

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets higher, government bond yields biased lower, and USD mixed. Investors are still evaluating the possible path of interest rates, so far not showing great concern about the recent commodity rally and its potential implications on inflation going forward
- On the weekend, China announced that interest rates for 1- and 5-year loans will be kept at 3.45% and 3.95%, respectively
- No more data today, with investors watching closely the comments from Barr and Bostic of the Fed. A plethora of interventions from other members in coming days.
- Market attention this week on PMIs for May in the US, the Eurozone and UK, important to gauge the pace of economic growth and its potential monetary policy implications for the rest of the year
- In Mexico, it will also be important to evaluate final 1Q24 GDP and inflation in the first half of May. For the former, we estimate a modest upward revision in the annual metric, from 1.6% to 1.7%. In the latter we see a 0.25% 2w/2w drop, equivalent to 4.75% y/y
- Monetary policy decisions in Hungary, New Zealand, Indonesia, Korea, Turkey, Chile, and Egypt. In addition, the minutes of the Fed, Banxico, and Australia, along with a heavy agenda of ECB speakers
- Other US figures include new and existing home sales, durable goods orders (Apr), and consumer confidence (May). In other regions, we highlight the trade balance and current account (Mar) in the Eurozone, in addition to inflation (Apr) in the UK
- Mexico's *Timely Indicator of Economic Activity* stood at 0.1% m/m in April, while March's retail sales contracted 0.2% m/m. Lastly, data in coming days includes the monthly GDP-proxy IGAE (Mar), trade balance (Apr), 1Q24 current account, and the banking sector survey

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Timely Indicator of Economic Activity* - A _t	% y/y	--	--	2.1
8:00	Retail sales - Mar	% y/y	-0.2	0.1	3.0
8:00	Retail sales* - Mar	% m/m	0.3	--	0.4
United States					
8:45	Fed's Bostic Gives Welcome Remarks				
9:00	Fed's Barr Gives Keynote Remarks				
19:00	Fed's Bostic Moderates Keynote Remarks				

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

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Winners of the awards as the best economic forecasters in Mexico by LSEG and Focus Economics in 2023



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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,337.00	0.2%
Euro Stoxx 50	5,076.71	0.2%
Nikkei 225	39,069.68	0.7%
Shanghai Composite	3,171.15	0.5%
Currencies		
USD/MXN	16.61	0.0%
EUR/USD	1.09	-0.1%
DX	104.55	0.1%
Commodities		
WTI	79.56	-0.6%
Brent	83.61	-0.4%
Gold	2,422.42	0.3%
Copper	511.50	1.1%
Sovereign bonds		
10-year Treasury	4.42	0pb

Source: Bloomberg

Equities

- The main stock markets gain, with the US poised to reach new record highs. This week marks the end of the earnings season with 17 companies of the S&P500, where investors will be focused on Nvidia's results on Wednesday
- US futures anticipate a slightly positive opening, with the Nasdaq up 0.3% supported by semiconductor companies. Gains predominate in Europe, driven by some mining companies as they reach new highs on stronger copper prices. The Eurostoxx advances 0.2%, with the largest increases in the communications, energy, and industrial sectors. Asia closed higher, with the Nikkei climbing 0.7%
- We anticipate a weekly trading range for the Mexbol index between 56,700 and 58,600pts

Sovereign fixed income, currencies and commodities

- Mixed balance in sovereign bonds. Ten-year European rates trade between +/-1bp, and the Treasuries curve adjusts +2bps at the long-end. Last week, Mbonos averaged gains of 6bps, with the belly rallying 11bps
- Dollar positive against most G10, except for SEK (+0.2%). In EM, the bias is negative but MXN trades around 16.60 after three positive weeks in a row. We expect a weekly trading range between 16.45 and 16.90 per dollar
- Gold hits new records and crude-oil futures decline as the market waits for any fallout from political ructions in two of the world's major crude producers. Iran's President and Foreign Minister were killed in an accident, while concerns rise over the health of Saudi Arabia's King

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	40,003.59	0.3%
S&P 500	5,303.27	0.1%
Nasdaq	16,685.97	-0.1%
IPC	57,583.08	0.2%
Ibovespa	128,150.71	-0.1%
Euro Stoxx 50	5,064.14	-0.2%
FTSE 100	8,420.26	-0.2%
CAC 40	8,167.50	-0.3%
DAX	18,704.42	-0.2%
Nikkei 225	38,787.38	-0.3%
Hang Seng	19,553.61	0.9%
Shanghai Composite	3,154.03	1.0%
Sovereign bonds		
2-year Treasuries	4.82	3pb
10-year Treasuries	4.42	4pb
28-day Cetes	10.97	2pb
28-day TIIE	11.24	0pb
2-year Mbono	10.62	3pb
10-year Mbono	9.70	3pb
Currencies		
USD/MXN	16.61	-0.5%
EUR/USD	1.09	0.0%
GBP/USD	1.27	0.2%
DX	104.45	0.0%
Commodities		
WTI	80.06	1.0%
Brent	83.98	0.9%
Mexican mix	75.11	1.1%
Gold	2,415.22	1.6%
Copper	505.00	3.5%

Source: Bloomberg

Corporate Debt

- Sigma Alimentos redeemed US\$600 million of the principal amount of its 4.125% Senior Notes due 2026. The outstanding amount of the Notes after the repurchase is US\$400 million
- HR Ratings downgraded Banca Afirme, Arrendadora Afirme, and Almacenedora Afirme's ratings to 'HR A+' from 'HR AA-' and Corporación AGF's rating to 'HR A' from 'HR A+'. The downward revision follows the action on Banca Afirme's rating, which was based on the increase in the perception of the bank's risk profile caused in its financial position, derived from the default of two of its main clients

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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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