Economic and Financial Markets Research

Economic Research and Market Strategy

# Financial Markets Daily

June 17, 2024

## Main drivers for the financial markets today…

- **Stock markets mixed, government bond yields higher, and USD biased upwards. Volatility in Europe on uncertainty about the path that would be taken by Marine Le Pen in France if she wins the elections on June 30th. Moreover, investors on hold as they wait for monetary policy decisions in a backdrop in which the Fed could delay further the start of the easing cycle**

- **In China, May's industrial production stood at 5.6% y/y, while GFI was up 4.0% (year-to-date), both below expectations. Nevertheless, retail sales surprised higher as they grew 3.7% in the same period**

- **Releases today include only June's Empire manufacturing in the US. Harker, Williams, and Cook from the Fed will deliver speeches. No data in Mexico**

- **Market attention this week on PMI manufacturing and services for June in the Eurozone, UK, and US, which will help to evaluate the cyclical position in different regions which could be important for the monetary policy outlook**

- **On the latter, decisions also in Australia, Hungary, Chile, Brazil, Indonesia, Switzerland, Norway, and the UK. China will announce 1- and 5-year loan prime rates, and speeches from Fed members will resume in earnest**

- **Other US data includes retail sales, industrial production, housing starts, building permits, existing home sales (May), and the Philly Fed manufacturing indicator (Jun)**

- **Going to other regions, current account (Apr), and consumer confidence (Jun) in the Eurozone; inflation (May) in the UK; and the ZEW expectations survey in Germany (Jun)**

- **In Mexico, figures include aggregate demand and supply in 1Q24, retail sales, the monthly GDP-proxy IGAE (Apr), and the banking sector survey**


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## The most relevant economic data…

| | Event/Period | Unit | Banorte | Survey | Previous |
|---|---|---|---|---|---|
| ***United States*** | | | | | |
| **8:30** | Empire manufacturing*-Jun | index | -12.0 | -10.5 | -15.6 |
| **13:00** | Fed's Harker Speaks on Economic Outlook | | | | |
| **21:00** | Fed´s Cook gives acceptance remarks at the 2024 Marshall Forum | | | | |

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 | 5,502.25 | 0.0% |
| Euro Stoxx 50 | 4,866.53 | 0.6% |
| Nikkei 225 | 38,102.44 | -1.8% |
| Shanghai Composite | 3,015.89 | -0.6% |
| ***Currencies*** | | |
| USD/MXN | 18.55 | 0.5% |
| EUR/USD | 1.07 | 0.1% |
| DXY | 105.58 | 0.0% |
| ***Commodities*** | | |
| WTI | 78.65 | 0.3% |
| Brent | 82.93 | 0.4% |
| Gold | 2,319.66 | -0.6% |
| Copper | 441.50 | -1.8% |
| ***Sovereign bonds*** | | |
| 10-year Treasury | 4.25 | 3pb |

Source: Bloomberg

## Equities

- **Mixed changes as investors weigh the monetary outlook. We expect strong volatility at the end of the week as it is the second expiration of index and equity futures and options ('Triple Witching Day'), and also the quarterly rebalancing of S&P Dow Jones Indices effective at the close on Friday, June 21st**

- **Asian markets closed negative. Europe biased positive, with the Eurostoxx up 0.5%. Shares from technology and energy sectors lead. US futures of main indices are mixed and show little changes**

- **In corporate news, Fibramq increased its offer for Terra to an exchange ratio of 1.125x for each Terra CBFI (vs. 1.05x previously). It also indicated that it would reduce its current fee structure if the transaction is completed**

## Sovereign fixed income, currencies and commodities

- **USTs under pressure with the long-end adjusting +5bps and a bear steepening bias (2s10s and 5s30s +2bps), limiting last week's 20bps rally. German bunds perform similarly, while French bonds stabilize as Le Pen assured she will work with Macron. This context could present a pressured opening for Mexican curves**

- **Modest USD gains, with the DXY up for the third consecutive session. Negative bias in G10 currencies, yet EUR (+0.1%) appreciates modestly. EM FX depicts a stronger balance with European currencies outperforming. MXN depreciates 0.5% to 18.55, in line with BRL's performance**

- **Positive bias in crude oil benchmarks extending last week's 3.8% w/w gain despite mixed activity data in China. The latter weighs on copper (-1.8%), with precious metals also down**

## Corporate Debt

- **This week we expect the first auctions of the month, with an unsecured bond from Value Arrendadora (VALARRE 24, MXN 500 million), as well as two structured bonds from Engen Capital (ENGENCB 24 / 24-2, MXN 3.5 billion)**

- **HR Ratings affirmed Fibra Hotel's rating at 'HR AA+' with a Stable outlook. The ratification is based on the strength of the historical and expected metrics derived from its low debt levels and its long-term debt structure**

**Previous closing levels**

| | Last | Daily chg. |
|---|---|---|
| ***Equity indices*** | | |
| Dow Jones | 38,589.16 | -0.1% |
| S&P 500 | 5,431.60 | 0.0% |
| Nasdaq | 17,688.88 | 0.1% |
| IPC | 52,222.94 | -0.1% |
| Ibovespa | 119,662.38 | 0.1% |
| Euro Stoxx 50 | 4,839.14 | -2.0% |
| FTSE 100 | 8,146.86 | -0.2% |
| CAC 40 | 7,503.27 | -2.7% |
| DAX | 18,002.02 | -1.4% |
| Nikkei 225 | 38,814.56 | 0.2% |
| Hang Seng | 17,941.78 | -0.9% |
| Shanghai Composite | 3,032.63 | 0.1% |
| ***Sovereign bonds*** | | |
| 2-year Treasuries | 4.70 | 1pb |
| 10-year Treasuries | 4.22 | -2pb |
| 28-day Cetes | 11.03 | -1pb |
| 28-day TIIE | 11.25 | 0pb |
| 2-year Mbono | 10.97 | 0pb |
| 10-year Mbono | 10.18 | 1pb |
| ***Currencies*** | | |
| USD/MXN | 18.46 | 0.4% |
| EUR/USD | 1.07 | -0.3% |
| GBP/USD | 1.27 | -0.6% |
| DXY | 105.55 | 0.3% |
| ***Commodities*** | | |
| WTI | 78.45 | -0.2% |
| Brent | 82.62 | -0.2% |
| Mexican mix | 73.33 | 0.0% |
| Gold | 2,333.04 | 1.3% |
| Copper | 447.50 | -0.1% |

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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|---|---|
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