

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets positive, government bond yields negative, and a weaker dollar, with large tech companies recovering after reports of exemptions of some countries from US restrictions, in addition to the reaction to the BoJ's hike and awaiting the Fed's decision**
- **Focus will be on the Fed's decision, where although we do not expect adjustments to the Fed funds rate, we believe that the conference of its Chairman, Jerome Powell, will be key in defining the institution's next moves. Other releases in the US include July's ADP employment report, which showed an increase of 122k jobs**
- **The BoJ raised the target for its reference rate to 25bps, presenting plans to cut its bond purchases in half. The institution's governor, Kazuo Ueda, signaled that hikes will continue if its price path is met. Other decisions due later in the day include Colombia (-50bps to 10.75%), Brazil (unchanged at 10.50%) and Chile (-25bps to 5.50%)**
- **In other economic figures, in China, official PMIs for July showed further weakness, with marginal declines in both the manufacturing and non-manufacturing indicators, and with the composite coming in at 50.2pts. In the Eurozone, inflation accelerated to 2.6% in July, with core also rising to 2.9%**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Consumer prices - Jul (P)	% y/y	--	2.5	2.5
5:00	Core - Jul (P)	% y/y	--	2.8	2.9
United States					
8:15	ADP employment* - Jul	thousands	145	150	150
14:00	FOMC Rate Decision (Upper Bound)	%	5.50	5.50	5.50
14:00	FOMC Rate Decision (Lower Bound)	%	5.25	5.25	5.25
14:00	Interest Rate on Excess Reserves (IOER)	%	5.40	5.40	5.40
14:30	Fed Chair Powell Holds Post-Meeting Press Conference				
Mexico					
11:00	Banking credit - Jun	% y/y	5.9	--	6.4
Colombia					
14:00	Monetary policy decision (BanRep)	%	--	10.75	11.25
Brazil					
17:30	Monetary policy decision (Central bank of Brazil)	%	10.50	10.50	10.50
Chile					
18:00	Monetary policy decision (BCCh)	%	--	5.50	5.75
China					
21:45	Manufacturing PMI (Caixin)* - Jul	index	--	51.5	51.8

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

July 31, 2024



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Winners of the award as the best 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	5,542.75	1.3%
Euro Stoxx 50	4,887.38	1.0%
Nikkei 225	39,101.82	1.5%
Shanghai Composite	2,938.75	2.1%
Currencies		
USD/MXN	18.80	0.2%
EUR/USD	1.08	0.2%
DX	104.01	-0.5%
Commodities		
WTI	77.55	3.8%
Brent	80.93	2.9%
Gold	2,421.14	0.4%
Copper	417.10	2.1%
Sovereign bonds		
10-year Treasury	4.11	-3pb

Source: Bloomberg

Equities

- Stock markets positive as some corporate news offer a favorable outlook. AMD rises pre-market (+7.5%) after beating expectations and raising its revenue guidance for the year. The news boosts other technology companies (Nvidia +6.6%, Broadcom +6.4%, QUALCOMM +3.5%). Microsoft (-3.0%) reported better than expected, although it disappointed in the cloud business
- US futures anticipate an upward opening and rise 1.1% on average. In Europe, gains prevail and the Eurostoxx advances 1.0%. ASML (6.0%) climbs after the news that they will be able to continue selling in China despite restrictions. Asia closed positive
- Of 55 S&P500 companies reporting today, 24 have released their results, most of them better than expected, including MasterCard and Kraft Heinz. At close, the focus will be on Meta

Sovereign fixed income, currencies and commodities

- Positive tone in sovereign bonds with European rates appreciating by ~3bps in 10-year references. Treasuries strengthen by 2-3bps, with the belly of the curve outperforming, extending the move after ADP employment and labor costs came in below expectations. Yesterday, Mbonos gained 3bps
- The USD is weak vs G10 currencies, notably the JPY, which appreciated by 1.74% following the BoJ hike. Despite this move, adjustments in LatAm currencies are more limited at the margin, with BRL (-0.83%) leading losses in the group and within EM, which is trading with a mixed bias. The MXN depreciates by 0.2% to 18.80, touching 18.94 intraday
- Oil is up more than 3% due to escalating geopolitical tensions in the Middle East. However, crude heads for a monthly decline of 6%. Metals are mixed, with gold and silver posting gains of around 1%

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	40,743.33	0.5%
S&P 500	5,436.44	-0.5%
Nasdaq	17,147.42	-1.3%
IPC	52,325.42	-0.4%
Ibovespa	126,139.21	-0.6%
Euro Stoxx 50	4,841.00	0.5%
FTSE 100	8,274.41	-0.2%
CAC 40	7,474.94	0.4%
DAX	18,411.18	0.5%
Nikkei 225	38,525.95	0.1%
Hang Seng	17,002.91	-1.4%
Shanghai Composite	2,879.30	-0.4%
Sovereign bonds		
2-year Treasuries	4.36	-4pb
10-year Treasuries	4.14	-4pb
28-day Cetes	10.97	-4pb
28-day TIIE	11.25	0pb
2-year Mbono	10.66	-1pb
10-year Mbono	9.86	-1pb
Currencies		
USD/MXN	18.76	0.7%
EUR/USD	1.08	-0.1%
GBP/USD	1.28	-0.2%
DX	104.55	0.0%
Commodities		
WTI	74.73	-1.4%
Brent	78.63	-1.4%
Mexican mix	69.52	-1.5%
Gold	2,410.78	1.1%
Copper	408.40	0.0%

Source: Bloomberg

Corporate Debt

- Corporación AGF reported that on July 26th 2024, its Shareholders' Meeting approved an increase in the variable portion of its equity by up to MXN 1.61 billion to strengthen its subsidiaries. Additionally, it reported that on July 29th, the amount of MXN 580 million of said increase was paid
- HR Ratings affirmed the rating of the PAMMCB 14U issue (Periférico del Área Metropolitana de Monterrey FF) at 'HR AAA (E)' with a Stable outlook. According to the agency, the ratification for the issue is based on the metric levels achieved with an average Debt Service Coverage Ratio estimated for the remaining term of 2.78x, as well as a Secondary Debt Service Coverage Ratio for the next three years of 2.89x and an Annualized Stress Rate of 10.7%

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