mexico</i>					
	Wage negotiations	% y/y	--	--	8.2

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	3,897.00	-0.2%
Euro Stoxx 50	3,490.10	0.0%
Nikkei 225	26,517.19	0.1%
Shanghai Composite	3,356.08	-0.2%
<i>Currencies</i>		
USD/MXN	20.54	0.1%
EUR/USD	1.01	-0.2%
DXY	107.21	0.1%
<i>Commodities</i>		
WTI	102.76	0.0%
Brent	104.96	0.3%
Gold	1,739.70	0.0%
Copper	350.25	-2.2%
<i>Sovereign bonds</i>		
10-year Treasury	2.98	-2pb

Source: Bloomberg

## Equities

- The week concludes with mixed movements in stock markets, after the assassination of Shinzo Abe added more uncertainty to the environment, while investors continue to assess whether it will be possible to avoid a recession
- Futures in the US without a clear trend, with the S&P500 trading 0.2% below its theoretical value, awaiting employment figures to be released later. Twitter shares fall in the pre-market trading, after Elon Musk mentioned the possibility of giving up on acquiring the company
- Meanwhile, Europe trades on almost widespread gains, led by auto stocks, and offsetting declines in utilities and banks. In Asia we observe mostly positive closes, with the exception being China, as the Shanghai Index fell 0.3%, while in Japan, the Nikkei managed to close with a rise of 0.1%. In Mexico, the Mexbol could consolidate near 47,500pts

## Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds. European assets adjust up to -9bps while the Treasuries yield curve trades with gains of 1bp on average. Yesterday the Mbonos' curve recorded a steepening, resulting from gains of 2bps on the short-end and up to 6bps on the long-term tenors. The 10-year benchmark closed at 8.99% (+3bps)
- The dollar trades with a positive bias (DXY +0.1%) while G-10 currencies trade in negative territory and emerging currencies with mixed movements. In the first group CHF (-0.3%) is the weakest and in the second group RUB (+1.6%) and ZAR (-1.2%) are at the ends of the spectrum. The MXN operates with few changes at 20.53 with a narrow trading range
- Crude oil prices are down 0.1% as investors are cautious about the complex bacjdrop. Meanwhile, metals prices remain negative

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,384.55	1.1%
S&P 500	3,902.62	1.5%
Nasdaq	11,621.35	2.3%
IPC	47,374.38	-0.7%
Ibovespa	100,729.72	2.0%
Euro Stoxx 50	3,488.50	1.9%
FTSE 100	7,189.08	1.1%
CAC 40	6,006.70	1.6%
DAX	12,843.22	2.0%
Nikkei 225	26,490.53	1.5%
Hang Seng	21,643.58	0.3%
Shanghai Composite	3,364.40	0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	3.01	1pb
10-year Treasuries	2.99	7pb
28-day Cetes	7.71	1pb
28-day TIIE	8.03	0pb
2-year Mbono	9.47	2pb
10-year Mbono	9.00	4pb
<i>Currencies</i>		
USD/MXN	20.52	-0.7%
EUR/USD	1.02	-0.2%
GBP/USD	1.20	0.8%
DXY	107.13	0.0%
<i>Commodities</i>		
WTI	102.73	4.3%
Brent	104.65	3.9%
Mexican mix	96.53	3.7%
Gold	1,740.16	0.1%
Copper	357.20	4.8%

Source: Bloomberg

## Corporate Debt

- S&P Global Ratings placed FEMSA's credit ratings on a global scale of 'A-' in CreditWatch with negative implications. According to the agency, the CreditWatch reflects that the cash-financed transaction of up to CHF 1.1 billion (US\$ 1.2 billion) may increase S&P Global Ratings' adjusted pro forma leverage above 2.0x, which would be higher than the 1.5x threshold for an 'A-' rating
- Fitch Ratings ratified MAYACB 12 / 12U issuances (FF of the Kantunil - Cancun highway) rating at 'AA(mex)vra' and changed the outlook to Positive from Stable. According to the agency, the Positive outlook reflects Fitch's expectation that the sustained recovery in traffic increases the probability that the debt will be fully repaid before the highway experiences negative effects

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<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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