

Financial Markets Daily

July 29, 2022

Main drivers for the financial markets today...

- **Positive stock markets, government bond yields up and USD down, with investors assimilating positive corporate earnings from Apple and Amazon, and expectations of less aggressive policy tightening by the Fed**
- **Preliminary July inflation in the Eurozone reached another new high at 8.9% y/y from the previous 8.6% y/y, while 2Q22 GDP was above expectations at 0.7% q/q, bringing the annual variation to 4.0% (previously 5.4%), strengthening the expectation of another strong rate hike by the ECB at the September meeting**
- **In the US, personal income and spending figures for June will be published, with the attention at the core PCE deflator. Likewise, the final indicator for July of consumer sentiment from the University of Michigan will be released**
- **In Mexico, INEGI published 2Q22 preliminary GDP, posting a 1.0% q/q expansion, better than expected. In annual terms (nsa) activity stood at 2.1% (previous: 1.8%). By sectors, primary activities rebounded 0.9% q/q (+1.5% y/y), with industry at +0.9% q/q (+3.3% y/y), and services at +1.0% q/q (+0.9% y/y), with the latter two contributing to the continuation of the recovery in the period. June's banking credit and public finances will also be released**

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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>Eurozone</i>					
5:00	Consumer prices - Jul	% y/y	--	8.7	8.6
5:00	Core - Jul (P)	% y/y	--	3.9	3.7
5:00	Gross domestic product* - 2Q22 (P)	% q/q	--	0.2	0.6
<i>Mexico</i>					
7:00	Gross domestic product - 2Q22 (P)	% y/y	1.6	1.5	1.8
7:00	Gross domestic product* - 2Q22 (P)	% q/q	0.7	0.9	1.0
10:00	Banking credit - Jun	% y/y	2.6	--	2.2
15:30	Public finances (PSBR, year-to-date) - Jun	MXNmn	--	--	-104.4
<i>United States</i>					
8:30	Personal income* - Jun	% m/m	--	0.5	0.5
8:30	Real personal spending* - Jun	% m/m	--	0.0	-0.4
8:30	PCE Deflator* - Jun	% m/m	--	0.9	0.6
8:30	Core* - Jun	% m/m	--	0.5	0.3
<i>Colombia</i>					
14:00	Monetary policy decision (BanRep)	%	--	9.00	7.50

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	4,100.75	0.7%
Euro Stoxx 50	3,690.44	1.0%
Nikkei 225	27,801.64	0.0%
Shanghai Composite	3,253.24	-0.9%
<i>Currencies</i>		
USD/MXN	20.26	-0.1%
EUR/USD	1.02	0.4%
DXY	105.95	-0.4%
<i>Commodities</i>		
WTI	98.14	1.8%
Brent	109.15	1.9%
Gold	1,762.87	0.4%
Copper	351.05	1.0%
<i>Sovereign bonds</i>		
10-year Treasury	2.70	3pb

Source: Bloomberg

Equities

- The week concludes with positive movements in main stock indices, supported by good corporate reports. Futures in the US anticipate an opening to the upside, with the S&P500 trading 0.7% above its theoretical value and Nasdaq 1.1%, reacting favorably to results from Apple and Amazon. In Europe we see widespread gains, also driven by good financial and luxury consumer earnings
- Today we have the results of 14 companies in the S&P500, among which Exxon and Chevron stand out, already with figures higher than expected. As of today, we have ~53% of the results and an accumulated drop in earnings of 1.1% vs +4.1%e. The rate of positive surprises stands at 73.4%
- In Mexico, the reporting season concluded with figures generally aligned with expectations. Of the reports that stood out yesterday afternoon we have Alsea and Pinfra, with strong growth, although confirming pressures in profitability. We consider that the Mexbol Index may consolidate close to 48,000pts

Sovereign fixed income, currencies and commodities

- Negative performance in sovereign bonds. European assets trade with losses of up to 6bps while the Treasuries curve posts pressures of 2bps on average. Yesterday, the Mbonos' curve rallied by 21bps on average and the 10-year benchmark closed at 8.64% (-19bps)
- The dollar weakens (DXY -0.4%) as developed and emerging currencies trade with mixed movements. In the first group, JPY (+0.6%) and CAD (-0.2%) are at the ends and in the second, PHP (+1.2%) leads the gains and RUB (-2.6%) is the weakest. The Mexican peso extends yesterday's gains by appreciating 0.2% to 20.24
- Crude oil prices advance 2.1%, on average, despite expectations of a moderation in energy consumption. In metals, gold trades at 1,760 \$/oz t (+0.3%) and silver trades with slight declines, while industrials print moderate gains

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,529.63	1.0%
S&P 500	4,072.43	1.2%
Nasdaq	12,162.59	1.1%
IPC	48,112.27	2.7%
Ibovespa	102,596.66	1.1%
Euro Stoxx 50	3,652.20	1.2%
FTSE 100	7,345.25	0.0%
CAC 40	6,339.21	1.3%
DAX	13,282.11	0.9%
Nikkei 225	27,815.48	0.4%
Hang Seng	20,622.68	-0.2%
Shanghai Composite	3,282.58	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	2.86	-14pb
10-year Treasuries	2.68	-11pb
28-day Cetes	8.17	9pb
28-day TIE	8.08	1pb
2-year Mbono	9.25	-17pb
10-year Mbono	8.69	-14pb
<i>Currencies</i>		
USD/MXN	20.28	-0.6%
EUR/USD	1.02	0.0%
GBP/USD	1.22	0.2%
DXY	106.35	-0.1%
<i>Commodities</i>		
WTI	96.42	-0.9%
Brent	107.14	0.5%
Mexican mix	95.75	0.2%
Gold	1,755.84	1.2%
Copper	347.45	1.3%

Source: Bloomberg

Corporate Debt

- Today we expect the auction of two unsecured bonds from Kimberly-Clark de México, KIMBER 22 and 22-2, for a joint amount of MXN 10.0 billion, with an over-assign option of 20%. Series 22 will have a 12-year term paying a fixed rate, while series 22-2 will have a 5-year term and will pay a floating rate referenced to the 28-day TIE. The local scale assigned ratings are 'AAA' by S&P Global Ratings and Fitch Ratings
- HR Ratings affirmed the ratings for issuances VRZCB 08 / 08U (FF from 199 State of Veracruz' municipalities) at 'HR AA+ (E)' with a Stable outlook. The ratification follows the Target Stress Rate obtained level of 100%, similar to the observed in the agency's previous review

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