

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets and government bond yields negative, with the USD higher. Investors remain cautious, awaiting more economic data and comments from Fed members on more clues which may reinforce bets that the central bank will be able to start cutting interest rates later this year
- In France, political disruption is causing investors' concern. This volatile environment is expected to continue until the snap election in July which was called for by Macron earlier in the week. Finance Minister, Bruno Le Maire, has warned that victory for the new left-wing coalition would lead the country to exit the EU
- In Japan, the central bank voted unanimously –as expected– to keep interest rates unchanged. Furthermore, the lack of changes in the bond buying program has unleashed a new wave of weakness for the yen. Governor Kazuo Ueda did not rule out a rate hike at the next meeting (July), where plans for modifications in the asset purchase programs may be presented
- The Chinese government sold the equivalent of US\$4.8 billion of its longest-dated debt at a record-low yield, validating the rally seen in such instruments in that country
- In other news, the German government is working to prevent new EU tariffs on Chinese EVs from coming into force. Although this seems difficult, efforts are also aimed at ensuring that, if they materialize, they will be as least punitive as possible
- Today's economic agenda is scarce. In the EU, April's trade balance came in with a €19.4 billion surplus. Later, in the US, June's consumer confidence will be published, with an improvement expectation. On the monetary front, we will have speeches from Goolsbee (Chicago), Mester (Cleveland) and Cook (Fed's Board)

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Trade balance* - Apr	EURbn	--	17.5	17.3
United States					
10:00	U. of Michigan confidence* - Jun (P)	index	71.5	72.5	69.1
14:00	Fed's Goolsbee Speaks in Fireside Chat				

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	5,410.50	-0.5%
Euro Stoxx 50	4,846.33	-1.8%
Nikkei 225	38,814.56	0.2%
Shanghai Composite	3,032.63	0.1%
Currencies		
USD/MXN	18.59	1.1%
EUR/USD	1.07	-0.5%
DXY	105.62	0.4%
Commodities		
WTI	78.82	0.3%
Brent	83.08	0.4%
Gold	2,329.71	1.1%
Copper	448.40	0.1%
Sovereign bonds		
10-year Treasury	4.19	-5pb

Source: Bloomberg

Equities

- Widespread profit-taking in main stock indices. While futures in the US anticipate a negative opening with the S&P500 trading 0.5% below its theoretical value and the Nasdaq doing the same by 0.3%. This, after both indices set new all-time highs, driven by the advance in the technology sector
- In Europe, the falls have accelerated and are on track to reflect the largest weekly decline since last October. This reflects the political uncertainty in France, with the banking sector being the one with the greatest adjustments. In Asia we observed mixed closings, with the Nikkei up 0.2%, contrasting with the 0.9% adjustment in the Hang Seng
- In Mexico, volatility will continue to accompany the performance of the Mexbol Index, with few clear catalysts in sight, so it could remain trading near 52,000pts

Sovereign fixed income, currencies and commodities

- Strong rally in European bonds, with German bunds leading the gains by close to 11bps on the back of the region's political uncertainty. Core and peripheral yields rally, though Italy and France widen spreads vs Germany. Treasuries appreciate in sympathy by 3-6bps, with longer-term tenors outperforming. Yesterday, the Mbonos' curve appreciated by an average of 21bps
- The dollar strengthens, marking two weeks of gains in the DXY. In G10 currencies, the session's balance shows losses except for modest gains in CHF and JPY, consistent with a global risk off. EM currencies also print widespread losses, with the USD/MXN depreciating by 1.0% to 18.57, with intraday ranges between 18.38 and 18.68
- Oil gains modestly, while gold and other precious rise in line with greater safe demand for safe havens. Copper trades sideways

Corporate Debt

- S&P Global Ratings affirmed Infonavit's ratings at 'BBB' and 'mxAAA'. At the same time, it downgraded Infonavit's stand-alone credit profile to 'bb' from 'bb+' because the decline in asset quality indicators has continued and the agency does not expect an improvement over the next 24 months
- Fitch Ratings affirmed Nacional Financiera's 'BBB-' and 'AAA(mex)' ratings. The ratings are driven by the government support rating, which reflects a very high probability of support to Nafin from the Federal Government, if needed

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	38,647.10	-0.2%
S&P 500	5,433.74	0.2%
Nasdaq	17,667.56	0.3%
IPC	52,275.65	-1.3%
Ibovespa	119,567.53	-0.3%
Euro Stoxx 50	4,935.50	-2.0%
FTSE 100	8,163.67	-0.6%
CAC 40	7,708.02	-2.0%
DAX	18,265.68	-2.0%
Nikkei 225	38,720.47	-0.4%
Hang Seng	18,112.63	1.0%
Shanghai Composite	3,028.92	-0.3%
Sovereign bonds		
2-year Treasuries	4.70	-5pb
10-year Treasuries	4.24	-7pb
28-day Cetes	11.04	-3pb
28-day TIIE	11.25	0pb
2-year Mbono	10.97	-4pb
10-year Mbono	10.17	-19pb
Currencies		
USD/MXN	18.38	-1.9%
EUR/USD	1.07	-0.7%
GBP/USD	1.28	-0.3%
DXY	105.20	0.5%
Commodities		
WTI	78.62	0.2%
Brent	82.75	0.2%
Mexican mix	73.35	0.1%
Gold	2,304.21	-0.9%
Copper	448.00	-1.7%

Source: Bloomberg

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