Economic and Financial Markets Research

Economic Research and Market Strategy

Financial Markets Daily

June 19, 2024

Main drivers for the financial markets today...

- **Stock markets and government bond yields mixed, with the USD modestly negative. Risk on backed by technology shares extended to Asia, with Europe struggling to consolidate optimism. Investors assimilate caution from members of the Federal Reserve yesterday and a fall in UK's CPI supporting cuts from the Bank of England**

- **Today, US markets will remain closed in observance of Juneteenth holiday**

- **On the monetary policy front, the BCB (Brazil's central bank) will announce its monetary policy decision, where we expect a pause in the cuts cycle due to a rise in inflation expectations and several local factors that reduce the space to continue for now. Later, China will announce 1- and 5-year loan prime rates. No changes are expected**

- **Regarding economic figures, in the United Kingdom, inflation for May was published below estimates, at +0.3% m/m (consensus +0.4% m/m). With this, both the general and core annual metrics were in line with expectations at 2.0% and 3.5%, respectively**

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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 Best Forecaster Economic Indicators for Mexico 2023

FOCUS ECONOMICS ANALYST FORECAST AWARDS 2023

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
	Markets closed for Juneteenth Day				
Eurozone and UK					
2:00	UK Consumer prices - May	% y/y	--	2.0	2.3
2:00	Core - May	% y/y	--	3.5	3.9
4:00	EZ Current account* - Apr	EURbn	--	--	35.8
Brazil					
17:30	Monetary policy decision (C. bank of Brazil)	%	10.50	10.50	10.50
China					
21:15	Rate decision 1-year Loan Prime Rate	%	--	3.45	3.45
21:15	Rate decision 5-year Loan Prime Rate	%	--	3.95	3.95

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	5,564.25	0.1%
Euro Stoxx 50	4,901.64	-0.3%
Nikkei 225	38,570.76	0.2%
Shanghai Composite	3,018.05	-0.4%
Currencies		
USD/MXN	18.45	0.2%
EUR/USD	1.07	0.1%
DXY	105.23	0.0%
Commodities		
WTI	81.63	0.1%
Brent	85.54	0.2%
Gold	2,329.16	0.0%
Copper	449.05	0.9%
Sovereign bonds		
10-year Treasury	4.22	0pb

Source: Bloomberg

Equities

- **Appetite for risk assets prevails. In part, the positive sentiment has been driven by companies linked to artificial intelligence that continue to drive the indices to record highs. In particular, Nvidia surpassed the market capitalization of Microsoft and Apple to become the world's most valuable public company**

- **In the US, markets will remain closed for a holiday, affecting trading volume in the other stock exchanges, while futures are trading positive. In Europe, we observe mixed movements and the Eurostoxx falls. The financial sector leads, whereas health care and energy stocks recorded the biggest declines. Asia closed mostly positive, with the Hang Seng rising 2.9%**

- **In Mexico, the Mexbol Index could consolidate around 53,300 points**

Sovereign fixed income, currencies and commodities

- **European rates trade under pressure with France and Italy underperforming, adjusting by ~4bps. UK gilts are also under pressure but just to a slightly lesser extent, despite a drop in headline inflation as services decelerated less than expected. No trading in Treasuries today. Yesterday, the Mbonos' curve rallied by around 16bps**

- **The USD is slightly weak in indexes with G10 currencies gaining modestly, while in EM balance is also marginally positive. CLP is leading the group with a 0.5% increase, while the MXN is depreciating by 0.2% to 18.45 per dollar**

- **Oil consolidates gains from recent sessions. The possibility of further stimulus in China supports a rise in copper. Precious metals trade slightly lower, although maintaining relatively narrow ranges since last week**

Corporate Debt

- **S&P Global Ratings upgraded BRHSCCB 06-5U issue to 'mxA (sf)' from 'mxBBB (sf)' and BRHSCCB 06-6U issue to 'mxBBB+ (sf)' from 'mxBB (sf)'. According to the agency, the ratings upgrade reflects S&P's view of the trust's improved financial position as a result of the deleveraging of the transaction since the last rating action**

- **The structured bonds are backed by a portfolio of mortgage loans originated by Hipotecaria Su Casita. The BRHSCCB 06-5U / 06-6U issues currently have MXN 18 million outstanding. In addition to the S&P Global ratings, the issues are rated 'BB-.mx (sf)' and 'B.mx (sf)', respectively, by Moody's Local Mexico**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	38,834.86	0.1%
S&P 500	5,487.03	0.3%
Nasdaq	17,862.23	0.0%
IPC	53,236.46	1.6%
Ibovespa	119,630.44	0.4%
Euro Stoxx 50	4,915.47	0.7%
FTSE 100	8,191.29	0.6%
CAC 40	7,628.80	0.8%
DAX	18,131.97	0.4%
Nikkei 225	38,482.11	1.0%
Hang Seng	17,915.55	-0.1%
Shanghai Composite	3,030.25	0.5%
Sovereign bonds		
2-year Treasuries	4.71	-5pb
10-year Treasuries	4.22	-6pb
28-day Cetes	10.95	-13pb
28-day TIIE	11.24	0pb
2-year Mbono	10.97	-9pb
10-year Mbono	10.03	-19pb
Currencies		
USD/MXN	18.41	-0.7%
EUR/USD	1.07	0.1%
GBP/USD	1.27	0.0%
DXY	105.26	-0.1%
Commodities		
WTI	81.57	1.5%
Brent	85.33	1.3%
Mexican mix	75.90	3.5%
Gold	2,329.46	0.4%
Copper	445.05	0.4%

Source: Bloomberg

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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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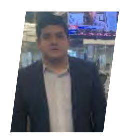

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