

Financial Markets Daily

August 15, 2022

Main drivers for the financial markets today...

- **Stock markets mixed, government bond yields down and USD stronger. Cautiousness increases after disappointing activity data for July in China that is heightening recession fears, even after the PBoC cut one-year and seven-day lending rates by 10bps**
- **Specifically, industrial production grew 3.8% y/y, retail sales advanced 2.7% and new credit grew at its slowest pace since 2017. Meanwhile, gross fixed investment accumulated year-to-date growth of 5.7%**
- **Markets focused this week on the Fed minutes and speeches by its members, with markets not yet convinced about the magnitude of the upcoming rate hike, in September (50bps or 75bps). We also highlight 2Q22 GDP in the Eurozone, as well as July's inflation in the UK**
- **In monetary policy, decisions in New Zealand, Norway, Turkey, Egypt, and the announcement of one- and five-year prime loan rates by the PBoC in China**
- **There will be few events, probably related to the holiday period. In the UK, Liz Truss and Rishi Sunak will keep campaigning to become the next Prime Minister. In the US, primary elections will be held in Alaska and Wyoming**
- **In the US, the economic agenda includes housing starts and building permits, existing home sales, retail sales, industrial production (Jul), *Empire Manufacturing*, *Philly Fed* (Aug) and weekly jobless claims**
- **Going to other regions, we note the trade balance and current account (Jun) in the Eurozone; economic activity (Jun) in Brazil; unemployment rate (Jun) in the UK; and the ZEW survey for August in Germany**
- **In Mexico, retail sales (Jun) and the *Timely Indicator of Economic Activity* (Jul). We will be on the look for news about the consultation period between Mexico, US, and Canada about controversies in our country's energy sector based on the USMCA framework**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted by
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Brazil</i>					
8:00	Economic activity - Jun	% y/y	--	2.6	3.7
8:00	Economic activity* - Jun	% m/m	--	0.4	-0.1
<i>United States</i>					
8:30	Empire manufacturing* - Aug	index	8.0	5.0	11.1

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	4,258.25	-0.5%
Euro Stoxx 50	3,781.18	0.1%
Nikkei 225	28,871.78	1.1%
Shanghai Composite	3,276.09	0.0%
<i>Currencies</i>		
USD/MXN	19.97	0.6%
EUR/USD	1.02	-0.6%
DXY	106.28	0.6%
<i>Commodities</i>		
WTI	87.94	-4.5%
Brent	93.67	-4.6%
Gold	1,776.49	-1.4%
Copper	355.45	-3.1%
<i>Sovereign bonds</i>		
10-year Treasury	2.83	-1pb

Source: Bloomberg

Equities

- **Stock markets kick off the week with mixed changes in major indices, as investors assess the impact on the economic outlook of the slowdown in China's economic data**
- **US futures anticipate a negative opening, with the S&P500 trading 0.5% below its theoretical value. Additionally, Europe trades with limited gains, with the Eurostoxx remains largely unchanged with the most significant declines in energy and the greatest advances in utilities. In turn, Asia closed mixed, highlighting the Nikkei's +1.1% and Hang Seng's -0.7% drop. In Mexico, we consider a Mexbol Index trading range this week between 48,000 and 49,200pts**
- **Entering into the final stretch of the earnings season, the flow of results will moderate significantly this week, expecting only 19 companies in the S&P500. Today we do not expect any releases; however, Home Depot, Target, and Walmart stand out in coming days**

Sovereign fixed income, currencies and commodities

- **Positive balance in sovereign bonds. Europe gains 4bps on average, while the US Treasuries curve adjusts -1bp at the long-end. In Mexico, the Mbonos' yield curve closed last week with an average sell-off of 5bps, with Mbono May'31 ending at 8.50% (+6bps)**
- **The dollar strengthens (BBDXY +0.5%) against most developed market currencies, except JPY (+0.1%). In EM, the bias is also negative with HUF (-1.9%) as the weakest. In addition, MXN trades at 19.97 per dollar (-0.6%), after recording its best weekly performance year-to-date with a 2.8% gain**
- **Crude-oil with deep losses of almost 5.0% due to concerns about lower Chinese demand after weak economic data and the prospect of more Iranian supply. Widespread losses in metals with copper and gold adjusting -3.1% and -1.4%, respectively**

Corporate Debt

- **This week, auction activity will stay in the banking bond market with seven long-term securities for a maximum amount of MXN 19.5 billion**
- **CIBanco (Trustee) informed that Unifin Financiera defaulted on the interest payment of its short-term issuance UNIFIN 00122 for MXN 22.03 million**
- **Due to the interest payment default, HR Ratings downgraded Unifin Financiera's ratings to 'HR D' from 'HR C-' y 'HR5', placing them Under Review**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,761.05	1.3%
S&P 500	4,280.15	1.7%
Nasdaq	13,047.19	2.1%
IPC	48,853.37	0.8%
Ibovespa	112,764.26	2.8%
Euro Stoxx 50	3,776.81	0.5%
FTSE 100	7,500.89	0.5%
CAC 40	6,553.86	0.1%
DAX	13,795.85	0.7%
Nikkei 225	28,546.98	2.6%
Hang Seng	20,175.62	0.5%
Shanghai Composite	3,276.89	-0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	3.24	2pb
10-year Treasuries	2.83	-6pb
28-day Cetes	8.50	4pb
28-day TIIE	8.78	60pb
2-year Mbono	9.09	0pb
10-year Mbono	8.52	2pb
<i>Currencies</i>		
USD/MXN	19.85	-0.5%
EUR/USD	1.03	-0.6%
GBP/USD	1.21	-0.5%
DX	105.63	0.5%
<i>Commodities</i>		
WTI	92.09	-2.4%
Brent	98.15	-1.5%
Mexican mix	87.74	-1.6%
Gold	1,802.40	0.7%
Copper	366.85	-1.0%

Source: Bloomberg

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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