

# Financial Markets Daily

August 4, 2022

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

- **Stock markets positive, with government bond yields mixed and the USD weakening, with investors evaluating assessing the corporate earnings outlook. Nevertheless, tensions between the US and China, and economic risks of further monetary tightening could alter market gains**
- **China launched 11 missiles to the sea around Taiwan as a response to House Speaker Nancy Pelosi's visit to the island, further increasing tensions. Meanwhile, the Biden administration is looking to halt a legislative proposal that would change the foreign policy stance with said country, recognizing it as a major non-NATO ally, which would impact the relationship with China even more**
- **According to the Congressional Budget Office in the US, the fiscal and climate change package presented by the Democrats would cut the fiscal deficit by US\$102 billion over the next ten years. In this sense, it is expected that the Senate would vote on the proposal as soon as this week**
- **On the monetary policy front, the BoE hiked its reference rate y 50bps (in line with expectations) to 1.75%. In the statement they warned over a more challenging outlook, revising inflation forecasts higher and GDP lower. Meanwhile, in the US we will be looking into comments by Loretta Mester (Cleveland). Tonight, we will have a rate decision in India, expecting a 25bps increase to the repo rate to 5.15%**
- **On economic data, in the US we await the weekly jobless claims report and June's trade balance. In Mexico, July's consumer confidence came in at 41.3pts (-1.7pts vs. June), with a decline in all five sub-components**

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Winners of the award for best economic  
forecasters for Mexico in 2021, granted  
by *Refinitiv*



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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>UK</i>					
7:00	Monetary policy decision (BoE)	%	1.75	1.75	1.25
<i>Mexico</i>					
7:00	Consumer confidence* - Jul	index	44.0	43.6	43.6
<i>United States</i>					
8:30	Trade balance* - Jun	US\$bn	--	-81.9	-85.5
8:30	Initial jobless claims* - Jul 30	thousands	250	260	256

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	4,161.00	0.1%
Euro Stoxx 50	3,767.95	0.9%
Nikkei 225	27,932.20	0.7%
Shanghai Composite	3,189.04	0.8%
<i>Currencies</i>		
USD/MXN	20.43	-0.2%
EUR/USD	1.02	0.0%
DX-Y	106.45	-0.1%
<i>Commodities</i>		
WTI	90.82	0.2%
Brent	96.55	-0.2%
Gold	1,783.90	1.1%
Copper	344.15	-0.7%
<i>Sovereign bonds</i>		
10-year Treasury	2.71	0pb

Source: Bloomberg

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## Equities

- **Positive stock markets supported by robust earnings and stronger economic reports for June and July leading investors to lessen concerns of a possible recession**
- **Futures in the US anticipate a positive opening with the S&P500 trading 0.1% above its theoretical value. Likewise, Europe is trading with gains, of 0.9% on average, driven by the technology and consumer discretionary sectors. In turn, Asia closed positive, highlighting the Hang Seng advance of 2.1%; while Alibaba's figures were higher than expected, trading 7% up in the US pre-market**
- **Of 50 S&P500 companies which publish their reports today, 25 have already released their figures, most of them better than expected, including Duke Energy. In Mexico, the Mexbol index could hover around the 47,350pts**

## Sovereign fixed income, currencies and commodities

- **Positive balance in sovereign bonds. European rates advance up to 8bps. Meanwhile, the Treasury curve adjust -2bps, on average. Yesterday, the Mbonos curve closed with a flattening bias with the short-end gaining 3bps, while the long end adjusted -13bps**
- **The dollar retreats as developed currencies trade with mixed bias, but GBP (-0.6%) as the weakest, following the BoE's expectation of the start of a recession for 4Q22. In emerging markets, the bias is also mixed with PLN (-0.4%) and RUB (+1.2%) at the extremes. Meanwhile, MXN appreciates 0.3% to 20.39 per dollar**
- **Crude-oil stabilizes after reaching a 6-month low yesterday following an increase in crude-oil and gasoline inventories in the US, as well as lower gasoline demand in the same country. Metals trade with mixed bias with gold gaining 1.4%**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,812.50	1.3%
S&P 500	4,155.17	1.6%
Nasdaq	12,668.16	2.6%
IPC	46,989.61	0.2%
Ibovespa	103,774.68	0.4%
Euro Stoxx 50	3,732.54	1.3%
FTSE 100	7,445.68	0.5%
CAC 40	6,472.06	1.0%
DAX	13,587.56	1.0%
Nikkei 225	27,741.90	0.5%
Hang Seng	19,767.09	0.4%
Shanghai Composite	3,163.67	-0.7%
<i>Sovereign bonds</i>		
2-year Treasuries	3.07	1pb
10-year Treasuries	2.70	-4pb
28-day Cetes	8.03	2pb
28-day TIIE	8.11	0pb
2-year Mbono	9.12	-2pb
10-year Mbono	8.48	-9pb
<i>Currencies</i>		
USD/MXN	20.47	-1.7%
EUR/USD	1.02	0.0%
GBP/USD	1.21	-0.2%
DX	106.51	0.2%
<i>Commodities</i>		
WTI	90.66	-4.0%
Brent	96.78	-3.7%
Mexican mix	86.67	-3.7%
Gold	1,765.29	0.3%
Copper	346.70	-1.5%

Source: Bloomberg

## Corporate Debt

- **Fitch Ratings confirmed Grupo Palacio de Hierro (GPH) rating at 'AAA(mex)' with a stable outlook. According to the agency, the ratings reflect GPH's strong position in the market, brand recognition in Mexico, financial flexibility and conservative financial profile. They also consider GPH's business diversification, partner support and successful business strategy to maintain market position in an increasingly competitive environment**
- **HR Ratings ratified the rating of 11 TFOVIS, TFOVICB and FOVISCB at 'HR AAA (E)' with a stable outlook. According to the agency, the ratification is based on the adequate behavior in its over-collateral, collection flows and amortizations in the last 12m, showing a favorable performance**

## Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, 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 Thalia 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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