

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets negative, government bond yields higher and USD positive.** Yesterday's adjustment extends, triggered by hawkish remarks from Fed speakers, resilient consumer confidence in the US, and weak Treasuries' auctions, fueling expectations of rates remaining elevated
- **In Japan, a central bank official, Seiji Adachi, stated they will keep financial conditions accommodative until the CPI target is achieved, although they continue to consider another rate hike due to yen's weakness that could imply higher inflation. Also on monetary policy, in the US we will focus on remarks from Williams (New York) and Bostic (Atlanta). In addition, expectations that the BoE will follow the ECB in its accommodation cycle are growing, a situation that has taken the pound to its highest-level vs the euro in almost two years**
- **In Germany, May's preliminary inflation data showed an acceleration in the annual rate, coming in above expectations at 2.8%. Meanwhile, in Brazil, the unemployment rate moderated to 7.5% in April. In Mexico, Banxico's Quarterly Report stands out, while in the US we wait the Fed's Beige Book**
- **In other news, South Africa's election is happening without major disruptions, where the ruling ANC party could lose its parliamentary majority for the first time since the fall of apartheid. On the other hand, storms in Texas have caused delays at airports, floods, and a million homes and businesses without power, a situation that could extend in the following days. This is relevant for our country since it could imply disruptions to natural gas shipments from said state. Lastly, the White House has announced that Israel's latest airstrike on an encampment in Rafah will not stop US arms shipments**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
4:00	EZ Monetary aggregates (M3)* - Apr	% y/y	--	1.3	0.9
8:00	GER Consumer prices - May (P)	% y/y	--	2.4	2.2
Brazil					
8:00	Unemployment rate - apr	%	--	7.7	7.9
United States					
13:55	Fed's Williams Joins Watertown Community Services Roundtable				
14:00	Beige Book				
19:00	Fed's Bostic Speaks on Economy				
Mexico					
14:30	Bannxico's Quarterly Report				

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	5,285.00	-0.7%
Euro Stoxx 50	4,969.90	-1.2%
Nikkei 225	38,556.87	-0.8%
Shanghai Composite	3,111.02	0.0%
Currencies		
USD/MXN	16.85	0.3%
EUR/USD	1.09	-0.1%
DXY	104.71	0.1%
Commodities		
WTI	80.35	0.7%
Brent	84.74	0.6%
Gold	2,341.81	-0.8%
Copper	479.05	-1.3%
Sovereign bonds		
10-year Treasury	4.56	1pb

Source: Bloomberg

Equities

- Negative movements due to the prospect of higher interest rates for longer. Some corporate news stands out, including that of American Airlines (-9% on pre-market), which cut its earnings estimate for the second quarter. In turn, ConocoPhillips agreed to purchase Marathon Oil in a ~US\$17.1 billion all-stock transaction, while Anglo American rejected BHP Group's request to extend the takeover talks the latter made for ~US\$49 billion
- In Asia most markets closed negative. In Europe stocks decline, with the Eurostoxx down 1.2%. Shares from materials and consumer discretionary sectors lead losses. In the US the futures of main indices point to a negative opening by falling 0.6% on average. It is worth mentioning that yesterday the Nasdaq reached a new all-time high

Sovereign fixed income, currencies and commodities

- Bond yield pressures persist, with Europe mirroring yesterday's dynamics in Treasuries and adjusting ~5bps for 10-year benchmarks. In the US, a modest steepening is observed with the long-end adding pressures of 2bps to yesterday's sell-off of up to 9bps
- The dollar is strengthening, with all G10 currencies trading lower, and emerging market currencies also facing broadly negative performance, led by Asian currencies. The MXN is depreciating by 0.3% to 16.85, approaching significant resistance at the 100-day MA (16.89)
- Crude oil marks its third consecutive session rising, eyeing the OPEC+ meetings this weekend, where production cuts are expected to be extended. Tensions in the Red Sea are also supporting today's movement. Copper and gold trade with losses of ~1%

Corporate Debt

- Grupo Industrial Saltillo announced the signing by one of its subsidiaries in Europe of a syndicated loan agreement for up to €55 million to refinance existing debt and support the operation. The facility will have a 6-year term, with a one-year grace period for the payment of principal and fixed payments starting in the second year, at a floating interest rate
- Fitch Ratings affirmed Betterware de México's national long-term rating at 'AA(mex)'. The outlook is Stable. The ratings reflect its high cash generation and its ability and agility to innovate and update its product offering to respond to changing consumer trends

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	38,852.86	-0.6%
S&P 500	5,306.04	0.0%
Nasdaq	17,019.88	0.6%
IPC	55,184.95	-0.5%
Ibovespa	123,779.54	-0.6%
Euro Stoxx 50	5,030.35	-0.6%
FTSE 100	8,254.18	-0.8%
CAC 40	8,057.80	-0.9%
DAX	18,677.87	-0.5%
Nikkei 225	38,855.37	-0.1%
Hang Seng	18,821.16	0.0%
Shanghai Composite	3,109.57	-0.5%
Sovereign bonds		
2-year Treasuries	4.98	3pb
10-year Treasuries	4.55	9pb
28-day Cetes	11.03	3pb
28-day TIIE	11.25	0pb
2-year Mbono	10.67	3pb
10-year Mbono	9.80	4pb
Currencies		
USD/MXN	16.80	0.8%
EUR/USD	1.09	0.0%
GBP/USD	1.28	-0.1%
DX	104.61	0.0%
Commodities		
WTI	79.83	2.7%
Brent	84.22	1.3%
Mexican mix	75.25	2.6%
Gold	2,361.31	0.4%
Copper	485.50	2.1%

Source: Bloomberg

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