

Financial Markets Daily

August 1, 2022

Main drivers for the financial markets today...

- **Stock markets mixed, government bond yields little changed, and USD lower, with some boost from positive surprises in corporate reports, albeit also reacting to comments from Fed members that it is necessary to keep hiking rates**
- **Moreover, China released July's PMI composite indicator on the weekend, standing at 52.5pts from 54.1pts in the previous month. Specifically, manufacturing returned to contraction at 49.0pts, while non-manufacturing decelerated to 53.8pts**
- **Markets focused this week on July's nonfarm payrolls report in the US, estimating +270k positions and the unemployment rate at 3.7% from 3.6%. Given fears of a global recession, it will also be relevant to see the monetary policy decisions in Australia, Brazil, UK, Czech Republic and India**
- **In events, OPEC and allies will meet to define production levels, the voting starts while campaigns continue in order to choose a new prime minister in the UK, and we will see if Nancy Pelosi visits Taiwan or not –in the midst of tensions between the US and China–**
- **The economic agenda in the US also includes factory orders, trade balance, consumer credit (Jun), ISM manufacturing and services, vehicle sales (Jul) and weekly jobless claims**
- **In Mexico, there will be plenty of data. Releases include fixed investment and private consumption (May), family remittances (Jun), PMI indicators from IMEF, consumer confidence (Jul) and the expectations surveys from the banking sector and Banxico**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
9:45	Manufacturing PMI* - Jul (F)	index	52.3	52.3	52.3
10:00	ISM manufacturing* - Jul	index	52.5	52.5	53.0
<i>Mexico</i>					
10:00	Family remittances - Jun	US\$bn	4,944.7	5,000.0	5,172.5
10:00	Survey of expectations (Banxico)				
13:00	PMI manufacturing (IMEF)* - Jul	index	51.0	--	49.2
13:00	PMI non-manufacturing (IMEF)* - Jul	index	52.3	--	51.8

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	4,125.25	-0.2%
Euro Stoxx 50	3,721.20	0.4%
Nikkei 225	27,993.35	0.7%
Shanghai Composite	3,259.96	0.2%
<i>Currencies</i>		
USD/MXN	20.28	-0.4%
EUR/USD	1.03	0.3%
DXY	105.39	-0.5%
<i>Commodities</i>		
WTI	96.94	-1.7%
Brent	102.68	-6.7%
Gold	1,772.69	0.4%
Copper	358.10	0.2%
<i>Sovereign bonds</i>		
10-year Treasury	2.66	1pb

Source: Bloomberg

Equities

- **Mixed movements in stock indices, with attention on the earnings season and the outlook for the rest of the year. Futures in the US anticipate a negative opening, with the S&P500 trading 0.2% below its theoretical value, after the best weekly advance since November 2020**
- **In Europe, stock markets continue with the advance seen in the previous week, with the rise led by the banking sector in the face of good corporate reports. In Asia we observed positive closes, highlighting Japan, with the Nikkei rising 0.7%. In Mexico, we consider a trading range for the Mexbol Index this week between 47,200 and 48,700pts**
- **This week 155 reports are expected from the S&P500, today in particular with 18, highlighting *Devon Energy* and *Simon Property*. In Mexico, *Fintech Advisory* announced the indirect sale to *Vinci Airports* of 29.9% of *Oma's* shares**

Sovereign fixed income, currencies and commodities

- **Mixed balance in sovereign bonds. European bonds trade between losses and gains of +/-2bps, while US Treasuries register few changes. In Mexico, the Mbonos' yield curve closed last week with a 39bps rally, on average, and Mbono May'31 ended at 8.51% (-31bps)**
- **Dollar weakens amid a positive performance in all developed currencies, with NZD (+0.9%) leading gains. In EM, the bias is mixed with THB (+2.2%) and RUB (-0.6%) at the extremes. In addition, MXN trades at 20.28 per dollar (+0.4%), after a monthly depreciation of 1.2%**
- **Crude-oil futures extend the negative dynamics of the previous two months, with weak economic data from China increasing fears that a global recession could sap demand. In metals, the balance is slightly positive, except for aluminum (-1.8%)**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,845.13	1.0%
S&P 500	4,130.29	1.4%
Nasdaq	12,390.69	1.9%
IPC	48,144.33	0.1%
Ibovespa	103,164.69	0.6%
Euro Stoxx 50	3,708.10	1.5%
FTSE 100	7,423.43	1.1%
CAC 40	6,448.50	1.7%
DAX	13,484.05	1.5%
Nikkei 225	27,801.64	0.0%
Hang Seng	20,156.51	-2.3%
Shanghai Composite	3,253.24	-0.9%
<i>Sovereign bonds</i>		
2-year Treasuries	2.88	2pb
10-year Treasuries	2.65	-3pb
28-day Cetes	8.27	10pb
28-day TIE	8.08	1pb
2-year Mbono	9.12	-13pb
10-year Mbono	8.58	-11pb
<i>Currencies</i>		
USD/MXN	20.37	0.4%
EUR/USD	1.02	0.2%
GBP/USD	1.22	-0.1%
DX	105.90	-0.4%
<i>Commodities</i>		
WTI	98.62	2.3%
Brent	110.01	2.7%
Mexican mix	98.33	2.7%
Gold	1,765.94	0.6%
Copper	357.35	2.8%

Source: Bloomberg

Corporate Debt

- **This week we expect the auction of two long-term issuances, with an unsecured bond from Industrias Bachoco (BACHOCO 22, MXN 3.0 billion) and a social bond from Instituto Fonacot (FNCOT 22S, MXN 2.0 billion). Both issues local scale ratings are 'AAA'**
- **HR Ratings affirmed Financiera Independencia's ratings at 'HR A', revising the outlook to Positive from Stable, and affirmed the short-term ratings at 'HR2'. The Positive outlook is based on the expected sustained recovery in profitability and loan quality after the impacts related to subsidiaries' sales and the implementation of Covid-19 support programs**

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

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