

Financial Markets Daily

August 9, 2022

Main drivers for the financial markets today...

- **Negative stock markets, government bond yields up and USD down. Investors are cautious as they weigh better-than-expected corporate results vs. recession risks, China's new military exercises around Taiwan and the effect of drought on northern hemisphere grain production**
- **According to Taiwan's foreign minister, China used Pelosi's visit to the island as a pretext to prepare for a possible invasion and said that the recent military drills were aimed at changing the status quo. While his counterpart in China said that these exercises are a warning to the provocateur, referring to the US, which he blames for the escalation in current tensions**
- **With the US economic agenda empty, markets will be attentive to the inflation reports in Brazil and later in China. In the first case, a deflation in July of 0.65% m/m is estimated, with which the annual variation would stand at 10.10% from the previous 11.89%. This after the BCB published the minutes of the last Copom meeting this morning, in which it was explained that they will evaluate a new and smaller increase in the *Selic* rate at the September meeting**
- **In Mexico, INEGI published July's inflation at +0.74% m/m, with the core still high (0.62%) and the non-core gathering pace (1.09%). As such, annual inflation reached 8.15% (previous: 7.99%), with the core at 7.65% (previous: 7.49%)**

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forecasters for Mexico in 2021, granted by
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Consumer prices - Jul	% m/m	0.80	0.72	0.84
7:00	Core - Jul	% m/m	0.63	0.58	0.77
7:00	Consumer prices - Jul	% y/y	8.21	8.14	7.99
7:00	Core - Jul	% y/y	7.66	7.61	7.49
10:00	International reserves - Aug 5	US\$bn	--	--	199.5
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 20-year Mbono (Nov'42); 20-year UdiBono (Nov'35) and 2-, 5-, and 10-year Bondes F				
<i>Brazil</i>					
7:00	COPOM minutes				
8:00	Consumer prices - Jul	% m/m	--	-0.62	0.67
8:00	Consumer prices - Jul	% y/y	--	10.12	11.89
<i>China</i>					
21:30	Consumer prices - Jul	% y/y	--	2.9	2.5

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	4,127.00	-0.4%
Euro Stoxx 50	3,728.27	-0.8%
Nikkei 225	27,999.96	-0.9%
Shanghai Composite	3,247.43	0.3%
<i>Currencies</i>		
USD/MXN	20.24	-0.1%
EUR/USD	1.02	0.2%
DXY	106.18	-0.2%
<i>Commodities</i>		
WTI	91.93	1.3%
Brent	97.82	1.2%
Gold	1,790.50	0.1%
Copper	360.35	0.5%
<i>Sovereign bonds</i>		
10-year Treasury	2.80	4pb

Source: Bloomberg

Equities

- **Mixed movements, with a negative bias, in equity markets due to concerns about possible faster interest rate hikes in the US to curb inflationary pressures, while investors assess whether the strong performance of corporate earnings will continue in the face of recent disappointments, particularly with the chipmakers (Micron and Nvidia)**
- **In Asia the markets closed mixed. In Europe stocks drop, the Eurostoxx sheds 0.7%. In turn, in the US the futures of main indices are mixed, but show an average decline of 0.2%**
- **Out of the 8 S&P500 companies scheduled to report today, 2 have already updated investors with outperforming estimates, including Emerson Electric. In Mexico, Amx announced the spin-off of its towers in Latam. and the creation of a new company (Sitios Latam), thus materializing one of the strategies to detonate shareholder value (5% yield)**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. European assets register adjustments of up to +4bps while the Treasuries yield curve trades with losses of 3bps on average. Yesterday, the Mbonos' curve closed with gains of 6bps, on average, and the 10-year benchmark at 8.37% (-7bps)**
- **The dollar weakens (DXY -0.3%) as developed and EM currencies trade with a positive bias. In the former group, NOK (+0.5%) leads the gains and AUD (-0.1%) is at the opposite end, while in emerging markets, RUB (+2.1%) is the strongest. The Mexican peso appreciates 0.1% to 20.23 per dollar extending yesterday's gains and approaches its 100-day MA (20.16)**
- **Crude oil futures advance 1.3% on the suspension of Russian exports to Europe through the pipeline that crosses Ukraine and supplies Hungary, Slovakia and the Czech Republic. Metals prices are mixed, with a 1.4% gain in aluminum**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,832.54	0.1%
S&P 500	4,140.06	-0.1%
Nasdaq	12,644.46	-0.1%
IPC	47,354.86	1.4%
Ibovespa	108,402.27	1.8%
Euro Stoxx 50	3,757.22	0.9%
FTSE 100	7,482.37	0.6%
CAC 40	6,524.44	0.8%
DAX	13,687.69	0.8%
Nikkei 225	28,249.24	0.3%
Hang Seng	20,045.77	-0.8%
Shanghai Composite	3,236.93	0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	3.21	-2pb
10-year Treasuries	2.76	-7pb
28-day Cetes	8.32	19pb
28-day TIE	8.12	0pb
2-year Mbono	9.04	-7pb
10-year Mbono	8.38	-9pb
<i>Currencies</i>		
USD/MXN	20.25	-0.7%
EUR/USD	1.02	0.1%
GBP/USD	1.21	0.1%
DXY	106.44	-0.2%
<i>Commodities</i>		
WTI	90.76	2.0%
Brent	96.65	1.8%
Mexican mix	86.11	1.9%
Gold	1,788.96	0.8%
Copper	358.65	1.0%

Source: Bloomberg

Corporate Debt

- **TV Azteca reported it received a notice from The Bank of New York Mellon (trustee), informing the intention of early redemption of its Senior Notes due 2024 for a total amount of US\$400 million**
- **América Móvil informed that the conditions have been met, and the previous steps finalized for the scission of telecom towers and other associated infrastructure, so the shareholder approved scission of AMX has taken place and certain assets, liabilities and equity have been transferred in favour of a new society named Sitios Latinoamérica**
- **HR Ratings affirmed Linq's master administrator rating at 'HR AM3+' with a Stable outlook, based on the adequate evolution of the mandates under management**

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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