BANORTE

Economic and Financial Markets Research

Economic Research and Market Strategy

Financial Markets Daily

July 3, 2024

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Main drivers for the financial markets today...

- **Stock markets positive, government bond yields mixed, and USD with losses. Risk-on mood amid optimism on rate cuts from the Federal Reserve, with focus on its minutes today. Investors are digesting June's private jobs report from the ADP below expectations. European performance supported by efforts to prevent Le Pen's majority in France elections**

- **The focus will be on the minutes of the latest FOMC decision, where we expect a hawkish stance in the absence of sufficient confidence that inflation is heading sustainably towards the 2% target**

- **Regarding economic figures, in the US the ADP private employment report was published with the creation of +150k new jobs, resulting below consensus estimate (165k) and the previous figure (157k). Additionally, the Challenger job cuts report posted a considerable moderation to 48,786 from 63,816. While the initial jobless claims for the week ending June 29 stood at 238k slightly above estimates. All this is consistent with a very gradual moderation of the labor market**

- **The trade balance for May was also published, widening its deficit to $US-75.1 billion (previous: $US-74.5 billion). Later, the publication of factory and durable goods orders for May, as well as ISM for services, is expected**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Brazil					
8:00	Industrial production - May	% y/y	--	-1.3	8.4
8:00	Industrial production* - May	% m/m	--	-1.4	-0.5
United States					
7:00	Fed's Williams Speaks on Panel at ECB Forum in Sintra, Portugal				
8:15	ADP employment* - Jun	thousands	155	165	152
8:30	Trade balance* - May	US$bn	--	-76.5	-74.6
8:30	Initial jobless claims* - Jun 29	thousands	230	235	233
9:45	Services PMI* - Jun (F)	index	--	55.1	55.1
9:45	Composite PMI* - Jun (F)	index	--	--	54.6
10:00	ISM services* - Jun	index	--	52.6	53.8
10:00	Factory orders* - May	% m/m	--	0.2	0.7
10:00	Ex transportation* - May	% m/m	--	--	0.7
10:00	Durable goods orders* - Jun (F)	% m/m	--	0.1	0.1
10:00	Ex transportation* - Jun (F)	% m/m	--	-0.1	-0.1
14:00	FOMC Meeting Minutes				
Eurozone					
	ECB Central Banking Forum Ends in Sintra, Portugal				

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	5,561.75	-0.1%
Euro Stoxx 50	4,962.19	1.1%
Nikkei 225	40,580.76	1.3%
Shanghai Composite	2,982.38	-0.5%
Currencies		
USD/MXN	18.22	-0.2%
EUR/USD	1.08	0.3%
DXY	105.50	-0.2%
Commodities		
WTI	82.87	0.1%
Brent	86.31	0.1%
Gold	2,348.99	0.8%
Copper	451.45	2.2%
Sovereign bonds		
10-year Treasury	4.41	-3pb

Source: Bloomberg

Equities

- **Positive movements in the main stock indexes. Particularly, in the US, futures are little changed, after the Nasdaq and S&P500 reached new all-time highs in the previous session. The latter reached its 32nd record this year**
- **In Europe, gains prevail and the Eurostoxx is up 1.3%. All sectors advanced, with shares of technology and industrial companies leading the index. Asia closed higher, with the Nikkei up 1.3% and the Hang Seng up 1.2%**
- **In corporate news, Tesla rises about 2.2% pre-market after beating estimates for worldwide auto deliveries. On the other hand, Paramount climbs 15.0% after the announcement of a preliminary agreement to merge with film and television producer Skydance Media**

Sovereign fixed income, currencies and commodities

- **Sovereign bonds improve its performance after ADP's data in the US, reverting a mixed opening for rates. Treasuries strengthen by 2-4bps from mid-term tenors onwards, while the short-end remains more anchored. Yesterday, Mbonos sold-off 3bps, on average**
- **The USD weakens with all G10 currencies appreciating except for the JPY (-0.2%). In EM, bias is also of gains, tough balance is mixed. ZAR (+1%) and BRL (0.9%) outperform, with the MXN appreciating 0.2% to 18.22 per dollar**
- **Crude oil consolidates near its highest in 2 months ahead of the IEA's weekly inventory report which the API projected to show the strongest draw since January. Separately, gasoline inventories would have risen. Metals hold a positive balance with silver outperforming**

Corporate Debt

- **Fibra Shop announced that on June 27th, the association of Puerto Paraíso and Vía Paraíso was consolidated. Both properties are located in Los Cabos, San Lucas and have a total gross leasable area of 57,700m2. It is important to remember that on December 18th, HR Ratings upgraded Fibra Shop's rating to 'HR AA' from 'HR AA-' and maintained the Stable outlook. Currently, Fibra Shop has two long-term issuances in the national market, FSHOP 17-2 / 19U, with an outstanding amount of MXN 4.53 billion**
- **HR Ratings affirmed Soriana's ratings at 'HR AAA' and the short-term rating at 'HR+1' with a Stable outlook. The ratification considers the refinancing of the SORIANA 20 issue for MXN 2.7 billion from the SORIANA 23 placement for MXN 3.0 billion, which reduced the pressure on debt service and offset the decrease in Free Cash Flow**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	39,331.85	0.4%
S&P 500	5,509.01	0.6%
Nasdaq	18,028.76	0.8%
IPC	51,947.89	-1.8%
Ibovespa	124,787.08	0.1%
Euro Stoxx 50	4,906.33	-0.5%
FTSE 100	8,121.20	-0.6%
CAC 40	7,538.29	-0.3%
DAX	18,164.06	-0.7%
Nikkei 225	40,074.69	1.1%
Hang Seng	17,769.14	0.3%
Shanghai Composite	2,997.01	0.1%
Sovereign bonds		
2-year Treasuries	4.74	-1pb
10-year Treasuries	4.43	-3pb
28-day Cetes	11.02	8pb
28-day TIIE	11.25	0pb
2-year Mbono	10.87	10pb
10-year Mbono	10.00	2pb
Currencies		
USD/MXN	18.26	-0.6%
EUR/USD	1.07	0.0%
GBP/USD	1.27	0.3%
DXY	105.72	-0.2%
Commodities		
WTI	82.81	-0.7%
Brent	86.24	-0.4%
Mexican mix	77.34	-0.5%
Gold	2,329.46	-0.1%
Copper	441.90	0.0%

Source: Bloomberg

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