

# Financial Markets Daily

July 27, 2022

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

- **Positive stock markets, mixed government bond yields mixed and USD down. Investors are optimistic about resilient results in the technology sector. The attention today will be on the Fed's decision and the tone of the communiqué in a backdrop of strong inflationary pressures and risks of recession**
- **We estimate that the FOMC will announce an increase of 75 bps, with which the range of the reference rate would stand at 2.25%-2.50%. We will be attentive to the tone of the communiqué and Powell's press conference, where we expect a hawkish stance anticipating more hikes for the rest of the year in a scenario where another hike of the same magnitude in September's meeting can't be ruled out**
- **In a context of sharp deterioration in the relation between the US and China, Biden will have a call this Thursday with the leader of the Asian country, Xi Jinping, where the Taiwan situation will be discussed. Likewise, Nancy Pelosi could travel to Taiwan in early August to which Beijing immediately responded against the possible trip saying that this would have a serious negative impact on bilateral relations**
- **Regarding economic figures, in the US trade balance, pending home sales, and durable goods orders for June will be released**
- **In Mexico, INEGI released June's trade balance, posting a US\$3,957.2 million deficit. Exports rose 1.3% m/m (20.2% y/y), with an increase in manufacturing. Imports grew 6.0% m/m (31.7% y/y), boosted by oil**

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Winners of the award for best economic  
forecasters for Mexico in 2021, granted by  
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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Trade balance - Jun	US\$m	-438.6	-1,200.0	-2,215.3
<i>United States</i>					
8:30	Trade balance* - Jun	US\$bn	--	-104.1	-104.0
8:30	Durable goods orders* - Jun (P)	% m/m	--	-0.3	0.8
8:30	Ex transportation* - Jun (P)	% m/m	--	0.2	0.7
14:00	FOMC Rate Decision (Upper Bound)	%	2.50	2.50	1.75
14:00	FOMC Rate Decision (Lower Bound)	%	2.25	2.25	1.50
14:00	Interest Rate on Excess Reserves (IOER)	%	2.40	2.40	1.65
14:30	Fed Chair Holds Press Conference Following FOMC Meeting				

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	3,957.00	0.9%
Euro Stoxx 50	3,594.88	0.5%
Nikkei 225	27,715.75	0.2%
Shanghai Composite	3,275.76	-0.1%
<i>Currencies</i>		
USD/MXN	20.41	-0.3%
EUR/USD	1.02	0.5%
DXY	106.82	-0.3%
<i>Commodities</i>		
WTI	96.08	1.2%
Brent	105.45	1.0%
Gold	1,721.47	0.2%
Copper	338.25	0.0%
<i>Sovereign bonds</i>		
10-year Treasury	2.80	-1pb

Source: Bloomberg

## Equities

- **Stock markets with positive bias, where investors reflect a feeling of greater optimism and make some opportunity purchases after assimilating some technology companies' prospects**
- **Futures in the US anticipate an opening to the upside with the S&P500 trading 0.9% above its theoretical value. While Europe trades with profits, the Eurostoxx is up by 0.5%**
- **In the US, Alphabet and Microsoft rose more than 3.0% on premarket after reporting and indicating a better outlook than expected. Additionally, of the 52 companies in the S&P500 that today publish their results, 19 have already done it, mostly better than expected. However, on the national corporate front, Chdraui and Walmex registered positive growth and expense control, while Livepol and Oma surprised with greater profitability. As for Tlevisa, the report was in line with anticipated. Likewise, today the reports of Bbajio, Gentera, Gmexico, Lab, Lacomer, and Orbia will be released**

## Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds. European assets post losses of 6bps on average, while the Treasuries yield curve trades with gains of 1bp concentrated in the mid-end. Yesterday, the Mbonos' curve closed with 3bps gains in the short-end and 3bps losses, on average, in the mid- and long-end**
- **The dollar weakens with the DXY adjusting -0.4% as developed currencies gain ground and emerging currencies trade mixed. In the G-10 group NOK (+1.1%) leads the gains while in EM, CSK (+0.5%) and PHP (-0.7%) are at the ends. The Mexican peso appreciates 0.3% to 20.41 per dollar**
- **Crude-oil prices rise 0.9%, on average, on a reduction in US inventory levels, while the rest of the commodities trade with gains, except for aluminum, which print a decline of 0.4%**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,761.54	-0.7%
S&P 500	3,921.05	-1.2%
Nasdaq	11,562.57	-1.9%
IPC	46,674.30	-1.1%
Ibovespa	99,771.69	-0.5%
Euro Stoxx 50	3,575.36	-0.8%
FTSE 100	7,306.28	0.0%
CAC 40	6,211.45	-0.4%
DAX	13,096.93	-0.9%
Nikkei 225	27,655.21	-0.2%
Hang Seng	20,905.88	1.7%
Shanghai Composite	3,277.44	0.8%
<i>Sovereign bonds</i>		
2-year Treasuries	3.05	4pb
10-year Treasuries	2.81	1pb
28-day Cetes	7.93	4pb
28-day TIIE	8.05	1pb
2-year Mbono	9.46	-3pb
10-year Mbono	8.84	3pb
<i>Currencies</i>		
USD/MXN	20.46	0.0%
EUR/USD	1.01	-1.0%
GBP/USD	1.20	-0.1%
DXY	107.19	0.7%
<i>Commodities</i>		
WTI	94.98	-1.8%
Brent	104.40	-0.7%
Mexican mix	93.61	-2.6%
Gold	1,717.32	-0.1%
Copper	338.45	0.9%

Source: Bloomberg

## Corporate Debt

- **Fitch Ratings upgraded Medica Sur's long-term national scale ratings to 'AA(mex)' from 'AA-(mex)' and revised the outlook to Stable from Positive. The rating upgrade was based on the solid and consistent operative performance the company has maintained**
- **S&P Global Ratings confirmed the ratings for issuance CIENCB 15 at 'mxAAA'. The agency considers that even if the issue does not have a specific guarantee from the federal government, in the face of extraordinary situations, there is a reasonable likelihood that the federal government will provide timely and sufficient support for the fulfillment of the financial liabilities**

## 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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	Reference
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<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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