

# Financial Markets Daily

August 15, 2018

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

- **Markets are set to show a negative slant, in turn, the USD strengthens in the face of greater risk aversion after the announcement of tariffs in Turkey and despite actions aimed to moderate the fall of the Turkish currency. In addition, the attention will be focused on US' economic data**
- **In Turkey, President Erdogan announced tariffs of one billion dollars to US imports of cars, alcoholic beverages, tobacco, rice and other foods. Rates range between 25% and 140%. Moreover, the financial authority imposed limits to swap transactions by banks in order to reduce speculation and bets against the Turkish lira**
- **In the US, we will be attentive to the publication of a number of economic data; among the most relevant are retail sales and industrial production. In the first case, we expect an increase of 0.3% MoM despite a decrease in the price of gasoline. On the other hand, industrial production could advance 0.3% MoM after greater dynamism in the manufacturing sector**
- **In the UK, inflation showed a slight acceleration, going from 2.4% in June to 2.5% in July, while the underlying index remained unchanged at 1.9%. Inside this item, the increase was explained by an advance in the prices of gasoline and transportation**
- **Today, in Brazil, is the last day for the registration of presidential candidates and although he is still incarcerated, it is expected that Lula Da Silva will be registered by his party, the PT. The electoral tribunal will have until September 17th to announce if its candidacy is valid**

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## The most relevant economic data...

Time	Event/Period	Unit	Banorte	Survey	Previous
<b>United Kingdom</b>					
4:30	Consumer prices - Jul	% y/y	--	2.5	2.4
<b>US</b>					
8:30	Empire Manufacturing - Aug	index	21.9	20.0	22.6
8:30	Advance retail sales - Jul	% m/m	0.3	0.1	0.5
8:30	Retail sale ex autos - Jul	% m/m	0.4	0.4	0.0
9:15	Industrial production - Jul	% m/m	0.3	0.3	0.6
9:15	Manufacturing - Jul	% m/m	0.2	0.3	0.8
10:00	Business Inventories - Jul	% m/m	--	0.1	0.4
<b>Mexico</b>					
13:30	Extraordinary Cetes auction – 182, 252 and 336 days				

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## A glimpse to the main financial assets

	Last	Daily chg.
<b>Equity indices</b>		
S&P 500 Futures	2,827.00	-0.5%
Euro Stoxx 50	3,375.41	-1.0%
Nikkei 225	22,204.22	-0.7%
Shanghai Composite	2,723.26	-2.1%
<b>Currencies</b>		
USD/MXN	19.13	1.3%
EUR/USD	1.13	-0.2%
DXY	96.82	0.1%
<b>Commodities</b>		
WTI	66.35	-1.0%
Brent	71.90	-0.8%
Gold	1,186.96	-0.6%
Copper	260.80	-2.8%
<b>Sovereign bonds</b>		
10-year Treasury	2.87	-3pb

Source: Bloomberg

## Equities

- Negative sentiment amidst stock markets on Wednesday, as investors maintain a preference for positions in safe heavens, stemmed from commercial and geopolitical tensions that prevail
- By bearing the latter in mind, the future of the S&P500 index anticipates a negative opening, as it trades 0.5% below its theoretical value, while the Euro Stoxx loses 1.0%, dragged by shares of the materials sector, after the fall in the prices of commodities
- In Asia, the session ended with mixed results, as the Kospi hiked 0.5% vs. a 0.7% fall in the Nikkei and a drop 1.6% in the Hang Seng. The latter was affected by a weak corporate report from the tech giant, Tencent Holdings

## Sovereign fixed income, currencies and commodities

- Today, we expect an appreciation of sovereign bonds, mainly in developed markets, in the face of global risk aversion derived by Turkey, after an ephemeral break in yesterday's session. Attention to an extraordinary Treasury Certificates (Cetes) auction today. We keep our recommendation for the Jun'22 Udibono
- The USD strengthens with better performance vs. EM although TRY appreciates 3.27% due to regulatory measures to limit swap transactions. The MXN depreciates 1.3% to a level of 19.13 per USD along with negative movement in EM, being the third weakest in the set
- Oil falls pending the DOE inventories, scheduled for today at 9:30 am, following an API report yesterday afternoon, which showed accumulation and prices affected by the global environment. Base metals lose 2-3%, while precious do not benefit from risk aversion

## Corporate Debt

- Banco Invex (Fiduciary) reported that, in regards to the rating withdrawal of the PLANRIO 05-2U issuance by Fitch Ratings, it received the notification of Concesiones y Promociones Malibrán, in its capacity as trustor, stating that it is working on the modifications to the necessary documents so that such rating agency has the elements to issue the rating once again
- Holder Assembly agreements of the SENDA 00917/01017/00118/00218/00318 issuances held on August 13th, 2018. The main agreements were: (i) The note taking of the issuer's report regarding the application filed for bankruptcy; (ii) it was approved to declare expired in advance the CBs SENDA 00218/00318 as a consequence of the update of an Early Maturity Cause as established in the Macrobond

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	25,299.92	0.4%
S&P 500	2,839.96	0.6%
Nasdaq	7,870.90	0.7%
IPC	49,096.13	0.7%
Ibovespa	78,602.11	1.4%
Euro Stoxx 50	3,409.44	0.0%
FTSE 100	7,611.64	-0.4%
CAC 40	5,403.41	-0.2%
DAX	12,358.87	0.0%
Nikkei 225	22,356.08	2.3%
Hang Seng	27,752.93	-0.7%
Shanghai Composite	2,780.97	-0.2%
<b>Sovereign bonds</b>		
2-year Treasuries	2.64	2pb
10-year Treasuries	2.90	2pb
28-day Cetes	7.74	-1pb
28-day TIEE	8.10	-1pb
2-year Mbono	7.74	2pb
10-year Mbono	7.83	3pb
<b>Currencies</b>		
USD/MXN	18.88	-1.2%
EUR/USD	1.13	-0.6%
GBP/USD	1.27	-0.4%
DXY	96.73	0.4%
<b>Commodities</b>		
WTI	67.04	-0.2%
Brent	72.46	-0.2%
Mexican mix	62.71	0.0%
Gold	1,194.09	0.0%
Copper	268.20	-1.8%

Source: Bloomberg

## Certification of Analysts.

We, Gabriel Casillas Olvera, Delia Maria Paredes Mier, Alejandro Padilla Santana, Manuel Jiménez Zaldívar, Tania Abdul Massih Jacobo, Katia Celina Goya Ostos, Juan Carlos Alderete Macal, Víctor Hugo Cortes Castro, Marissa Garza Ostos, Miguel Alejandro Calvo Domínguez, Hugo Armando Gómez Solís, Gerardo Daniel Valle Trujillo, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Santiago Leal Singer and Francisco José Flores Serrano 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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