Economic and Financial Markets Research

Economic Research and Market Strategy

Financial Markets Daily

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Main drivers for the financial markets today...

- **Stock markets higher, government bond yields positive, and the USD negative, with investors optimistic on easing commercial tensions, while negotiations with China this weekend remain in focus. President Trump said they might result in tangible progress, though sending mixed signals on tariff reduction**

- **Regarding trade negotiations between the US and China, according to sources familiar with the matter, the expectation is that the US will reduce its tariffs with said country to less than 60%. Meanwhile, Commerce Secretary, Howard Lutnick, stated that big countries are the focus of future trade agreements, especially those in Asia**

- **In China, April's exports increased 8.1% y/y –slowing down from March's +12.4%. We highlight that flows to the US plummeted 21% y/y, with container ship departures to that country declining until the last 10 days of the month**

- **On the economic agenda, April's inflation in China will be published, with consensus expecting -0.1% y/y. In Mexico, April's consumer confidence fell to 45.3pts from 45.9pts. Finally, the day is packed with interventions from Fed members**

- **In other news, Trump called for a 30-day ceasefire between Russia and Ukraine and threatened more sanctions if the truce is violated. Meanwhile, the UK will sanction up to 100 oil tankers that it says are helping Russia transport its oil. Finally, India's central bank probably intervened in the currency market to curb excessive volatility amid ongoing tensions with Pakistan**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Brazil					
8:00	Consumer prices - Apr	% m/m	--	0.44	0.56
8:00	Consumer prices - Apr	% y/y	--	5.54	5.48
Mexico					
8:00	Consumer confidence* - Apr	index	46.2	46.0	46.0
	Wage negotiations - Apr	% y/y	--	--	8.0
United States					
6:15	Fed's Williams Gives Keynote Address in Reykjavik				
8:00	Fed's Kugler Gives Keynote Address in Reykjavik				
10:00	Fed's Goolsbee Gives Remarks at Fed Listens Event				
10:40	Fed's Barr Gives Keynote Address in Reykjavik				
11:30	Fed's Williams, Waller on Panel at Hoover				
19:45	Fed's Musalem, Hammack, Bowman on Panel at Hoover				
China					
21:30	Consumer prices - Apr	% y/y	--	-0.1	-0.1

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	5,700.75	0.3%
Euro Stoxx 50	5,314.16	0.5%
Nikkei 225	37,503.33	1.6%
Shanghai Composite	3,342.00	-0.3%
Currencies		
USD/MXN	19.53	0.0%
EUR/USD	1.12	0.2%
DXY	100.37	-0.3%
Commodities		
WTI	61.21	2.2%
Brent	64.06	1.9%
Gold	3,329.45	0.7%
Copper	455.90	0.0%
Sovereign bonds		
10-year Treasury	4.38	1pb

Source: Bloomberg

Equities

- **Widespread gains in stock markets as optimism on the trade front continues. Futures in the US anticipate a positive opening with the S&P500 trading 0.3% above its theoretical value. Asia closed mixed with Japanese gains standing out, while China closed with marginal declines**

- **In corporate news, Microchip Technology rises ~10%, while Pinterest is up ~15% after guidance that exceeded expectations. Cloudfare and Lyft also advance on strong results**

- **We are on the final stretch of the earnings season. With 90% of the results of S&P500 companies, there is a cumulative increase in earnings per share of 12.3% vs. 6.7%e. The positive surprise rate has improved in the margin to 77.2% vs. 74.9% in the previous quarter. There are no relevant reports today**

Sovereign fixed income, currencies and commodities

- **Bear-steepening in the USTs, with the short-end holding steady and posting modest gains of ~1bp, while yields on the 10-year sector and beyond are pushing higher by 1–2bps. European bonds register similar dynamics, where 10-year benchmarks cheapen by ~4bps**

- **The USD falls, ending two days of consecutive gains. Most G10 currencies are advancing, led by NOK and JPY (+0.5%). Among EMFX, performance is mixed within relatively tight ranges. MXN trades at 19.50 (+0.2%), heading for a weekly gain of 0.4%**

- **Oil continues to rally on the back of improving sentiment around trade. WTI is up 2% after rising 3% yesterday, bringing its weekly gain to ~5%. Precious metals are also firming, with gold up 0.8%, while industrials remain broadly range-bound**

Corporate Debt

- **Today Banobras will auction three development bank bonds, BANOB 25 / 25-2 / 25-3, for a joint target amount of MXN 15.0 billion (maximum MXN 20.0 billion), and terms of 3.3, 7 and 12 years, respectively. The assigned ratings were 'AAA' in national scale by S&P Global, Moody's Local and Fitch Ratings**

- **Fitch Ratings downgraded the ratings of Grupo Vasconia and its unsecured notes VASCONI 19 / 22L to 'D(mex)' from 'RD(mex)'. The downgrade considers the declaration of insolvency of Grupo Vasconia and its subsidiary Almexa Aluminio**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	41,368.45	0.6%
S&P 500	5,663.94	0.6%
Nasdaq	17,928.14	1.1%
IPC	56,866.76	-1.9%
Ibovespa	136,231.90	2.1%
Euro Stoxx 50	5,288.94	1.1%
FTSE 100	8,531.61	-0.3%
CAC 40	7,694.44	0.9%
DAX	23,352.69	1.0%
Nikkei 225	36,928.63	0.4%
Hang Seng	22,775.92	0.4%
Shanghai Composite	3,352.00	0.3%
Sovereign bonds		
2-year Treasuries	3.87	10pb
10-year Treasuries	4.38	11pb
28-day Cetes	8.53	-2pb
28-day TIIE	9.28	-2pb
2-year Mbono	8.25	4pb
10-year Mbono	9.36	5pb
Currencies		
USD/MXN	19.54	-0.3%
EUR/USD	1.12	-0.6%
GBP/USD	1.32	-0.3%
DXY	100.64	1.0%
Commodities		
WTI	59.91	3.2%
Brent	62.84	2.8%
Mexican mix	56.01	2.3%
Gold	3,305.72	-1.7%
Copper	460.40	-1.2%

Source: Bloomberg

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