

# Financial Markets Daily

August 17, 2022

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

- **Stock markets negative, with government bond yields and the USD positive, with concerns over Fed rate path outweighing positive corporate earnings and China stimulus plans, as they await the minutes of last monetary policy decision from the Fed**
- **Yesterday, President Biden signed the Inflation Reduction Act, with a US\$437 billion spending package. The law is aimed to support climate and health solutions with fiscal measures. The main points include limiting and reducing the price of some medicines, tax credits for electric vehicles and incentives for clean energy projects**
- **China continues with its economic reactivation plans. The government has asked six of the main provinces to boost consumption, offering fiscal support to infrastructure projects through the issuance of debt, which may reach an additional US\$221 billion in the rest of the year**
- **On economic data, 2Q22 GDP in the Eurozone grew less than previously estimated at 0.6% q/q (4.0% y/y), this in a context where risks from inflation and the energy crisis prevail. On the other hand, in the UK, July's inflation surprised negatively by reaching 10.1% y/y, a 40-year high. This makes a 50bp hike from the BOE in September more likely**
- **In the US, markets will be focused on the FOMC minutes, especially on the signals these may give about the September decision. Finally, retail sales data for July is expected, where we anticipate an increase of 0.2% m/m**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone and UK</i>					
2:00	UK Consumer prices - Jul	% y/y	--	9.8	9.4
2:00	Core - Jul	% y/y	--	5.9	5.8
5:00	EZ Gross domestic product - 2Q22 (P)	% y/y	4.0	4.0	4.0
5:00	EZ Gross domestic product* - 2Q22 (P)	% q/q	0.7	0.7	0.7
<i>United States</i>					
8:30	Advance retail sales* - Jul	% m/m	0.2	0.1	1.0
8:30	Ex autos & gas* - Jul	% m/m	--	0.3	0.7
8:30	Control group* - Jul	% m/m	0.4	0.6	0.8
14:00	FOMC Meeting Minutes				

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	4,271.75	-0.8%
Euro Stoxx 50	3,775.26	-0.8%
Nikkei 225	29,222.77	1.2%
Shanghai Composite	3,292.53	0.4%
<i>Currencies</i>		
USD/MXN	20.06	0.7%
EUR/USD	1.02	-0.1%
DX	106.76	0.2%
<i>Commodities</i>		
WTI	86.23	-0.3%
Brent	91.96	-0.4%
Gold	1,768.13	-0.4%
Copper	360.00	-0.7%
<i>Sovereign bonds</i>		
10-year Treasury	2.88	8pb

Source: Bloomberg

## Equities

- **Negative movements prevailed in equity market due to growing uncertainty about the extend of monetary tightening by central banks, particularly the Fed, which has a greater impact on investor sentiment than the strong corporate earnings season**
- **Futures in the US anticipate a negative opening of 0.8% on average. In Europe, Eurostoxx fell 0.8%, with the biggest adjustments in the real estate and materials sectors. While Asia closed higher on possible new Chinese stimulus plan. In Mexico, the Mexbol may stand below the 48,500 points**
- **On the corporate front, 9 S&P500 companies are expected to report today, of which 3 have released their results, highlighting Lowe's Co with better-than-expected figures, while Target came below expectations. After the markets close, Cisco Systems' report is expected**

## Sovereign fixed income, currencies and commodities

- **Negative bias in sovereign bonds. European assets trade with adjustments of up to +16bps, while the Treasuries yield curve trades with pressures of 5bps, on average. Yesterday, the Mbonos' curve closed with a steepening bias, as a result of few changes in the short- and mid-end while the long-term securities closed with losses of up to 9bps**
- **The dollar strengthened (DXY +0.1%) as developed currencies lost traction and EM currencies posted mixed movements. In the first group, AUD (-1.1%) leads losses and in the second, RUB (+0.5%) and ZAR (-1.2%) are at the ends. The Mexican peso depreciated 0.7% to trade at 20.05 per dollar, extending yesterday's losses**
- **Crude-oil futures fall 0.3%, on average, as concerns about global economic growth dilute the slide in US inventories. In metals, the negative bias prevails and silver print a decline of 1.7%**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,152.01	0.7%
S&P 500	4,305.20	0.2%
Nasdaq	13,102.55	-0.2%
IPC	48,801.68	0.3%
Ibovespa	113,512.38	0.4%
Euro Stoxx 50	3,805.22	0.4%
FTSE 100	7,536.06	0.4%
CAC 40	6,592.58	0.3%
DAX	13,910.12	0.7%
Nikkei 225	28,868.91	0.0%
Hang Seng	19,830.52	-1.0%
Shanghai Composite	3,277.89	0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	3.26	8pb
10-year Treasuries	2.80	2pb
28-day Cetes	8.35	-18pb
28-day TIE	8.77	1pb
2-year Mbono	9.06	0pb
10-year Mbono	8.52	4pb
<i>Currencies</i>		
USD/MXN	19.91	0.4%
EUR/USD	1.02	0.1%
GBP/USD	1.21	0.3%
DXY	106.50	0.0%
<i>Commodities</i>		
WTI	86.53	-3.2%
Brent	92.34	-2.9%
Mexican mix	81.95	-3.3%
Gold	1,775.69	-0.2%
Copper	362.45	0.2%

Source: Bloomberg

## Corporate Debt

- **S&P Global Ratings lowered its anchor, the starting point for assigning an issuer credit rating, for Mexican non-bank financial institutions (NBFIs) to 'bb-' from 'bb'. According to the agency, this reflects its opinion that the increase in funding and economic risks for NBFIs are widening the gap between them and banks operating in Mexico. Mexican NBFIs were already facing challenging funding conditions, due to their heavy debt burden in the years to come and investor confidence in this sector eroding**
- **Fibra Shop reported that on August 12, it settled the principal of the credit line for MXN 150 million with Banco Sabadell, which was scheduled to expire in November 2022**

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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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<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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