

# Financial Markets Daily

August 11, 2022

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

- **Mixed stock markets, S&P Futures up, USD down and government bond yields mixed, still influenced by a softer-than-expected US inflation print yesterday, although also digesting comments from Fed members who remained resolute on the need for further interest rate hikes**
- **Mary Daly of San Francisco Fed said it's too early to declare victory on inflation. While she did not rule out a third consecutive 75bp rate hike at the September meeting, she explained that a 50bp hike is her baseline. She will be watching upcoming inflation and employment reports to validate if it is appropriate to shift down to a slower pace of policy tightening**
- **In Mexico, we expect Banxico to hike +75pbs again, taking the rate to 8.50%. We believe conditions are set for this move, noting: (1) An adjustment of the same magnitude by the Fed in its July 27th meeting; (2) no meaningful evidence yet of a slowdown in current inflation, as well as renewed pressures at the core; and (3) an additional uptick in inflation expectations, especially in those for the mid-term, as informed by the central bank's survey**
- **Regarding economic figures, INEGI published industrial production for June, up 0.1% m/m (+3.8% y/y), slightly better than expected. We highlight increases in mining (2.1% m/m) and construction (0.3%), rebounding after previous declines. Manufacturing was more stable (0.0%)**

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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>Mexico</i>					
7:00	Industrial production - Jun	% y/y	3.5	3.8	3.3
7:00	Industrial production* - Jun	% m/m	0.0	-0.2	0.1
7:00	Manufacturing output - Jun	% y/y	5.1	--	6.1
14:00	Monetary policy decision (Banxico)	%	8.50	8.50	7.75
<i>United States</i>					
8:30	Producer prices* - Jul	% m/m	--	0.3	1.1
8:30	Ex. food & energy* - Jul	% m/m	--	0.4	0.4
8:30	Initial jobless claims* - Aug 6	thousands	250	265	260
<i>Peru</i>					
19:00	Monetary policy decision (BCRP)	%	--	6.50	6.00

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	4,228.00	0.4%
Euro Stoxx 50	3,751.64	0.1%
Nikkei 225	27,819.33	0.0%
Shanghai Composite	3,281.67	1.6%
<i>Currencies</i>		
USD/MXN	19.99	-0.2%
EUR/USD	1.03	0.3%
DX	104.94	-0.2%
<i>Commodities</i>		
WTI	92.90	1.1%
Brent	98.35	1.0%
Gold	1,795.05	0.1%
Copper	369.40	1.2%
<i>Sovereign bonds</i>		
10-year Treasury	2.75	-3pb

Source: Bloomberg

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## Equities

- **Mixed stock markets, assessing the US inflation report, however, investors remain cautious, evaluating higher interest rates to lower costs**
- **Futures in the US anticipate an upside opening with the S&P500 trading 0.4% above its theoretical value and the Nasdaq 0.3%. In turn, Europe trades slightly lower, with the Eurostoxx dropping 0.1% on average, as the healthcare sector declines 6.2%. Finally, Asia closed mostly positive, highlighting the Hang Seng advance of 2.4%**
- **On the corporate front, the US earnings season continues to a lesser extent, expecting only the figures of 3 S&P500 companies. Disney is trading 7.6% up on the premarket after reporting better than expected growth in subscribers, revenue, and profits yesterday. In Mexico, the Mexbol could hover around the 47,700pts**

## Sovereign fixed income, currencies and commodities

- **Mixed balance in sovereign bonds. European rates lose 1bps, on average. Meanwhile, the Treasury curve gains up to 3bps, at the short-end. Yesterday, the Mbonos curve closed with gains of 7bps, on average, with the main adjustments at the belly**
- **The dollar retreats amid a favorable performance in G10 currencies with EUR (+0.3%) leading gains. In emerging markets, the bias is also positive with THB (+1.1%) and TRY (-0.6%) at the extremes. Meanwhile, MXN appreciates 0.1% to 20.00 per dollar, after gaining 1.0% yesterday**
- **Crude-oil continues with gains after the IEA report where demand is expected to increase in the coming months due to high natural gas prices and a supply with little capacity to increase. Metals trade with mixed performance with copper gaining 1.0%**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,309.51	1.6%
S&P 500	4,210.24	2.1%
Nasdaq	12,854.80	2.9%
IPC	47,808.21	1.2%
Ibovespa	110,235.76	1.5%
Euro Stoxx 50	3,749.35	0.9%
FTSE 100	7,507.11	0.3%
CAC 40	6,523.44	0.5%
DAX	13,700.93	1.2%
Nikkei 225	27,819.33	-0.6%
Hang Seng	19,610.84	-2.0%
Shanghai Composite	3,230.02	-0.5%
<i>Sovereign bonds</i>		
2-year Treasuries	3.21	-6pb
10-year Treasuries	2.78	0pb
28-day Cetes	8.35	5pb
28-day TIE	8.16	3pb
2-year Mbono	9.05	-9pb
10-year Mbono	8.50	-3pb
<i>Currencies</i>		
USD/MXN	20.03	-1.0%
EUR/USD	1.03	0.8%
GBP/USD	1.22	1.2%
DXY	105.20	-1.1%
<i>Commodities</i>		
WTI	91.93	1.6%
Brent	97.40	1.1%
Mexican mix	86.96	1.0%
Gold	1,792.38	-0.1%
Copper	364.95	1.8%

Source: Bloomberg

## Corporate Debt

- **S&P Global Ratings downgraded Unifin Financiera's global and national scale ratings to 'D' following the company's announcement that it will not make interest and principal payments on its debt**
- **HR Ratings downgraded Unifin Financiera's long-term national scale ratings to 'HR C-' from 'HR AA-' and its short-term ratings to 'HR5' from 'HR1' and placed them on Negative Watch. The Negative Watch will conclude when HR Ratings has direct knowledge of a default**
- **Grupo Televisa announced the early results of its cash offer for its debt securities. The early accepted offers added up to US\$291.7 million of its senior notes and will be paid on August 12**

## 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 Olivares 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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