

Financial Markets Daily

July 14, 2022

Main drivers for the financial markets today...

- **Negative stock markets, USD and government bond yields up. After high US inflation - new high since December 1981 -, investors have shifted their expectations towards a historic Fed's monetary tightening that could trigger a recession**
- **In addition, investors are cautious ahead of a vote in the Italian Senate that could be crucial for the continuity of Mario's Draghi coalition government**
- **The European Commission cut its estimated growth for this year in the Eurozone to 2.6% and adjusted the forecast for 2023 from 2.3% previously to 1.4%. For Germany, the largest economy in the region, the forecast was cut from 1.6% to 1.3% and from 2.4% to 1.3% for 2022 and 2023, respectively. At the same time, 2022 inflation estimate was raised to 7.6% and to 4.0% in 2023**
- **Markets attentive to Fed's Waller intervention, who will speak on the economic outlook, looking for signs of whether the central bank will be more aggressive in its rate hike cycle. As for economic figures, in the US June producer prices and jobless claims for the week ending July 9 will be released**
- **In other regions, the economic activity indicator for May in Brazil and the 2Q22 GDP, industrial production, retail sales and fixed investment for June in China will be published**

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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>Brazil</i>					
8:00	Economic activity - May	% y/y	--	--	2.33
8:00	Economic activity* - May	% m/m	--	--	-0.44
<i>United States</i>					
8:30	Producer prices* - Jun	% m/m	--	0.8	0.8
8:30	Ex. food & energy* - Jun	% m/m	--	0.5	0.5
8:30	Initial jobless claims* - Jul 9	thousands	232	233	235
11:00	Fed's Waller discusses the economic outlook				
<i>China</i>					
22:00	Gross domestic product - 2Q22	% y/y	--	1.0	4.8
22:00	Industrial production - Jun	% y/y	--	4.3	0.7
22:00	Retail sales - Jun	% y/y	--	0.4	-6.7
22:00	Gross fixed investment (YTD) - Jun	% y/y	--	6.0	6.2

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	3,753.75	-1.3%
Euro Stoxx 50	3,413.36	-1.2%
Nikkei 225	26,643.39	0.6%
Shanghai Composite	3,281.74	-0.1%
<i>Currencies</i>		
USD/MXN	20.91	0.9%
EUR/USD	1.00	-0.5%
DX	108.73	0.7%
<i>Commodities</i>		
WTI	94.14	-2.2%
Brent	97.70	-1.9%
Gold	1,713.66	-1.3%
Copper	327.00	-1.7%
<i>Sovereign bonds</i>		
10-year Treasury	2.92	-2pb

Source: Bloomberg

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Equities

- **Negative movements in equity markets as investors assess the possibility of a tighter monetary policy by the Fed, after the high inflation data that exceeded estimates, increasing fears of a recession. Meanwhile, on the corporate front, today formally kicked off the 2Q22 earnings season in the US with the figures from some major banks. Out of the 5 S&P500 companies scheduled to report, 3 have already updated investors, including JPMorgan Chase and Morgan Stanley with earnings below expectations**
- **In Asia the markets closed mixed. In Europe stocks drop, the Eurostoxx sheds 1.2%. Shares from energy, utilities and real estate lead losses. In turn, in the US the futures of main indices point to a negative open by falling 1.1% on average**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European rates adjust up to +17bp. Meanwhile, the Treasury curve loses 2bps in the short-end. Yesterday, the Mbonos curve registered a flattening bias with pressures in the short-end of 5bp, while the long-end gained 4bp, on average**
- **The dollar gains as developed currencies trade with negative bias with CAD (-1.2%) as the weakest. In emerging markets, the bias is also negative with ZAR (-1.5%) and RUB (+2.2%) at the extremes. Meanwhile, MXN depreciates 0.9% to 20.92 per dollar, diluting yesterday's gains of 0.6%**
- **Crude-oil fall while still digesting yesterday's negative inflation surprise in the US and a possible more aggressive monetary policy from the Fed. In metals, both industrial and precious trade with a negative bias, with gold losing 1.3%, diluting yesterday's gains**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,772.79	-0.7%
S&P 500	3,801.78	-0.4%
Nasdaq	11,247.58	-0.2%
IPC	47,461.35	-0.4%
Ibovespa	97,881.16	-0.4%
Euro Stoxx 50	3,453.97	-0.9%
FTSE 100	7,156.37	-0.7%
CAC 40	6,000.24	-0.7%
DAX	12,756.32	-1.2%
Nikkei 225	26,478.77	0.5%
Hang Seng	20,797.95	-0.2%
Shanghai Composite	3,284.29	0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	3.15	11pb
10-year Treasuries	2.93	-4pb
28-day Cetes	7.54	-15pb
28-day TIIE	8.04	1pb
2-year Mbono	9.56	6pb
10-year Mbono	9.05	-2pb
<i>Currencies</i>		
USD/MXN	20.73	-0.6%
EUR/USD	1.01	0.2%
GBP/USD	1.19	0.0%
DX-Y	107.96	-0.1%
<i>Commodities</i>		
WTI	96.30	0.5%
Brent	99.57	0.1%
Mexican mix	91.37	0.1%
Gold	1,735.51	0.6%
Copper	332.25	1.0%

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**
- **Moody's downgraded three non-financial companies operating in Mexico and changed their outlooks to stable from negative reflecting these companies' linkages to the Mexican sovereign: America Movil to 'Baa1' from 'A3'; Arca Continental to 'A3' from 'A2'; and Coca-Cola FEMSA to 'A3' from 'A2'**

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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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