

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets gaining and government bond yields lower, but with the USD stronger. Relief in assets that suggest higher optimism about the possibility of upcoming rate cuts from central banks and corporate earnings, with a plethora of drivers in the agenda in coming days
- There will not be any more economic data releases today in the US and Mexico
- Market attention this week on several fronts. We highlight monetary policy decisions by the Fed (unchanged), BoE (-25bps), and the BoJ, with speculation building in the latter about a potential rate hike. Also in this front, decisions in Colombia, Brazil, Chile, and Czech Republic
- On the other hand, July's employment report in the US. We estimate 180 thousand new jobs, with the unemployment rate stable at 4.1%. In addition, 2Q24 GDP and July's inflation in the Eurozone
- Going to the events, the UK's Conservative Party contest nominations close after Rishi Sunak's resignation. On August 1st, a series of tariffs imposed by the US on China will begin to apply (electric vehicles, batteries, and chips, among other goods)
- Other US data includes housing prices (May), JOLTS openings (Jun), consumer confidence, ADP employment, ISM manufacturing, and vehicle sales (Jul)
- In other regions, the unemployment rate (Jun) and economic confidence (Jul) in the Eurozone; PMI indicators (Jul) in China; and the unemployment rate and industrial production (Jun) in Brazil
- In Mexico, 2Q24 preliminary GDP. Also, private consumption, gross fixed investment (May), unemployment rate, banking credit, family remittances, public finance report (Jun), PMI indicators from IMEF, and Banxico's expectations survey (Jul)

The most relevant economic data...

| Event/Period | Unit | Banorte | Survey | Previous |
|--------------|------|---------|--------|----------|
|--------------|------|---------|--------|----------|

No relevant economic data will be released today

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

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economic forecasters in Mexico by
LSEG in 2023



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A glimpse to the main financial assets

| | Last | Daily chg. |
|------------------------|-----------|------------|
| Equity indices | | |
| S&P 500 Futures | 5,523.00 | 0.4% |
| Euro Stoxx 50 | 4,856.85 | -0.1% |
| Nikkei 225 | 38,468.63 | 2.1% |
| Shanghai Composite | 2,891.85 | 0.0% |
| Currencies | | |
| USD/MXN | 18.45 | 0.0% |
| EUR/USD | 1.08 | -0.3% |
| DX | 104.62 | 0.3% |
| Commodities | | |
| WTI | 76.85 | -0.4% |
| Brent | 80.77 | -0.4% |
| Gold | 2,387.61 | 0.0% |
| Copper | 406.50 | -1.0% |
| Sovereign bonds | | |
| 10-year Treasury | 4.16 | -3pb |

Source: Bloomberg

Equities

- Major stock markets higher as investors weigh corporate results and the monetary outlook. This week, figures from 171 S&P500 companies are expected, although the focus will be on 4 of the 'Magnificent Seven': Amazon, Apple, Meta, and Microsoft
- US futures anticipate a positive opening, with the Nasdaq rising 0.6% above its theoretical value. Europe trades with a positive bias, albeit with the Eurostoxx down 0.1% dragged down by the consumer discretionary sector. Asia closed with gains, with the Nikkei climbing 2.1%. In Mexico, we expect a weekly trading range for the Mexbol Index between 51,800 and 54,000pts
- In corporate news, McDonald's sales missed expectations and declined for the first time since 2020 in 2Q24. The share price shows no major changes in pre-market trading

Sovereign fixed income, currencies and commodities

- Positive balance in sovereign bonds. Ten-year European rates decline 5bps on average. The Treasuries' yield curve flattens on gains of 4bps at the long-end. Last week, Mbonos printed a 10bps rally, on average
- Dollar advances against all G10 and most EM currencies. In the latter, MYR (+0.5%) and BRL (+0.4%) are among the few with a positive performance, while ZAR (-0.8%) leads losses. The MXN trades broadly unchanged at 18.45 per dollar after losing 2.2% w/w. We expect a weekly trading range between USD/MXN 18.00 and 18.75
- Crude-oil trades near six-week lows as positive Chinese economic data a renewed tensions in the Middle East remain overshadowed by lingering doubts about global demand. In metals, gold is stable while copper falls about 1.0%

Corporate Debt

- Grupo Axo announced the voluntarily prepayment all of its 5.750% Senior Notes due 2026 on July 25th, which were issued on June 8, 2021
- HR Ratings upgraded CIE's rating to 'HR AA+' from 'HR AA' while maintaining a Stable outlook. The upgrade is based on higher expected Free Cash Flow for 2024-2026 as a result of the expected increase in dividends collected from its stake in OCESA. The rating metrics also benefited from the refinancing of a MXN 1.5 billion bank loan through the issuance of long-term bonds

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| Equity indices | | |
| Dow Jones | 40,589.34 | 1.6% |
| S&P 500 | 5,459.10 | 1.1% |
| Nasdaq | 17,357.88 | 1.0% |
| IPC | 52,819.58 | -0.2% |
| Ibovespa | 127,492.49 | 1.2% |
| Euro Stoxx 50 | 4,862.50 | 1.1% |
| FTSE 100 | 8,285.71 | 1.2% |
| CAC 40 | 7,517.68 | 1.2% |
| DAX | 18,417.55 | 0.6% |
| Nikkei 225 | 37,667.41 | -0.5% |
| Hang Seng | 17,021.31 | 0.1% |
| Shanghai Composite | 2,890.90 | 0.1% |
| Sovereign bonds | | |
| 2-year Treasuries | 4.38 | -5pb |
| 10-year Treasuries | 4.19 | -5pb |
| 28-day Cetes | 10.96 | 0pb |
| 28-day TIIE | 11.25 | 0pb |
| 2-year Mbono | 10.70 | -4pb |
| 10-year Mbono | 9.89 | -8pb |
| Currencies | | |
| USD/MXN | 18.46 | 0.0% |
| EUR/USD | 1.09 | 0.1% |
| GBP/USD | 1.29 | 0.1% |
| DX | 104.32 | 0.0% |
| Commodities | | |
| WTI | 77.16 | -1.4% |
| Brent | 81.13 | -1.5% |
| Mexican mix | 71.96 | -2.3% |
| Gold | 2,387.19 | 1.0% |
| Copper | 412.40 | 0.0% |

Source: Bloomberg

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

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