BANORTE

Economic and Financial Markets Research

Economic Research and Market Strategy

Financial Markets Daily

Main drivers for the financial markets today…

- **Stock markets, government bond yields, and USD up. Optimism after the weekend's announcement that China and the US agreed to cut tariffs for 90 days, until today at 145% for the former and 125% for the latter, which had kept high nervousness about an upcoming recession. Moreover, US Treasury Secretary, Scott Bessent, stated that the deal could be extended as negotiations continue**

- **No economic data will be released today in the US and Mexico. On the other hand, Adriana Kugler from the Fed will give a speech in Dublin**

- **Market attention this week on April's consumer and producer prices in the US. Investors will search for signals about a potential impact from the imposition of tariffs, especially after the implementation of the 10% minimum rate to almost all countries starting on April 9th**

- **In addition, 1Q25 GDP in the UK and the Eurozone. Results will be relevant for the monetary policy outlook, with markets currently discounting with a high probability a 25bps rate cut in the next meeting in the latter**

- **The monetary policy agenda is relatively scarce. Releases include the minutes of Brazil's latest decision (when they hiked by 100bps) and further speeches from Fed members, including President Powell. Moreover, Banxico's decision. We expect a 50bps rate cut with a unanimous vote, with the interest rate reaching 8.50%. We will focus on the forward guidance as it could provide further signals about the likely timing and magnitude of additional declines ahead**

- **The rest of the US agenda includes housing starts, building permits, retail sales, industrial production (Apr), regional manufacturing indicators Empire and Philly Fed, and consumer confidence (May)**

- **In Mexico, March's industrial production stood at -0.9% m/m (1.9% y/y). The only print during the rest of the week will be Banorte's Housing Price Indicator INBAPREVI (Apr)**

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Industrial production - Mar	% y/y	1.5	1.4	-1.3
8:00	Industrial production* - Mar	% m/m	-1.4	-1.4	2.5
8:00	Manufacturing output - Mar	% y/y	2.9	--	-0.3
United States					
10:25	Fed's Kugler Speaks in Dublin				

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

May 12, 2025

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,850.75	3.0%
Euro Stoxx 50	5,397.23	1.6%
Nikkei 225	37,644.26	0.4%
Shanghai Composite	3,369.25	0.8%
Currencies		
USD/MXN	19.55	0.5%
EUR/USD	1.11	-1.3%
DXY	101.64	1.3%
Commodities		
WTI	63.47	4.0%
Brent	66.23	3.6%
Gold	3,222.87	-3.1%
Copper	460.70	-0.1%
Sovereign bonds		
10-year Treasury	4.46	8pb

Source: Bloomberg

Equities

- **Positive stock markets on the back of the optimism induced by the agreement between the US and China to temporarily suspend most tariffs on each other's goods, moderating trade tensions**

- **US futures anticipate a positive opening, with the S&P500 up (+3%) highlighting the advance of the 'Magnificent Seven' and semiconductors. In contrast, pharmaceuticals are pressured following Donald Trump's announcement about reducing prescription drug prices. Among them, shares of Eli Lilly (-3.5%), Pfizer (-2.4%), Bristol-Myers (-0.7%), and Merck (-3.1%)**

- **The Eurostoxx rises 1.6% due to the evolution of the trade conflict. The movement is led by the mining and automotive sectors: AP Moeller-Maersk (+12.2%) and Hapag-Lloyd (+12.7%). Asia closed positive**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. The Treasuries' curve adjusts up to +10bps at the short-end. The 10-year note is trading at a one-month high of 4.46% (+8bps). In Europe, 10-year rates rise 6bp on average. Last week, the Mbonos' curve gained 3bps, with the 10-year benchmark (Nov'34) closing virtually unchanged at 9.40%**

- **USD stronger against all developed currencies, with JPY (-1.9%) as the weakest. In emerging markets, the bias is also negative. The Mexican peso is trading at 19.55 per dollar, depreciating 0.5%. We estimate a weekly trading range between 19.35 and 19.75 per dollar**

- **Crude-oil futures rise almost 4% with most other commodities, except for gold which falls 3% after China and the US agreed to reduce tariffs on each other**

Corporate Debt

- **This week, offerings in the corporate market are expected to continue with two bonds from Fibra Shop for MXN 3 billion, as well as two unsecured bonds from Volkswagen Leasing for a target amount of MXN 2 billion**

- **HR Ratings affirmed Sociedad Hipotecaria Federal's (SHF) rating at 'HR AAA' with a Stable outlook. The ratification is based on the explicit backing of the Federal Government in its liability operations in accordance with the institution's Organic Law**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	41,249.38	-0.3%
S&P 500	5,659.91	-0.1%
Nasdaq	17,928.92	0.0%
IPC	56,551.18	-0.6%
Ibovespa	136,511.88	0.2%
Euro Stoxx 50	5,309.74	0.4%
FTSE 100	8,554.80	0.3%
CAC 40	7,743.75	0.6%
DAX	23,499.32	0.6%
Nikkei 225	37,503.33	1.6%
Hang Seng	22,867.74	0.4%
Shanghai Composite	3,342.00	-0.3%
Sovereign bonds		
2-year Treasuries	3.89	2pb
10-year Treasuries	4.38	0pb
28-day Cetes	8.48	-5pb
28-day TIIE	9.28	0pb
2-year Mbono	8.24	-1pb
10-year Mbono	9.42	6pb
Currencies		
USD/MXN	19.45	-0.4%
EUR/USD	1.13	0.2%
GBP/USD	1.33	0.5%
DXY	100.34	-0.3%
Commodities		
WTI	61.02	1.9%
Brent	63.91	1.7%
Mexican mix	57.21	2.1%
Gold	3,324.98	0.6%
Copper	465.30	1.1%

Source: Bloomberg

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Marcos Saúl García Hernandez, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, Ana Laura Zaragoza Félix, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
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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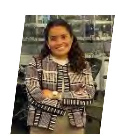

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