

Financial Markets Daily

July 25, 2022

Main drivers for the financial markets today...

- **Stock markets and government bond yields higher while USD is skewed to the downside. Optimism grows ahead of tech companies' earnings –and after reports that China could help struggling developers–, which compensates for fears of a recession due to central banks' restrictive cycles**
- **Germany's IFO institute expectations index reached 80.3pts in July from 85.5pts in the previous month, falling more than expected to its worst levels since the start of the pandemic. This reflects growing concerns about a possible recession in Europe's biggest economy**
- **Market focused this week on the Fed decision. We anticipate a 75bps rate hike to a 2.25% - 2.50% range. It will also be important to analyze 2Q22 GDP in the US, Eurozone and Mexico, especially given increasingly higher fears of a global recession**
- **The IMF will release the *World Economic Outlook* on Tuesday. Meanwhile, a debate will be held between the candidates for UK Prime Minister, Rishi Sunak and Liz Truss**
- **Apart from what we have already mentioned, in monetary policy we only highlight the decision in Colombia. In coming days, speeches by ECB members, and the BoJ minutes**
- **US data also includes housing prices (May), new home sales, trade balance, durable goods orders, personal income and spending, PCE deflator (Jun), consumer confidence (Jul), and weekly jobless claims**
- **In other regions, we highlight inflation, economic and consumer confidence (Jul) in the Eurozone; moreover, Brazil will publish the unemployment rate (Jun) and inflation (Jul)**
- **Mexico's monthly GDP-proxy for May stood at -0.2% m/m (+2.1% y/y). Data releases for the rest of the week include trade balance, unemployment rate, public finance report and banking credit (Jun)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
4:00	IFO Survey (business climate)* - Jul	index	--	90.1	92.3
<i>Mexico</i>					
7:00	Global economic activity indicator (IGAE) - May	% y/y	2.0	1.7	1.3
7:00	Global economic activity indicator (IGAE)* - May	% m/m	-0.2	-0.1	1.1

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	3,983.50	0.5%
Euro Stoxx 50	3,610.18	0.4%
Nikkei 225	27,699.25	-0.8%
Shanghai Composite	3,250.39	-0.6%
<i>Currencies</i>		
USD/MXN	20.44	-0.4%
EUR/USD	1.02	0.2%
DXY	106.47	-0.2%
<i>Commodities</i>		
WTI	95.56	0.9%
Brent	104.04	0.8%
Gold	1,731.35	0.2%
Copper	337.40	0.8%
<i>Sovereign bonds</i>		
10-year Treasury	2.80	5pb

Source: Bloomberg

Equities

- The week starts with a positive bias in the main stock indices, with investors attentive to the advance in profits in full reporting season, and leaving aside the risks of a recession, at least for now
- The focus is on corporate earnings, where 166 companies from the S&P500 are expected this week, highlighting big tech. Specifically for today, we expect 9 reports, including Whirpool. In Mexico, we will have the figures of Asur, Gap, Kof and Ra
- US futures anticipate a positive opening, with the S&P500 trading 0.5% above its theoretical value. In Europe, the stock markets continue with the advances from the previous week, although in Asia we observed negative closures, even though property stocks rose due to the possibility of support for developers. For this week, we consider a trading range for the Mexbol Index between 46,500 and 47,700pts

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds.** European rates lose 3bps on average, while the US Treasuries' curve adjusts up to +8bps at the long-end. In Mexico, Mbonos' yields closed last week with a 14bps rally, on average, with Mbono May'31 ending at 8.85% (-19bps)
- **Dollar weakens amid a favorable backdrop in most developed currencies, except for safe havens CHF and JPY.** In EM, the bias is mostly positive, with PLN (+0.9%) leading gains, and MXN trading at 20.44 per dollar (+0.4%), close to its 200-day MA
- **Commodities start this week with widespread gains.** Crude-oil futures advance close to 1.0% on a weaker dollar and limited global supply despite fears of a global economic recession. In metals, copper gains 0.8%, while gold trades with few changes at 1,731 \$/oz t

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,899.29	-0.4%
S&P 500	3,961.63	-0.9%
Nasdaq	11,834.11	-1.9%
IPC	47,264.86	-0.3%
Ibovespa	98,924.82	-0.1%
Euro Stoxx 50	3,596.49	0.0%
FTSE 100	7,276.37	0.1%
CAC 40	6,216.82	0.3%
DAX	13,253.68	0.1%
Nikkei 225	27,914.66	0.4%
Hang Seng	20,609.14	0.2%
Shanghai Composite	3,269.97	-0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	2.97	-12pb
10-year Treasuries	2.75	-12pb
28-day Cetes	7.85	4pb
28-day TIE	8.04	0pb
2-year Mbono	9.57	-13pb
10-year Mbono	8.93	-15pb
<i>Currencies</i>		
USD/MXN	20.53	-0.5%
EUR/USD	1.02	-0.2%
GBP/USD	1.20	0.0%
DXY	106.73	-0.2%
<i>Commodities</i>		
WTI	94.70	-1.7%
Brent	103.20	-0.6%
Mexican mix	94.54	-0.7%
Gold	1,727.64	0.5%
Copper	334.95	1.5%

Source: Bloomberg

Corporate Debt

- For this week we expect the first issuance backed by infrastructure projects since 2019 (AUNETCB 22U / Necaxa-Tehuacán highway / 'AAA' for MXN 8 billion), waiting to see investors' appetite for these instruments
- S&P Global Ratings affirmed Grupo Televisa's global scale ratings at 'BBB+' and national scale ratings at 'mxAAA' and revised the outlook to stable from negative. According to the agency, the review reflects its reassessment of Televisa's business risk profile after the merger with Univision Communications
- HR Ratings downgraded Hospitales MAC and its SALUD 20 / 21 issuances to 'HR A+' from 'HR AA-'; the outlook is stable. According to the agency, the downgrade is based on the pressures observed in the company's leverage as of 1Q22

Certification of Analysts.

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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