

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets negative, government bond yields mixed and USD with losses with investors awaiting economic data and tomorrow's key inflation figures that would help set the path for Federal Reserve policy, while they digest Micron Tech's disappointing sales forecast**
- **On the monetary policy front, Turkey's central bank kept its rate unchanged at 50%. In Mexico, we expect Banxico to keep the reference rate unchanged at 11.00%, acknowledging a more challenging outlook for prices, along with other obstacles. We believe the decision will be unanimous, reaffirming that "...Looking ahead, it will assess the inflationary environment in order to discuss reference rate adjustments..."**
- **Regarding economic figures, in US the final GDP and personal consumption for 1Q24 was published, with the former revised slightly upward to 1.4% q/q saar from 1.3%, and the latter revised downward from 2.0% to 1.5%. At night, all eyes will be on the first presidential debate between Trump and Biden**
- **In Mexico, INEGI released May's employment report. The unemployment rate climbed to 2.62% (+1bp), with 6,150 jobs gained. With seasonally adjusted figures the rate came in at 2.61% (-2bps). INEGI also released May's trade balance, posting a US\$1,991.2 million surplus. Exports grew 4.4% m/m (5.4% y/y) with broad gains. Imports declined 1.6% m/m (1.4% y/y), dragged by the oil component**

The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|---|-----------|----------|----------|----------|
| Turkey | | | | | |
| 7:00 | Monetary policy decision (Central Bank of | % | -- | 50.00 | 50.00 |
| Brazil | | | | | |
| 7:00 | Central Bank Quarterly Inflation Report | | | | |
| Mexico | | | | | |
| 8:00 | Unemployment rate - May | % | 2.72 | 2.68 | 2.61 |
| 8:00 | Trade balance - May | US\$m | -1,981.3 | -2,079.0 | -3,746.2 |
| 15:00 | Monetary policy decision (Banxico) | % | 11.00 | 11.00 | 11.00 |
| United States | | | | | |
| 8:30 | Gross domestic product** - 1Q24 | % q/q | 1.4 | 1.4 | 1.3 |
| 8:30 | Personal consumption** - 1Q24 | % q/q | -- | 2.0 | 2.0 |
| 8:30 | Initial jobless claims* - Jun 22 | thousands | 230 | 235 | 238 |
| 8:30 | Durable goods orders* - May (P) | % m/m | -- | 0.0 | 0.6 |
| 8:30 | Ex transportation* - May (P) | % m/m | -- | 0.2 | 0.4 |
| 8:30 | Trade balance* - May | US\$bn | -- | -96.0 | -98.0 |
| 21:00 | First presidential debate | | | | |

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 | 5,541.00 | 0.0% |
| Euro Stoxx 50 | 4,906.86 | -0.2% |
| Nikkei 225 | 39,341.54 | -0.8% |
| Shanghai Composite | 2,945.85 | -0.9% |
| Currencies | | |
| USD/MXN | 18.42 | 0.5% |
| EUR/USD | 1.07 | 0.4% |
| DX | 105.78 | -0.3% |
| Commodities | | |
| WTI | 81.49 | 0.7% |
| Brent | 86.00 | 0.9% |
| Gold | 2,321.58 | 1.0% |
| Copper | 435.40 | -0.4% |
| Sovereign bonds | | |
| 10-year Treasury | 4.30 | -3pb |

Source: Bloomberg

Equities

- A cautious sentiment prevails among investors and the main indices are declining. This caution was partially accentuated after Micron Technology's fourth quarter sales forecast did not exceed all estimates. In that sense, the stocks falls more than 5.0% in pre-market
- Futures in the US anticipate a slightly negative opening with the Nasdaq declining 0.1% below its notional value, dragged down by some semiconductor companies. In Europe, there are almost generalized declines, although the Eurostoxx shows no major changes. Finally, Asia closed with losses, with the Hang Seng falling by 2.1% and the Shanghai by 0.9%
- Hennes & Mauritz (H&M) shares plunge more than 12.0% after reporting a drop in sales in June, as well as indicating that reaching the target of higher profitability this year has become more difficult

Sovereign fixed income, currencies and commodities

- Mixed balance in sovereign bonds. The 10-year European rates increase 3bps, on average, while the Treasuries' yield curve record gains of 2bps. Yesterday, the Mbonos' curve printed a modest sell-off of 3bps, with the 10-year benchmark at 9.94% (+5bps). The local risk premium stood at 561bps
- Dollar weakens against most of G10 currencies with NZD (+0.3%) leading gains. In EM, the bias is mixed. The MXN is second weakest at 18.38 per dollar, equivalent to 0.3% depreciation, extending losses from the last two previous sessions
- Crude-oil futures record gains. With this, Brent is close to 86 \$/bbl and has swung in a narrow range of 1.76 \$/bbl so far this week, the smallest fluctuation since early 2021. Widespread gains in metals, with copper and gold adjusting +1.0% and +0.5%, respectively

Corporate Debt

- PCR Verum downgraded Operadora de Servicios Mega to 'B+/M' from 'BBB-/M' and maintained the Negative Watch. The rating action follows further aggravating challenges to the company's liquidity and maturity profile in the coming months
- S&P Global Ratings affirmed IDB Invest's global scale rating at 'AA+' and revised the outlook to Positive from Stable. In March 2024, the bank's board of governors approved a US\$3.5 billion capital increase to support the new business model to expand the mobilization of the bank's capital

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| Equity indices | | |
| Dow Jones | 39,127.80 | 0.0% |
| S&P 500 | 5,477.90 | 0.2% |
| Nasdaq | 17,805.16 | 0.5% |
| IPC | 52,468.01 | -0.3% |
| Ibovespa | 122,641.30 | 0.3% |
| Euro Stoxx 50 | 4,915.94 | -0.4% |
| FTSE 100 | 8,225.33 | -0.3% |
| CAC 40 | 7,609.15 | -0.7% |
| DAX | 18,155.24 | -0.1% |
| Nikkei 225 | 39,667.07 | 1.3% |
| Hang Seng | 18,089.93 | 0.1% |
| Shanghai Composite | 2,972.53 | 0.8% |
| Sovereign bonds | | |
| 2-year Treasuries | 4.75 | 0pb |
| 10-year Treasuries | 4.33 | 8pb |
| 28-day Cetes | 10.88 | 0pb |
| 28-day TIIE | 11.24 | 0pb |
| 2-year Mbono | 10.78 | 1pb |
| 10-year Mbono | 9.96 | 4pb |
| Currencies | | |
| USD/MXN | 18.33 | 1.3% |
| EUR/USD | 1.07 | -0.3% |
| GBP/USD | 1.26 | -0.5% |
| DX | 106.05 | 0.4% |
| Commodities | | |
| WTI | 80.90 | 0.1% |
| Brent | 85.25 | 0.3% |
| Mexican mix | 75.73 | 0.0% |
| Gold | 2,298.23 | -0.9% |
| Copper | 436.70 | -0.1% |

Source: Bloomberg

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