

Financial Markets Daily

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Main drivers for the financial markets today...

- **Negative stock markets, government bond yields and crude-oil prices down, while the USD is up, in a backdrop of heightened risk-off sentiment that boost the appetite for safe-haven assets due to concerns about a global recession, more COVID-19 infections in China, and high inflation. This week the 2Q22 corporate earnings season has begun**
- **All eyes today on the meeting between Presidents López Obrador and Joe Biden in Washington, D.C., where they are expected to address issues of immigration and trade, and announce actions to improve infrastructure and cooperation on the border**
- **On the monetary policy front, attention on Richmond Fed's Barkin speaking on "Recession Question"**
- **In Mexico, INEGI published industrial production for May, up 0.1% m/m (+3.3% y/y), slightly better than expected. We highlight declines in mining (-0.7% m/m) and construction (-0.6%), impacted by a more difficult base, while manufacturing was stronger (+0.2%)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
	Meeting between presidents López Obrador and Biden				
7:00	Industrial production - May	% y/y	3.0	3.2	2.7
7:00	Industrial production* - May	% m/m	-0.1	0.2	0.6
7:00	Manufacturing output - May	% y/y	5.2	--	3.9
10:00	International reserves - Jul 8	US\$bn	--	--	198.8
11:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 5-year Mbono (Mar'27); 20-year Udibono (Nov'35) and 2-, 5-, and 10-year Bondes F				
	ANTAD same-store sales - Jun	% y/y	--	--	11.3
<i>United States</i>					
12:30	Fed's Barkin Discusses the 'Recession Question'				
<i>China</i>					
22:00	Trade balance - Jun	USDbn	--	76.8	78.8
22:00	Exports - Jun	% y/y	--	13.0	16.9
22:00	Imports - Jun	% y/y	--	4.0	4.1
<i>South Korea</i>					
	Monetary policy decision (Central bank of Sout	%	--	2.25	1.75

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	3,837.00	-0.5%
Euro Stoxx 50	3,442.74	-0.8%
Nikkei 225	26,336.66	-1.8%
Shanghai Composite	3,281.47	-1.0%
<i>Currencies</i>		
USD/MXN	20.82	0.4%
EUR/USD	1.00	0.0%
DXY	108.16	0.1%
<i>Commodities</i>		
WTI	99.07	-4.8%
Brent	102.28	-4.5%
Gold	1,734.33	0.0%
Copper	334.75	-2.6%
<i>Sovereign bonds</i>		
10-year Treasury	2.93	-7pb

Source: Bloomberg

Equities

- **Negative stock markets as investors weigh the early earnings results, where widespread profit deceleration is anticipated due to higher raw material costs which will likely translate into weaker growth forecasts**
- **Futures in the US anticipate a downward opening with its three major indices trading on average 0.7% below its theoretical value. On the corporate front, PepsiCo reported better than expected, after beating sales and profits estimates, as well as adjusting its growth guidance to the upward. Likewise, the Eurostoxx falls 0.5% with the real estate sector leading the losses. Finally, Asia closed mostly negative, highlighting the Hang Seng's decline of 1.3%**
- **In Mexico, earnings season begins today with the results of Amx after the market closes**

Sovereign fixed income, currencies and commodities

- **Rally in sovereign bonds given a risk-off sentiment. European rates adjust around -10bps. Moreover, US Treasuries record gains of up to 7bps in the belly. Yesterday, Mbonos adjusted +3bps, on average, with the 10-year reference closing at 9.03% (+3bps)**
- **The dollar strengthens, reaching fresh new highs since 2002. In this sense, G10 currencies trade with mixed movements with SEK (+0.5%) and NOK (-0.3%) at the extremes. In EM, the bias is negative with PHP (-0.7%) as the weakest. Moreover, MXN trades at 20.82 per dollar (-0.4%), extending yesterday's losses of 1.4%**
- **Crude-oil registers a sharp decline of more than 4.0% due to concerns about a global recession increased by the COVID-19 resurgence in China that could deteriorate the demand. In similar fashion, metals record a negative balance with industrials registering the biggest adjustments, highlighting copper losses of 2.8%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,173.84	-0.5%
S&P 500	3,854.43	-1.2%
Nasdaq	11,372.60	-2.3%
IPC	47,369.89	-0.4%
Ibovespa	98,212.46	-2.1%
Euro Stoxx 50	3,471.69	-1.0%
FTSE 100	7,196.59	0.0%
CAC 40	5,996.30	-0.6%
DAX	12,832.44	-1.4%
Nikkei 225	26,812.30	1.1%
Hang Seng	21,124.20	-2.8%
Shanghai Composite	3,313.58	-1.3%
<i>Sovereign bonds</i>		
2-year Treasuries	3.07	-3pb
10-year Treasuries	2.99	-9pb
28-day Cetes	7.70	2pb
28-day TIIE	8.04	1pb
2-year Mbono	9.48	1pb
10-year Mbono	9.04	2pb
<i>Currencies</i>		
USD/MXN	20.74	1.4%
EUR/USD	1.00	-1.4%
GBP/USD	1.19	-1.2%
DXY	108.02	0.9%
<i>Commodities</i>		
WTI	104.09	-0.7%
Brent	107.10	0.1%
Mexican mix	98.99	0.0%
Gold	1,733.96	-0.5%
Copper	343.05	-2.6%

Source: Bloomberg

Corporate Debt

- **Today we expect the auction of an ABS from Exitus Credit, ECREDCB 22, for up to MXN 500 million and a 5-year term. The issuance will be backed by a portfolio of consumer credits to IMSS and ISSSTE pensioners. The assigned local scale ratings were 'mxAAA' by S&P Global and 'HR AAA' by HR Ratings**
- **Also, the auction of Grupo Vasconia's sustainability linked bond, VASCONI 22L, will take place for up to MXN 1.0 billion and a 3-year term. The issue's ratings were 'A-(mex)' by Fitch Ratings and 'HR A' by HT Ratings. The bond's sustainability KPIs will be the CO2 tons issued by Almexa and Vasconia Brands**

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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>
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