

Financial Markets Daily

August 2, 2022

Main drivers for the financial markets today...

- **Stock markets negative, with government bond yields lower and a slight appreciation of the USD, this amid an environment of cautiousness given fears of an economic deceleration and geopolitical risks, particularly between the US and China**
- **Attention on the visit of Speaker of the House, Nancy Pelosi , to Taiwan. This would be the first visit of a high ranking US representative in 25 years, which has triggered an increase in tensions between China and the US**
- **In addition in China, leaders of the Communist Party commented to provincial representatives that the 5.5% GDP growth target for this year should work as guidance and not as a hard measure, which is consistent with the economic deceleration in said country**
- **In the US, Republicans are getting ready to challenge the Democrat proposal on the climate spending deal and related measures, totaling US\$433 billion. They will focus on targeting individual measures which, according to them, do not belong within budget resolutions as part of the reconciliation process**
- **On the monetary policy front, we will be looking into comments from Evans (Chicago Fed), Mester (Cleveland Fed) and Bullard (St. Louis Fed), which will be very important after last week's decision. On economic data, the schedule includes vehicle sales in the US (July) and Brazil's industrial production (June)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Brazil</i>					
8:00	Industrial production - Jun	% y/y	--	-0.3	0.5
8:00	Industrial production* - Jun	% m/m	--	-0.3	0.3
<i>Mexico</i>					
10:00	International reserves - Jul 29	US\$bn	--	--	198.9
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 3-year Mbono (Mar'25); 10-year Udibono (Nov'31) and 1-, 3-, and 7-year Bonds F				
<i>United States</i>					
10:00	Fed's Evans Hosts Media Breakfast				
13:00	Fed's Mester Takes Part in Washington Post Live Event				
18:45	Fed's Bullard Speaks to the Money Marketeers				
	Total vehicle sales** - Jul	thousands	--	13.5	13.0
<i>China</i>					
21:45	Services PMI (Caixin)* - Jul	index	--	54.0	54.5
21:45	Composite PMI (Caixin)* - Jul	index	--	--	55.3

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	4,096.50	-0.6%
Euro Stoxx 50	3,679.41	-0.7%
Nikkei 225	27,594.73	-1.4%
Shanghai Composite	3,186.27	-2.3%
<i>Currencies</i>		
USD/MXN	20.52	0.8%
EUR/USD	1.02	-0.4%
DXY	105.61	0.2%
<i>Commodities</i>		
WTI	93.87	0.0%
Brent	100.00	0.0%
Gold	1,784.43	0.7%
Copper	352.15	-0.6%
<i>Sovereign bonds</i>		
10-year Treasury	2.54	-3pb

Source: Bloomberg

Equities

- **Negative movements in equity markets as geopolitical tensions rose between China and the US, increasing concerns about a slowdown in global economic dynamism, while the flow of corporate earnings continues. Thus, in Asia most markets closed lower. In Europe stocks drop, the Eurostoxx sheds 0.7%. BP's strong report led to an increase in its dividend. In turn, in the US the futures of main indices point to a negative open by falling 0.6% on average**
- **Out of the 44 S&P500 companies scheduled to report today, 22 have already updated investors with most outperforming estimates, including Caterpillar and DuPont de Nemours. PayPal Holdings and Starbucks will publish their figures after the market closes. In Mexico, next Friday, September 2nd, the BMV and S&P Dow Jones Indices will announce the changes to the sample that will integrate the Mexbol Index, where we expect Gentera to return to the index instead of Bolsa**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. European rates adjust -4bps, on average, while US Treasuries trades with gains of 2bps. Yesterday, Mbonos curve recorded a 10bps rally, on average, with the mid-term securities adjusting of up to -14bps**
- **The dollar advances modestly against most of the G10 currencies except for JPY (+0.5%). In EM, the bias is mixed with RUB (+2.6%) leading gains and MXN trading as the weakest at 20.52 (-0.8%), after closing virtually unchanged yesterday**
- **Crude-oil trades stable after reached 5-months lows yesterday. Investors are awaiting for the OPEC+'s Ministerial Meeting tomorrow to decided on output policy for September. In metals, the bias is negative, although gold registers gains of 0.4% to 1,780 \$/oz t**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,798.40	-0.1%
S&P 500	4,118.63	-0.3%
Nasdaq	12,368.98	-0.2%
IPC	47,384.56	-1.6%
Ibovespa	102,225.08	-0.9%
Euro Stoxx 50	3,706.62	0.0%
FTSE 100	7,413.42	-0.1%
CAC 40	6,436.86	-0.2%
DAX	13,479.63	0.0%
Nikkei 225	27,993.35	0.7%
Hang Seng	20,165.84	0.0%
Shanghai Composite	3,259.96	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	2.87	-1pb
10-year Treasuries	2.57	-8pb
28-day Cetes	8.30	3pb
28-day TIIE	8.09	1pb
2-year Mbono	9.09	-3pb
10-year Mbono	8.48	-10pb
<i>Currencies</i>		
USD/MXN	20.37	0.0%
EUR/USD	1.03	0.4%
GBP/USD	1.23	0.6%
DXY	105.45	-0.4%
<i>Commodities</i>		
WTI	93.89	-4.8%
Brent	100.03	-9.1%
Mexican mix	89.96	-8.5%
Gold	1,772.17	0.4%
Copper	354.25	-0.9%

Source: Bloomberg

Corporate Debt

- **Grupo Radio Centro and Olympusat informed the strategic alliance they have established to launch open television channel 8.2 under the FreeTV brand and the OTT platform with the same name. The new channel 8.2 will feature 100% entertainment programming provided by the content marketing and production company Olympusat**
- **Fitch Ratings assigned the rating to Ford Credit de México's ST program at 'F1+(mex)'. According to the agency, the short-term rating of the debt is based on the irrevocable and unconditional guarantee provided by Ford MotorCredit Company LLC (FMCC / 'BB+') to said securities. Fitch received the guarantee signed by FMCC with which FC México can place any issuance in the market under the program**

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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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