

Financial Markets Daily

July 20, 2022

Main drivers for the financial markets today...

- **Negative stock markets, government bond yields down and USD positive. Investors are undecided whether the worst in the stock markets is behind us as fears of a potential recession remain. Russia signaled a possible restart of operations of the Nord Stream 1 pipeline on July 21 as planned after a maintenance period, albeit with reduced capacity**
- **Prime Minister Mario Draghi told the Italian Senate that the coalition can be rebuilt, reducing concerns about his resignation and a break-up of the government, which would impact the stability of the region and add to fragmentation risks**
- **Regarding economic figures, in the US, the publication of figures for the residential sector will continue, since June's existing home sales will be released, for which the consensus estimates a 1.1% m/m decline**
- **In the United Kingdom, inflation reached a new 40-year high in June, standing at 9.4% y/y, above the 9.1% y/y observed the previous month. Following the release of the figure, Andrew Bailey suggested other BoE members to consider a 50bp hike at their August meeting. Bank of Japan's monetary policy decision will be announced later**
- **In Mexico, banking sector biweekly survey of expectations will be published**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone and UK</i>					
2:00	UK Consumer prices - Jun	% y/y	--	9.3	9.1
2:00	Core - Jun	% y/y	--	5.8	5.9
4:00	EZ Current account* - May	EURbn	--	--	-5.8
10:00	EZ Consumer confidence* - Jul (P)	index	--	-24.7	-23.6
<i>United States</i>					
10:00	Existing home sales** - Jun	millions	--	5.4	5.4
<i>Mexico</i>					
15:30	Survey of expectations (Citibanamex)				
<i>Japan</i>					
	Monetary policy decision (BoJ)	%	--	-0.10	-0.10

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	3,930.75	-0.2%
Euro Stoxx 50	3,572.97	-0.4%
Nikkei 225	27,680.26	2.7%
Shanghai Composite	3,304.72	0.8%
<i>Currencies</i>		
USD/MXN	20.50	-0.1%
EUR/USD	1.02	-0.3%
DX	106.89	0.2%
<i>Commodities</i>		
WTI	102.70	-1.5%
Brent	105.49	-1.7%
Gold	1,707.45	-0.2%
Copper	335.90	2.1%
<i>Sovereign bonds</i>		
10-year Treasury	2.97	-5pb

Source: Bloomberg

Equities

- **Stock markets with negative bias, reflecting cautious sentiment among investors, assessing the performance of earnings season, and following concerns of a global economic downturn given the more aggressive central banks' monetary policies**
- **Futures in the US anticipate a negative opening with the S&P500 trading 0.2% below its theoretical value. Thus, Europe is trading with losses, the Eurostoxx decreases 0.4%. In turn, Asia closed to the upside, highlighting the Nikkei rise of 2.7% and the Hang Seng increase of 1.1%**
- **On the national corporate front, Fibrapl recorded solid progress, aligned with expectations, favored by inorganic growth and the industrial sector positive dynamic. Moreover, in the US, Netflix hikes more than 6.0% on pre-market after reporting a lower loss of customers than expected. Additionally, of the 17 companies in the S&P500 that today publish their results, 7 have already released their figures. Besides, Tesla's report is expected at market close**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. European assets post gains of up to 11bps, especially in Italy, while the Treasury curve trades with gains of 6bps. Yesterday, the Mbonos' curve flattened, as a result of losses of 6bps on the short-end and 2bps gains, on average, on long-term tenors**
- **The dollar strengthens (DXY +0.2%) while developed and emerging currencies trade with mixed changes. In the former group NZD (+0.3%) is the strongest and SEK (-0.2%) is at the opposite end of the spectrum. In emerging markets, trading is capped by RUB (+1.3%) and PLN (-0.6%). Mexican peso appreciates 0.1% to 20.50 per dollar**
- **Oil prices fall 1.6% on average as concerns about the energy crisis in Europe partially diminished after Putin's comments on the Nord Stream gas pipeline. In metals, the bias is positive, highlighting nickel with gains of 3.5%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,827.05	2.4%
S&P 500	3,936.69	2.8%
Nasdaq	11,713.15	3.1%
IPC	47,259.23	0.7%
Ibovespa	98,244.80	1.4%
Euro Stoxx 50	3,587.44	2.2%
FTSE 100	7,296.28	1.0%
CAC 40	6,201.22	1.8%
DAX	13,308.41	2.7%
Nikkei 225	26,961.68	0.6%
Hang Seng	20,661.06	-0.9%
Shanghai Composite	3,279.43	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	3.24	6pb
10-year Treasuries	3.02	4pb
28-day Cetes	7.74	16pb
28-day TIIE	8.03	1pb
2-year Mbono	9.68	2pb
10-year Mbono	9.16	5pb
<i>Currencies</i>		
USD/MXN	20.52	0.3%
EUR/USD	1.02	0.8%
GBP/USD	1.20	0.4%
DXY	106.68	-0.6%
<i>Commodities</i>		
WTI	104.22	1.6%
Brent	107.35	1.0%
Mexican mix	99.36	1.6%
Gold	1,711.67	0.1%
Copper	329.10	-1.6%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings affirmed CFE's national scale ratings at 'AAA(mex)' and international debt ratings (IDR) at 'BBB-'. The outlook is stable. According to the agency, CFE's ratings remain at the same level as Mexico's sovereign risk ratings according to the "Rating Methodology for Government-Related Entities." Fitch revised the international issuer risk rating based on the individual credit profile of CFE to 'bb-' from 'bb'**
- **HR Ratings affirmed Crediclub's rating at 'HR A+', changing the outlook to Positive from Stable and affirmed ST's rating at 'HR2'. According to the agency, the Positive outlook is based on the capital contribution agreement by new investors**

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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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