Economic and Financial Markets Research

Economic Research and Market Strategy

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets positive despite Asia mostly negative, government bond yields down, and USD weakening. Investors are focused on the Federal Reserve's decision and digesting the results of this morning's US inflation report, in a context of repeated delay in the expectation of rate cuts throughout this year**

- **Particularly, regarding the Federal Reserve's monetary policy decision, we do not expect changes to the current stance, with focus on comments from Jerome Powell and the SEP update, including the "dot plot". For the latter, we estimate the median at 4.875%, which is consistent with a cumulative -50bps (previous: -75bps) of cuts in 2024**

- **Regarding economic figures, in the US the May inflation report was published resulting in 0.0% m/m (consensus: 0.1%; previous: 0.3%) with the core at 0.2% m/m (consensus: 0.3 %; previous: 0.3%). With this, the annual metric was 3.3% (consensus: 3.4%; previous: 3.4%), while the core was 3.4% (consensus: 3.5%; previous: 3.6%). This backs the expectation that the Fed could start cutting rates in September**

- **In Germany, final inflation for May was in line with the estimate at 2.4% and the same as in its preliminary figures, while in the United Kingdom the industrial production report for April posted a sharper decline than expected with manufacturing at -1.4% m/m (consensus: -0.2%; previous: +0.3%)**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Germany and UK					
2:00	GER Consumer prices - May (F)	% y/y	--	2.4	2.4
2:00	UK Industrial production* - Apr	% m/m	--	-0.1	0.2
United States					
8:30	Consumer prices* - May	% m/m	0.1	0.1	0.3
8:30	Ex. food & energy* - May	% m/m	0.3	0.3	0.3
8:30	Consumer prices - May	% y/y	3.4	3.4	3.4
8:30	Ex. food & energy - May	% y/y	3.5	3.5	3.6
14:00	FOMC Rate Decision (Upper Bound)	%	5.50	5.50	5.50
14:00	FOMC Rate Decision (Lower Bound)	%	5.25	5.25	5.25
14:00	Interest Rate on Excess Reserves (IOER)	%	5.40	5.40	5.40
14:30	Fed Chair Powell Holds Post-Meeting Press Conference				

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

LSEG STARMINE AWARD FOR REUTERS POLLS
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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,422.75	0.7%
Euro Stoxx 50	5,021.29	1.1%
Nikkei 225	38,876.71	-0.7%
Shanghai Composite	3,037.47	0.3%
Currencies		
USD/MXN	18.80	1.3%
EUR/USD	1.08	0.8%
DXY	104.59	-0.6%
Commodities		
WTI	79.06	1.5%
Brent	82.95	1.3%
Gold	2,335.17	0.8%
Copper	456.35	1.5%
Sovereign bonds		
10-year Treasury	4.29	-11pb

Source: Bloomberg

Equities

- **Positive bias in stock markets with investors digesting the US inflation data and showing caution ahead of the Fed's decision. Futures are pointing to a positive open by rising 0.8% on average. The S&P500 and the Nasdaq are positioned to continue at record highs**

- **In Europe, gains predominate and the Eurostoxx rises. All sectors advance, with financial and industrial stocks leading the index. In Asia we see mixed closes, with the Hang Seng down 1.3%**

- **In corporate news, Oracle is up more than 7.4% pre-market after announcing agreements on its cloud service with Google and OpenAI. In Mexico, Gap announced the acquisition of 51.5% of GWTC, a company focused on the freight business. We consider a neutral implication as it is an unrepresentative acquisition**

Sovereign fixed income, currencies and commodities

- **Sovereign bonds rally following the US inflation report. European 10-year benchmarks average gains of 10bps, while the entire USTs curve strengthens by at least 9bps from the 2-year zone onwards, with short and intermediate sectors outperforming. The market fully prices in a 25bps cut from the Fed in November**

- **The dollar weakens with all G10 currencies positive and a also predominantly a positive bias for EM FX. The MXN depreciates by 1.3% to 18.80, reaching as high as 18.99 intraday**

- **Oil extends gains with WTI rising 1.5% as API data points to a decline in inventories, offsetting EIA estimates of markets with a significant supply surplus this decade. Metals are mixed, with gold picking up after the inflation data**

Corporate Debt

- **Fitch Ratings upgraded the ratings of issues MAYACB 12 and 12U to 'AA+(mex)' from 'AA(mex)'. The outlook is Positive. The upgrade reflects the project's expanded financial margin, which benefits from traffic performance that has exceeded Fitch's expectations**

- **Fitch Ratings assigned a rating of 'AA+(mex)' to the FORD 24 issue, which Ford Credit de México intends to place for MXN 750 million (max. MXN 1.5 billion). The rating is based on the explicit, irrevocable, and unconditional guarantee provided by Ford Credit, part of the Ford group**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	38,747.42	-0.3%
S&P 500	5,375.32	0.3%
Nasdaq	17,343.55	0.9%
IPC	53,134.06	0.0%
Ibovespa	121,635.06	0.7%
Euro Stoxx 50	4,965.09	-1.0%
FTSE 100	8,147.81	-1.0%
CAC 40	7,789.21	-1.3%
DAX	18,369.94	-0.7%
Nikkei 225	39,134.79	0.2%
Hang Seng	18,176.34	-1.0%
Shanghai Composite	3,028.05	-0.8%
Sovereign bonds		
2-year Treasuries	4.83	-5pb
10-year Treasuries	4.40	-6pb
28-day Cetes	11.00	-6pb
28-day TIIE	11.25	0pb
2-year Mbono	11.04	16pb
10-year Mbono	10.24	3pb
Currencies		
USD/MXN	18.57	1.8%
EUR/USD	1.07	-0.2%
GBP/USD	1.27	0.1%
DXY	105.23	0.1%
Commodities		
WTI	77.90	0.2%
Brent	81.92	0.4%
Mexican mix	72.63	0.6%
Gold	2,317.01	0.3%
Copper	449.40	-1.1%

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
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
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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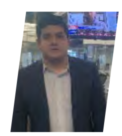

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