

# Financial Markets Daily

July 22, 2022

## Main drivers for the financial markets today...

- **Stock markets with positive bias, government bond yields negative and USD higher, with investors cautious, assimilating mixed economic data, including disappointing PMI indicators in Eurozone, and weak corporate earnings, reminding recession risks amid tightening monetary policy from central banks**
- **President Biden tested positive for COVID-19. According to reports, he is having mild symptoms and is isolated at the White House while continuing with all his duties. In other news, it was announced that Italy will have new elections on September 25th, seeking new coalitions to replace Prime Minister Mario Draghi**
- **Regarding the war in Ukraine, an agreement was signed in Turkey to resume grain exports from three Ukrainian ports. With this, wheat prices decline. Meanwhile, in Russia, the central bank announced a 150bps rate cut, higher than expected, taking the rate to 8.00%**
- **On economic data, July's PMIs in the Eurozone showed larger-than-expected declines, with the composite indicator reaching 49.4pts. These indicators were also down in Germany, France and the UK. We will be looking into the publication of said metrics in the US, where consensus also expect decreases**
- **In Mexico, INEGI published 1H-July's inflation at 0.43% 2w/2w, surprising higher, with the core at 0.34% 2w/2w. With these results, annual inflation increased to 8.16%, with the core also higher at 7.56%**

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Winners of the award for best economic  
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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Consumer prices - Jul 15	% m/m	0.38	0.39	0.39
7:00	Core - Jul 15	% m/m	0.29	0.34	0.26
7:00	Consumer prices - Jul 15	% y/y	8.10	8.11	8.09
7:00	Core - Jul 15	% y/y	7.50	7.55	7.52
<i>United States</i>					
9:45	Manufacturing PMI* - Jul (P)	index	52.2	52.0	52.7
9:45	Services PMI* - Jul (P)	index	52.3	52.5	52.7
9:45	Composite PMI* - Jul (P)	index	--	52.4	52.3

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	3,989.50	-0.3%
Euro Stoxx 50	3,608.41	0.3%
Nikkei 225	27,914.66	0.4%
Shanghai Composite	3,269.97	-0.1%
<i>Currencies</i>		
USD/MXN	20.63	0.0%
EUR/USD	1.02	-0.6%
DXY	107.09	0.2%
<i>Commodities</i>		
WTI	95.20	-1.2%
Brent	103.00	-0.8%
Gold	1,723.67	0.3%
Copper	332.05	0.6%
<i>Sovereign bonds</i>		
10-year Treasury	2.82	-6pb

Source: Bloomberg

## Equities

- We end the week with mixed movements in stock markets, although the bias is slightly positive. Investors continue to assimilate corporate reports, attentive to the impact of inflationary pressures on the cost structure and the challenges ahead. Futures in the US anticipate a negative opening, with the S&P500 trading 0.3% below its theoretical value, reacting to Snap's disappointing results
- On the corporate front we expect 8 companies of the S&P500 to release its figures, including American Express, Verizon and Twitter. As of today, we have ~19% of the results and a fall in profits of 5.9% (vs +4.1%e) has been achieved with a positive surprises rate at 71.9%
- In Mexico, yesterday Volar presented its results with greater pressures in profitability than expected and reduced its 2022 Guidance. Today we have the figures of AC, who reported aligned to expectations, although with pressures on margins slightly higher

## Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds. European assets post adjustments of up to -18bps and the Treasuries yield curve trades with gains of 6bps on average. Yesterday the Mbonos' curve closed with gains of 6bp, concentrated in the mid- and long-end while the 10-year benchmark ended at 9.06% (-7bps)
- The dollar strengthens (DXY +0.1%) with developed currencies declining and emerging currencies trading with mixed changes. In the first group EUR (-0.6%) is the weakest while in the second, RUB (-3.3%) leads the falls and ZAR (+0.7%) is at the opposite end. The MXN reverses initial losses and trades with marginal changes at 20.63
- Oil prices fall 1.5% on average due to concerns about global economic growth. Metals prices are positive, while food prices register losses of up to 3%

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,036.90	0.5%
S&P 500	3,998.95	1.0%
Nasdaq	12,059.61	1.4%
IPC	47,416.37	0.6%
Ibovespa	99,033.17	0.8%
Euro Stoxx 50	3,596.51	0.3%
FTSE 100	7,270.51	0.1%
CAC 40	6,201.11	0.3%
DAX	13,246.64	-0.3%
Nikkei 225	27,803.00	0.4%
Hang Seng	20,574.63	-1.5%
Shanghai Composite	3,272.00	-1.0%
<i>Sovereign bonds</i>		
2-year Treasuries	3.09	-14pb
10-year Treasuries	2.87	-15pb
28-day Cetes	7.81	3pb
28-day TIE	8.05	1pb
2-year Mbono	9.70	-1pb
10-year Mbono	9.07	-7pb
<i>Currencies</i>		
USD/MXN	20.63	0.4%
EUR/USD	1.02	0.5%
GBP/USD	1.20	0.2%
DXY	106.91	-0.2%
<i>Commodities</i>		
WTI	96.35	-5.8%
Brent	103.86	-2.9%
Mexican mix	95.18	-3.0%
Gold	1,718.81	1.3%
Copper	329.85	-0.8%

Source: Bloomberg

## Corporate Debt

- HR Ratings downgraded CREALCB 17 and CRELCB 19 issues (Crédito Real ABS) to 'HR A+ (E)' from 'HR AA+ (E)', maintaining the negative observation. According to the agency, the downgrade revision is due to a higher operational risk after the announcement of the liquidation and dissolution of Crédito Real. In this regard, the rating considers: i) the possible risks associated with a replacement process of the Administrator, as well as ii) the possible operational risks associated with the transfer of flows from the Master Collection Trust to the Issuance Trusts
- CIBanco (Common Rep.) reported GICSA' intention to carry out a partial advance payment of its issues outstanding on July 28, 2022. The amount of MXN 2.04 million will be amortized for GICSA 15; MXN 3.27 million for GICSA 17; and MXN 9.61 million for GICSA 19

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

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