

# Financial Markets Daily

August 8, 2022

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

- Stock markets higher, government bond yields down –except for Asia– and USD biased lower, with support from better-than-expected corporate reports and despite bets that the Fed will keep hiking rates at an accelerated pace. In addition, the US Senate approved yesterday a landmark healthcare, tax, and climate change bill
- In China, July's trade balance showed a US\$101.3 billion surplus. We highlight stronger growth export growth at 18.0% y/y, which is positive given fears of a strong global slowdown and because of the impact from the country's policies against COVID-19
- Markets focused this week on inflation reports in the US –which will also release producer prices–, China, Mexico, France, and Brazil. Moreover, looking at Banxico's decision. We expect a 75bps hike to 8.50%, in line with consensus, as well as a hawkish tone in the statement
- In the monetary policy front, decisions also in Thailand and Peru. In addition, speeches from Fed members, with investors heeding them to calibrate their views about the magnitude of the hiking cycle
- Meanwhile, among the events we highlight talks between Iran and Western countries in Vienna trying to reestablish the previous nuclear weapons accord. Primary elections in 4 US states will also be held. OPEC, EIA and IEA will release their monthly reports
- Apart from what has already been mentioned, the US will only release U. of Michigan confidence (Aug). In other regions, we expect retail sales (Jun) in Brazil; 2Q22 GDP and industrial production (Jun) in the UK, with the latter figure also to be published in the Eurozone
- In Mexico, we will also know industrial production (Jun), same-store sales by ANTAD and wage negotiations (Jul)

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## The most relevant economic data...

| Event/Period | Unit | Banorte | Survey | Previous |
|--------------|------|---------|--------|----------|
|--------------|------|---------|--------|----------|

No relevant economic data will be released today

## A glimpse to the main financial assets

|                        | Last      | Daily chg. |
|------------------------|-----------|------------|
| <b>Equity indices</b>  |           |            |
| S&P 500 Futures        | 4,159.75  | 0.3%       |
| Euro Stoxx 50          | 3,755.45  | 0.8%       |
| Nikkei 225             | 28,249.24 | 0.3%       |
| Shanghai Composite     | 3,236.93  | 0.3%       |
| <b>Currencies</b>      |           |            |
| USD/MXN                | 20.31     | -0.5%      |
| EUR/USD                | 1.02      | 0.1%       |
| DXY                    | 106.51    | -0.1%      |
| <b>Commodities</b>     |           |            |
| WTI                    | 87.96     | -1.2%      |
| Brent                  | 93.78     | -1.2%      |
| Gold                   | 1,779.12  | 0.2%       |
| Copper                 | 353.50    | -0.5%      |
| <b>Sovereign bonds</b> |           |            |
| 10-year Treasury       | 2.79      | -3pb       |

Source: Bloomberg

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; \* Seasonally adjusted, \*\* Seasonally adjusted annualized rate.

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## Equities

- Equity markets start the week with gains amid a corporate earnings season with a positive bias, supporting investors' sentiment, who are now focusing their attention on upcoming US inflation data and weighing the risks of aggressive monetary tightening by the Fed
- US futures anticipate a positive opening, with the S&P500 trading 0.3% above its theoretical value. In Europe, the Eurostoxx rises 0.8%, with the technology sector standing out, while in Asia the performance was mixed. In Mexico, we expected a trading range for Mexbol between 46,200 and 47,800 points this week
- As we are in the final stretch of corporate reports, this week figures from 23 S&P500 companies are expected, although today only 9 companies release their results, including American International Group after the market closes

## Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds. European assets gain up to 8bps while the Treasuries yield curve trades with gains of 3bps on average. Last week, the Mbonos' yield curve lost 5bps on the short-end while the long-end posted gains of 10bps
- Dollar weakens amid a positive performance in all developed currencies, with AUD (+0.9%) leading higher. In EM, bias is mixed with RUB (+0.9%) and KRW (-0.6%) at the extremes. Meanwhile, MXN appreciates 0.5% to 20.31 per dollar, trading close to its 50-day MA
- Crude-oil futures fall more than 1%, extending last week's losses on expectations of lower global demand. In metals, the performance is mixed, with silver gaining 1.7% and nickel falling 2.3%

## Previous closing levels

|                        | Last       | Daily chg. |
|------------------------|------------|------------|
| <b>Equity indices</b>  |            |            |
| Dow Jones              | 32,803.47  | 0.2%       |
| S&P 500                | 4,145.19   | -0.2%      |
| Nasdaq                 | 12,657.55  | -0.5%      |
| IPC                    | 46,723.43  | -0.4%      |
| Ibovespa               | 106,471.92 | 0.5%       |
| Euro Stoxx 50          | 3,725.39   | -0.8%      |
| FTSE 100               | 7,439.74   | -0.1%      |
| CAC 40                 | 6,472.35   | -0.6%      |
| DAX                    | 13,573.93  | -0.6%      |
| Nikkei 225             | 28,175.87  | 0.9%       |
| Hang Seng              | 20,201.94  | 0.1%       |
| Shanghai Composite     | 3,227.03   | 1.2%       |
| <b>Sovereign bonds</b> |            |            |
| 2-year Treasuries      | 3.23       | 18pb       |
| 10-year Treasuries     | 2.83       | 14pb       |
| 28-day Cetes           | 8.13       | 2pb        |
| 28-day TIE             | 8.12       | 0pb        |
| 2-year Mbono           | 9.10       | 2pb        |
| 10-year Mbono          | 8.47       | 3pb        |
| <b>Currencies</b>      |            |            |
| USD/MXN                | 20.40      | 0.3%       |
| EUR/USD                | 1.02       | -0.6%      |
| GBP/USD                | 1.21       | -0.7%      |
| DXY                    | 106.62     | 0.9%       |
| <b>Commodities</b>     |            |            |
| WTI                    | 89.01      | 0.5%       |
| Brent                  | 94.92      | 0.8%       |
| Mexican mix            | 84.54      | 0.4%       |
| Gold                   | 1,775.50   | -0.9%      |
| Copper                 | 355.20     | 2.0%       |

Source: Bloomberg

## Corporate Debt

- We anticipate that placements will decrease in the rest of August. However, the amount issued in the first days of the month, MXN 17 billion, compares positively 5.0% m/m and 11.3x y/y
- Viva Aerobus and Iberia signed a codeshare agreement to provide more facilities to passengers traveling between Mexico and Spain, combining sections operated by both airlines
- Grupo Viva Aerobus participates in the corporate debt market with a structured bond, VIVAACB 19, which is backed by future flows generated by the collection of payment obligations from card processors, with an outstanding amount of MXN 1 billion. The issuance is rated 'HR AA-' by HR Ratings and 'AA-/M' by PCR Verum

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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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