

Financial Markets Daily

July 21, 2022

Main drivers for the financial markets today...

- **Stock markets mixed –highlighting small changes in S&P500 futures–, the USD maintains an upward bias while government bond yields are positives, with investors waiting for the ECB decision and assimilating several geopolitical events**
- **Specifically, attention will center in the magnitude of the decision from the ECB, where although we expect +25bps, there is uncertainty over a 50bps adjustment given high inflation levels. Anyway, this would be the first hike in 11 years. In addition, the introduction of an instrument to contain volatility in bond markets is also expected**
- **In other monetary policy decision, the BoJ maintained its rate at -0.10% and its target for the 10-year bond yield unchanged, even despite higher inflation and weakness in the Yen. Meanwhile, the Turkish Central Bank maintained its reference rate at 14.00%. Later, it is expected that the Central Bank of South Africa hikes its rate by 50bps to 5.25%**
- **In Italy, Prime Minister Mario Draghi tendered his resignation, which triggered a negative reaction in Italian bonds. It is expected that they announce snap elections as soon as October. In other news of the region, the delivery of natural gas from Russia through the Nord Stream 1 pipeline after maintenance work in previous days**
- **Regarding economic data, in the US we will be looking into the weekly jobless claims reports as well as the Philly Fed indicator. In Mexico, retail sales rose 0.5% m/m (5.2% y/y), highlighting a mostly favorable performance inside**

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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>Turkey</i>					
7:00	Monetary policy decision (C. Bank of Turkey)	%	--	14.00	14.00
<i>Mexico</i>					
7:00	Retail sales - May	% y/y	4.8	4.1	4.6
7:00	Retail sales* - May	% m/m	0.4	0.5	0.4
<i>Eurozone</i>					
8:15	Monetary policy decision (ECB)	%	0.25	0.25	0.00
<i>United States</i>					
8:30	Philadelphia Fed* - Jul	index	0.0	1.5	-3.3
8:30	Initial jobless claims* - Jul 16	thousands	238	240	244
<i>South African</i>					
	Monetary policy decision (S. African Reserve Bank)	%	--	5.25	4.75

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	3,951.75	-0.3%
Euro Stoxx 50	3,578.33	-0.2%
Nikkei 225	27,803.00	0.4%
Shanghai Composite	3,272.00	-1.0%
<i>Currencies</i>		
USD/MXN	20.54	-0.1%
EUR/USD	1.02	0.1%
DX	107.14	0.1%
<i>Commodities</i>		
WTI	95.23	-6.9%
Brent	102.25	-4.4%
Gold	1,684.94	-0.7%
Copper	332.70	-0.1%
<i>Sovereign bonds</i>		
10-year Treasury	3.05	2pb

Source: Bloomberg

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Equities

- **Mixed stock markets, while risk appetite continues to signal caution, as investors debate whether stocks have reached a trough after this year's massive selloff**
- **Futures in the US anticipate a slightly negative opening with the S&P500 trading 0.3% below its theoretical value. Similarly, Europe trades with losses of 0.2% on average. On the other hand, Asia closed mixed, highlighting the Hang Seng decrease of 1.5%**
- **On the corporate front, of 30 companies in the S&P500 that today publish their results, 21 have already released their numbers, highlighting AT&T, Dow, and Philip Morris Intl, with positive surprises. Meanwhile, Carnival is down 11% on the pre-market after launching a billion-dollar share offering. In Mexico, Alfa's figures were higher than expected, supported by Alpek's good performance. Reports from Bimbo, Kimber, Gfnorte, Vesta and Volar are expected today**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European rates adjust up to +17bps. Meanwhile, the Treasury curve loses 2bps, on average. Yesterday, the Mbonos curve registered a flattening bias with pressures in the short-end of 7bps, while the long-end gained 3bps, on average**
- **The dollar trades with few changes as developed currencies trade with negative bias with NZD (-0.8%) as the weakest. In emerging markets, the bias is mixed with RUB (-4.9%) and KRW (+0.4%) at the extremes. Meanwhile, MXN appreciates 0.1% to 20.53 per dollar**
- **Crude-oil falls as investors evaluate signs of a low demand for gasoline in the US, as well as Libya resumes its production. In metals, both industrial and precious trade with a negative bias, with gold losing 0.8%, reaching early pandemic levels**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,874.84	0.2%
S&P 500	3,959.90	0.6%
Nasdaq	11,897.65	1.6%
IPC	47,132.49	-0.3%
Ibovespa	98,286.83	0.0%
Euro Stoxx 50	3,585.24	-0.1%
FTSE 100	7,264.31	-0.4%
CAC 40	6,184.66	-0.3%
DAX	13,281.98	-0.2%
Nikkei 225	27,680.26	2.7%
Hang Seng	20,890.22	1.1%
Shanghai Composite	3,304.72	0.8%
<i>Sovereign bonds</i>		
2-year Treasuries	3.23	-1pb
10-year Treasuries	3.03	1pb
28-day Cetes	7.78	4pb
28-day TIE	8.04	1pb
2-year Mbono	9.71	4pb
10-year Mbono	9.14	-1pb
<i>Currencies</i>		
USD/MXN	20.56	0.2%
EUR/USD	1.02	-0.5%
GBP/USD	1.20	-0.2%
DXY	107.08	0.4%
<i>Commodities</i>		
WTI	102.26	-1.9%
Brent	106.92	-0.4%
Mexican mix	98.15	-1.2%
Gold	1,696.58	-0.9%
Copper	332.50	1.0%

Source: Bloomberg

Corporate Debt

- **Crédito Real was informed that Banco Santander México and BBVA México requested precautionary measures against it to secure assets. These requests are filed in CDMX courts. Likewise, the company reported that the cash flow of the company's current portfolio is not affected as a result of the company dissolution declaration, which will face the next maturities of the structured bonds CREALCB 17 and CREALCB 19 (Credito Real ABS)**
- **Corporación Actinver informed that it entered into the signing of a strategic alliance agreement with Credit Suisse México to invest and develop its Private Banking offer in Mexico. According to the statement, as part of the agreement, CS Mexico will transfer to Actinver a portfolio of clients with predominantly local needs, along with a team of financial advisors**

Certification of Analysts.

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