

Financial Markets Daily

July 18, 2022

Main drivers for the financial markets today...

- **Stock markets and government bond yields higher, while the USD falls. Sentiment improves as investors scale back bets that the Fed could hike by 100bps next week, settling close to +75bps instead. Nevertheless, cautiousness prevails due to the difficult outlook for global growth**
- **In this respect, the IMF anticipated that they are going to cut global economic growth forecasts “substantially” in an upcoming update, arguing that a series of shocks (e.g., higher inflation, more modest capital flows to emerging markets, China’s slowdown) have worsened the outlook**
- **Markets focused this week on the ECB decision, with the market expecting a 25bps hike, albeit facing a very challenging environment. Also, on July’s PMI indicators in the US, Eurozone, Germany and UK, as well as the 2Q22 corporate earnings season**
- **In events, all eyes in the oil market. On Wednesday, the European Union will unveil its contingency plans in case that the Nord Stream pipeline does not resume operations on July 21st. Meanwhile, US Treasury Secretary Yellen will visit Korea to help build momentum on plans to cap prices of Russian oil**
- **Monetary policy decisions in Japan, Indonesia, Turkey, South Africa, and Russia. The PBoC will announce 1- and 5-year prime loan rates. Lastly, no Fed speakers this week as the central bank begins its silence period ahead of its upcoming decision**
- **US data includes housing starts, building permits and existing home sales (Jun), as well as the Philly Fed manufacturing indicator (Jul)**
- **In other regions, we highlight the unemployment rate (May) and inflation (Jun) in the UK; along with the current account (May) and consumer confidence (Jul) in the Eurozone**
- **In Mexico, publications include retail sales (May), the *Timely Indicator of Economic Activity* (Jun), inflation (1H-Jul) and the banking sector survey**

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forecasters for Mexico in 2021, granted by
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The most relevant economic data...

Event/Period	Unit	Banorte	Survey	Previous
No relevant economic data will be released today				

A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	3,901.00	0.9%
Euro Stoxx 50	3,523.66	1.3%
Nikkei 225	26,788.47	0.0%
Shanghai Composite	3,278.10	1.6%
<i>Currencies</i>		
USD/MXN	20.36	-0.9%
EUR/USD	1.02	0.8%
DXY	107.35	-0.7%
<i>Commodities</i>		
WTI	99.30	1.8%
Brent	103.25	2.1%
Gold	1,716.23	0.5%
Copper	323.45	0.0%
<i>Sovereign bonds</i>		
10-year Treasury	2.95	3pb

Source: Bloomberg

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

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Equities

- **Caution remains among investors, albeit with widespread gains today in stock indices, given dip-buying after the previous week's declines, and as expectations of a rate hike such as the previous one (75bps) by the Fed at its next meeting is assimilated**
- **US futures anticipate a positive opening, with the S&P500 trading 0.9% above its theoretical value. Attention on corporate earnings this week, expecting figures from 72 companies. Specifically, releases today include BofA & GS (which have just published mixed figures), while awaiting results from Charles Schwab, IBM, Prologis and Synchrony Financial**
- **In Europe, gains led by advances in mining and energy. In Asia, Japan remains closed for a local holiday, while the rise in the technology sector in China stands out. In Mexico, we estimated a weekly trading range for the Mexbol Index between 46,000 and 47,500pts**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European rates trade with average losses of 6bps, while the US Treasuries' curve adjusts +3bps. In Mexico, the Mbonos' yield curve flattened last week with a sell-off of up to 20bps at the short-end and Mbono May'31 ending at 9.04% (+4bps)**
- **Dollar weakens amid a favorable performance in all developed currencies with GBP as the strongest (+1.0%). In EM, the bias is mostly positive with PLN (+0.9%) leading gains, and MXN trading at 20.36 per dollar (+0.9%) after a 0.4% weekly depreciation**
- **Commodities start the week with widespread gains. Brent rises 2.1% on a weaker dollar and no announcement by Saudi Arabia about an increase of crude-oil output after Joe Biden's trip to the Middle East**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,288.26	2.1%
S&P 500	3,863.16	1.9%
Nasdaq	11,452.42	1.8%
IPC	47,075.87	0.7%
Ibovespa	96,551.00	0.4%
Euro Stoxx 50	3,477.20	2.4%
FTSE 100	7,159.01	1.7%
CAC 40	6,036.00	2.0%
DAX	12,864.72	2.8%
Nikkei 225	26,788.47	0.5%
Hang Seng	20,297.72	-2.2%
Shanghai Composite	3,228.06	-1.6%
<i>Sovereign bonds</i>		
2-year Treasuries	3.12	-1pb
10-year Treasuries	2.92	-4pb
28-day Cetes	7.55	-3pb
28-day TIIE	8.02	-1pb
2-year Mbono	9.63	-2pb
10-year Mbono	9.05	0pb
<i>Currencies</i>		
USD/MXN	20.54	-1.3%
EUR/USD	1.01	0.6%
GBP/USD	1.19	0.3%
DXY	108.06	-0.4%
<i>Commodities</i>		
WTI	97.59	1.9%
Brent	101.16	2.1%
Mexican mix	92.68	2.0%
Gold	1,708.17	-0.1%
Copper	323.40	0.7%

Source: Bloomberg

Corporate Debt

- **Last week, the corporate debt market exhibited higher dynamism with the placement of MXN 9.78 billion through six long-term bonds issued by Grupo Vasconia, Megacable, Exitus Credit and Toyota Financial Services Mexico**
- **This week we expect the auction of five long-term corporate issues by HIR Casa (HIR 22, MXN 500 million), Grupo Elektra (ELEKTRA 22-3 / 22-4 / 22-2U, MXN 5.0 billion) and GM Financial de México (GMFIN 22 tap issue, MXN 500 million)**
- **We highlight that all the expected issuances are unsecured, continuing the trend of greater investor appetite for these securities**

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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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