

Financial Markets Daily

August 22, 2022

Main drivers for the financial markets today...

- **Stock markets on the downside, government bond yields and USD higher, mostly against EM. Caution increases ahead of likely Fed hikes –coupled with upcoming balance sheet reductions– and its likely effect on economic growth, with these concerns exacerbated by fears of a cut in Europe’s gas supplies**
- **China cut one- and five-year prime rates for loans to 3.65% (-5bps) and 4.30% (-15bps), respectively, which boosted stock markets in said country. Crude-oil prices rebound despite the possibility of a deeper deceleration in the Asian country**
- **Market attention on the Jackson Hole economic symposium organized by the Fed of Kansas City, especially on the speech from Powell on Friday at 10:00am (ET). Moreover, August’s PMIs will be published in the US, the Eurozone, UK and Germany**
- **In monetary policy, decisions in Israel, Indonesia, and Korea. We will also know the latest minutes from the ECB, and we will be focused on comments and speeches from Fed members**
- **Few events in coming days, including only primary elections in the states of Florida and New York, along with ongoing campaigns for the election of a new Prime Minister in the UK**
- **In the US, the economic agenda includes new home sales, durable goods orders, trade balance, personal income and spending, PCE deflator (Jul), 2Q22 GDP and consumer confidence from the University of Michigan (Aug)**
- **Going to other regions, we highlight consumer confidence (Aug) in the Eurozone; the IFO survey (Aug) in Germany; as well as consumer prices (Aug) in Brazil**
- **Bulky agenda in Mexico with the releases of Banxico’s minutes and inflation for the first half of August, final GDP and current account in 2Q22, IGAE (Jun) and trade balance (Jul)**

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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>Mexico</i>					
15:30	Survey of expectations (Citibanamex)				

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	4,184.50	-1.1%
Euro Stoxx 50	3,680.63	-1.3%
Nikkei 225	28,794.50	-0.5%
Shanghai Composite	3,277.79	0.6%
<i>Currencies</i>		
USD/MXN	20.16	0.0%
EUR/USD	1.00	-0.2%
DXY	108.34	0.2%
<i>Commodities</i>		
WTI	91.22	0.5%
Brent	97.05	0.3%
Gold	1,734.59	-0.7%
Copper	362.50	-1.1%
<i>Sovereign bonds</i>		
10-year Treasury	2.97	0pb

Source: Bloomberg

Equities

- The week starts with a negative bias in stock markets on fears that restrictive central banks will impact growth and limit company valuations
- US futures anticipate a negative opening, with the S&P500 trading 1.1% below its theoretical value. Europe trades with widespread declines, led by the materials and technology sectors. Meanwhile, Asia closed mostly with losses, with the exception being main indices in China that climbed due to the adjustment lower in the interest rates, which could support real estate developers
- In Mexico, following the Mexbol's closing at 48,463pts last Friday, we expect a trading range this week between 47,600 - 49,000pts

Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. Europe losses 2bps on average, while the US Treasuries' curve adjusts up to +6bps at the short-end. In Mexico, the Mbonos' yield curve closed last week with a 32bps sell-off, on average, with Mbono May'31 at 8.85% (+35bps)
- Dollar advances amid a mixed performance in developed currencies, with AUD (+0.5%) and SEK (-0.6%) at the extremes. In EM, the bias is negative with HUF (-1.7%) as the weakest. In addition, MXN trades virtually unchanged at 20.16 per dollar after a weekly depreciation of 1.6%
- Crude-oil futures trade with modest gains due to concerns over tight supplies despite global recessions fears and the prospect of more Iranian supply. In metals, the balance is negative, with copper and nickel falling 1.1% and 0.3%, respectively. Moreover, grains trade slightly positive

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,706.74	-0.9%
S&P 500	4,228.48	-1.3%
Nasdaq	12,705.21	-2.0%
IPC	48,463.26	-0.5%
Ibovespa	111,496.21	-2.0%
Euro Stoxx 50	3,730.32	-1.2%
FTSE 100	7,550.37	0.1%
CAC 40	6,495.83	-0.9%
DAX	13,544.52	-1.1%
Nikkei 225	28,930.33	0.0%
Hang Seng	19,773.03	0.0%
Shanghai Composite	3,258.08	-0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	3.23	4pb
10-year Treasuries	2.97	9pb
28-day Cetes	8.43	5pb
28-day TIE	8.78	0pb
2-year Mbono	9.40	17pb
10-year Mbono	8.86	15pb
<i>Currencies</i>		
USD/MXN	20.17	0.3%
EUR/USD	1.00	-0.5%
GBP/USD	1.18	-0.8%
DX	108.17	0.6%
<i>Commodities</i>		
WTI	90.77	0.3%
Brent	96.72	0.1%
Mexican mix	86.09	0.4%
Gold	1,747.06	-0.7%
Copper	367.10	1.0%

Source: Bloomberg

Corporate Debt

- For this week, two bonds are expected from a new issuer, Servicios Broxel (rated at 'A+(mex)/HR AA-'), for an amount of MXN 800 million
- Crédito Real informed that a resolution issued by the judicial authority was published admitting an appeal against the final judgment of July 13th, 2022, which declared the dissolution and final liquidation of Crédito Real. According to the statement, the foregoing does not affect in any way the company's liquidation process
- PCR Verum upgraded to 'A+/M' and '1/M' from 'A/M' and '2/M' the long-term and short-term corporate ratings, respectively, of Comercializadora Círculo CCK. The outlook is Stable. According to the agency, the increase in the ratings follows the improvement observed in its financial profile

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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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