

Financial Markets Daily

July 11, 2022

Main drivers for the financial markets today...

- **Stock markets and government bond yields down while the USD strengthens, reacting to the potential reimposition of lockdowns in China due to the rise in COVID-19 cases, as well as new sanctions on tech giants. Cautiousness is also seen ahead of the start of the earnings season and inflation data**
- **More positively, June's aggregate financing in said country jumped much more than expected. The rebound was driven by a strong advance in bank lending and a record sale of government bonds as authorities increased stimulus measures to address growth risks**
- **Market focus this week on June inflation (consumer and producer) in the US, and comments from Fed members in a backdrop of high prices but increasing fears of a recession. In addition, President Biden will visit the Middle East to negotiate about oil production**
- **G20 finance ministers and central bankers will meet in Bali, while the Nord Stream pipeline will be closed for maintenance until July 21st, with investors watching closely due to the tensions between Russia and the Eurozone because of the war in Ukraine**
- **Monetary policy decisions in Australia, Korea, Canada and Chile. Moreover, the Fed will publish its *Beige Book* and there will be speeches from Bailey of the BoE and Kuroda of the BoJ**
- **Other US data includes retail sales, industrial production (Jun), Empire Manufacturing, U. of Michigan consumer sentiment (Jul) and weekly jobless claims**
- **In other regions, we highlight trade balance, activity data (Jun) and 2Q22 GDP in China; industrial production (May) in the UK and the Eurozone, with the latter also releasing trade balance; along with retail sales and economic activity (May) in Brazil**
- **In Mexico, we will follow closely the meeting between Presidents López Obrador and Biden in Washington on Tuesday. The economic agenda includes industrial production (May) and same-store sales from ANTAD (Jun)**

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>United States</i>					
14:00	Fed's Williams Takes Part in Discussion on Labor Transition				

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	3,882.75	-0.5%
Euro Stoxx 50	3,486.67	-0.6%
Nikkei 225	26,812.30	1.1%
Shanghai Composite	3,313.58	-1.3%
<i>Currencies</i>		
USD/MXN	20.55	0.5%
EUR/USD	1.01	-0.7%
DXY	107.61	0.6%
<i>Commodities</i>		
WTI	102.46	-2.2%
Brent	105.20	-1.7%
Gold	1,735.93	-0.4%
Copper	347.05	-1.7%
<i>Sovereign bonds</i>		
10-year Treasury	3.06	-2pb

Source: Bloomberg

Equities

- **Generalized stock market declines, with investors awaiting the 2Q22 earnings season kick-off this week, expecting more clarity about the inflationary impact on profit growth and the possibility of a recession**
- **Futures in the US anticipate a negative opening, with the S&P500 trading 0.5% below its theoretical value. *Twitter* shares slump on pre-market trading after Elon Musk withdrew from the acquisition of the company**
- **In Europe, we observe moderate declines, led by falls in carmakers and mining stocks, albeit mitigated by the rise in utilities. Asia closed negative except for Japan on concerns about the resurgence of the coronavirus in China and fines to technology giants *Alibaba* and *Tencent*. In Mexico, we consider a trading range for the Mexbol Index this week between 46,500 and 48,500pts**

Sovereign fixed income, currencies and commodities

- **Favorable balance in sovereign bonds. European rates trade with average gains of 5bps, while US Treasuries adjust up to -4bps at the short-end. In Mexico, the Mbonos' yield curve closed last week with a 11bps sell-off, with Mbono May'31 ending at 9.00% (+11bps)**
- **USD strengthens amid a negative performance in all developed currencies, with AUD as the weakest (-1.2%). In EM, the bias is mostly negative except for RUB (+2.8%). In addition, MXN trades at 20.55 per dollar (-0.5%) after a 0.9% weekly depreciation**
- **Crude-oil starts the week lower, although remaining above 100 \$/bbl amid a risk-off mood due to an increase in China's virus cases and concerns about a global recession. The balance in metals is negative, with gold and copper falling 0.4% and 1.7%, respectively**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,338.15	-0.1%
S&P 500	3,899.38	-0.1%
Nasdaq	11,635.31	0.1%
IPC	47,582.11	0.4%
Ibovespa	100,288.94	-0.4%
Euro Stoxx 50	3,506.55	0.5%
FTSE 100	7,196.24	0.1%
CAC 40	6,033.13	0.4%
DAX	13,015.23	1.3%
Nikkei 225	26,517.19	0.1%
Hang Seng	21,725.78	0.4%
Shanghai Composite	3,356.08	-0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	3.10	9pb
10-year Treasuries	3.08	9pb
28-day Cetes	7.68	-3pb
28-day TIIE	8.03	0pb
2-year Mbono	9.47	0pb
10-year Mbono	9.02	1pb
<i>Currencies</i>		
USD/MXN	20.45	-0.3%
EUR/USD	1.02	0.2%
GBP/USD	1.20	0.1%
DXY	107.01	-0.1%
<i>Commodities</i>		
WTI	104.79	2.0%
Brent	107.02	2.3%
Mexican mix	98.99	2.5%
Gold	1,742.48	0.1%
Copper	352.20	-1.4%

Source: Bloomberg

Corporate Debt

- **CIBanco (Common Rep.) informed GICSA's intention to carry out a partial advanced payment of the outstanding amount of several bonds on July 15, 2022. The amount of MXN 6.72 million will be amortized to GICSA 15 series; MXN 10.76 million to the GICSA 17 series; and MXN 31.40 million to the GICSA 19 series. The GICSA 15 / 17 / 19 issuances have a total outstanding amount of MXN 4.5 billion**
- **Fitch Ratings ratified Grupo Carso's rating at 'AAA(mex)' with a stable outlook. According to the agency, the ratification reflects Grupo Carso's strong business profile, which is characterized by diversification by segments and geography, as well as maintaining a good share in the different markets where it operates, and also because of a consistently high credit profile**

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

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@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
Victor 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	alejandro.cervantes@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
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899