Financial Markets Daily

Main drivers for the financial markets today…

- Stock markets mixed and biased positive, government bond yields mixed and USD up. Investors digest US labor market readings that provide more guidance on the Fed's path and potential rate cuts this year

- In the US, ADP private employment for May was released below consensus estimates (152k vs. 175k), with a downward revision the previous month from 192k to 188k. The report adds to a series of indicators recently published below estimates that could be signaling the beginning of a less strong labor market. The May ISM services will also be released, as well as the final PMIs (services and composite)

- On the monetary policy front, Poland left the reference rate unchanged at 5.75%, while Canada will announce its decision later

- In Mexico, INEGI released May's consumer confidence, standing at 46.7pts, 0.5pts below the figure from the previous month. Inside, 4 of the 5 categories were lower, with one higher. Later we'll have the banking sector survey

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The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Consumer confidence* - May	index	47.5	--	47.4
16:30	Citibanamex Survey of Economists				
Brazil					
8:00	Industrial production - Apr	% y/y	--	9.2	-2.8
8:00	Industrial production* - Apr	% m/m	--	0.1	0.9
United States					
8:15	ADP employment* - May	thousands	185	175	192
9:45	Services PMI* - May (F)	index	--	54.8	54.8
9:45	Composite PMI* - May (F)	index	--	--	54.4
10:00	ISM services* - May	index	--	51.0	49.4

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

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,321.75	0.3%
Euro Stoxx 50	5,032.27	1.6%
Nikkei 225	38,490.17	-0.9%
Shanghai Composite	3,065.40	-0.8%
Currencies		
USD/MXN	17.66	-1.2%
EUR/USD	1.09	0.0%
DXY	104.27	0.1%
Commodities		
WTI	73.64	0.5%
Brent	77.92	0.5%
Gold	2,342.06	0.6%
Copper	454.65	0.2%
Sovereign bonds		
10-year Treasury	4.31	-1pb

Source: Bloomberg

Equities

- **Positive bias in equity markets, led by optimism in some technology companies. US futures anticipate a positive opening, with the Nasdaq trading 0.6% above its theoretical value. Stocks related to chip production are up around 1.0% ahead of the open**

- **Widespread gains in Europe, with the Eurostoxx up 1.6%. Technology and consumer discretionary stocks drive the index. Inditex, owner of Zara, rises after announcing a solid earnings outlook for 2Q24. Asia closed negative**

- **In corporate news, Hewlett Packard (+15% pre-market) reported higher-than-expected revenues supported by an increase in demand for AI servers. Meanwhile, in Mexico, Gap's passenger traffic in May continued to decline**

Sovereign fixed income, currencies and commodities

- **Sovereign bonds trade mixed with European securities gaining ~2bps for 10-year benchmarks, excluding the UK. US Treasuries trade with few changes and slightly positive in the long-end following the ADP print, yesterday rallying for the 4th day in a row**

- **The dollar is modestly strong in indices amid mixed performance in G10 and EM currencies. Among the G10 group, the bias is more negative with the JPY leading losses at -0.7%. In the EM group, ranges are broader with the MXN leading gains, appreciating by 1.2% to 17.66**

- **Oil rises ~0.6% in WTI and Brent after falling over the past 5 sessions on the back of increased concerns about market imbalance and OPEC+ opening the possibility of raising production in 4Q24. Metals mixed with precious positive**

Corporate Debt

- **Grupo Lamosa reported the refinancing of 18% of its bank debt for approximately US$150 million. The refinancing was carried out in local currency, mainly through a "Club Deal" financing, as well as through a bilateral bank loan. According to the press release, following the refinancing action, the average life of its debt was increased to 4.8 years from 3.8 years**

- **Fitch Ratings downgraded Bepensa and Bepensa Bebidas' national ratings to 'AA+(mex)' from 'AAA(mex)', and their international default ratings (IDR) to 'BBB-' from 'BBB'. According to the agency, the downgrade of Bepensa's ratings is supported by a weaker financial profile than previously expected by Fitch due to higher levels of negative free cash flow and total debt**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	38,711.29	0.4%
S&P 500	5,291.34	0.2%
Nasdaq	16,857.05	0.2%
IPC	53,485.62	3.2%
Ibovespa	121,802.06	-0.2%
Euro Stoxx 50	4,953.37	-1.0%
FTSE 100	8,232.04	-0.4%
CAC 40	7,937.90	-0.8%
DAX	18,405.64	-1.1%
Nikkei 225	38,837.46	-0.2%
Hang Seng	18,444.11	0.2%
Shanghai Composite	3,091.20	0.4%
Sovereign bonds		
2-year Treasuries	4.77	-4pb
10-year Treasuries	4.33	-6pb
28-day Cetes	11.04	0pb
28-day TIIE	11.25	0pb
2-year Mbono	10.73	-3pb
10-year Mbono	9.93	-1pb
Currencies		
USD/MXN	17.86	1.0%
EUR/USD	1.09	-0.2%
GBP/USD	1.28	-0.3%
DXY	104.11	0.0%
Commodities		
WTI	73.25	-1.3%
Brent	77.52	-1.1%
Mexican mix	68.25	-2.0%
Gold	2,327.01	-1.0%
Copper	453.70	-2.8%

Source: Bloomberg

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Marcos Saúl García Hernandez, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, 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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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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