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 lower, government bond yields up, and USD down. Optimism on trade takes a hit as tensions between the US and China build up again, along with the threat from President Trump of an additional hike of tariffs to steel and aluminum from 25% to 50%**

- **Today's agenda in the US includes the ISM manufacturing (May) and speeches from Powell, Logan, and Goolsbee of the Fed. In Mexico, remittances (Apr), PMIs from IMEF (may) and Banxico's survey**

- **Market attention this week on May's non-farm payrolls. We estimate 145 thousand new jobs, with the unemployment rate unchanged at 4.2%. Despite the deceleration, at the margin investors have recently shown more optimism about economic growth**

- **Also, the ECB monetary policy decision. Markets are already discounting a 25bps interest rate cut which would take the deposit rate to 2.0%. Other countries slated to decide include Canada, Poland, India, and Russia. In addition, comments from several Fed members, including Chair Jerome Powell. This institution will also release its *Beige Book***

- **The rest of the US agenda includes JOLTS job openings, factory orders, trade balance, consumer credit (Apr), ADP employment, vehicle sales, and ISM services (May)**

- **The elections for a plethora of posts in the Judiciary were held yesterday in Mexico. Releases in coming days include gross fixed investment, private consumption (Mar), consumer confidence (May), and the banking sector survey**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
9:45	Manufacturing PMI* - May (F)	index	52.3	52.3	52.3
10:00	ISM manufacturing* - May	index	49.0	48.5	48.7
10:15	Fed's Logan Participates in Moderated Q&A				
12:45	Fed's Goolsbee Participates in Moderated				
13:00	Fed's Powell Gives Opening Remarks at the Board of Governors IF 75th Anniversary Conference				
Mexico					
11:00	Family remittances - Apr	US$bn	4,984.8	5,125.1	5,150.3
11:00	Survey of expectations (Banxico)				
14:00	Manufacturing PMI (IMEF)* - May	index	46.4	--	45.5
14:00	Non-manufacturing PMI (IMEF)* - May	index	49.5	--	49.0
China					
21:45	Manufacturing PMI (Caixin)* - May	index	--	50.7	50.4

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

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,897.50	-0.3%
Euro Stoxx 50	5,341.74	-0.5%
Nikkei 225	37,470.67	-1.3%
Shanghai Composite	3,347.49	0.0%
Currencies		
USD/MXN	19.29	-0.8%
EUR/USD	1.14	0.6%
DXY	98.78	-0.6%
Commodities		
WTI	63.42	4.3%
Brent	65.16	2.0%
Gold	3,359.75	2.1%
Copper	489.65	4.7%
Sovereign bonds		
10-year Treasury	4.43	3pb

Source: Bloomberg

Equities

- **June begins with main stock markets down as investor confidence weakens in the face of trade uncertainty driven by mutual accusations between the US and China for breach of agreements, as well as Trump's announcement to double tariffs on all steel and aluminum imports**

- **US futures anticipate a negative opening with the S&P500 dropping 0.3%, after its best May since 1990. Steel companies such as Cleveland-Cliffs (+26.1%) and Nucor (+10.3%) benefit. Europe traded with losses. Asia closed negative, the Nikkei fell (-1.3%) and China remains closed for holiday**

- **In corporate news, Sanofi agreed to buy Blueprint Medicines for US$9.1 billion to expand its portfolio of immunological diseases**

Sovereign fixed income, currencies and commodities

- **Amid uncertainty over President Trump's tariff policy, the US Treasury curve steepens as a result of losses of 2bps at the short-end and 4bps at the long-end. In Europe, 10-year rates average a +3bps adjustment. Last week, Mbonos posted gains of 7bps**

- **USD weakens against the entire G10. In EM, the bias is also positive, with European currencies leading gains. The MXN stands out as the second strongest in the group, appreciating 0.8% to 19.29 per dollar**

- **Crude-oil futures rise ~4%, driven by escalating tensions in the Russia-Ukraine war, along with a more modest-than-expected production increase from OPEC+. Metals see gains led by gold, which rises 2.1%**

Corporate Debt

- **This week the auction of two green bonds by Vinte, VINTE 25V / 25-2V, will take place for a target amount of MXN 750 million with 5- and 7-year terms. The bonds are rated at 'AA-' by HR Ratings and PCR Verum**

- **S&P Global Ratings affirmed Banco Compartamos long- and short-term issuer credit ratings on a global scale at 'BB+' and 'B', respectively; and on a national scale at 'mxAA' and 'mxA-1+', respectively. The long-term ratings outlook is Stable. The rating action primarily considers Gentera's parent company plans to purchase the remaining shares of ConCrédito**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	42,270.07	0.1%
S&P 500	5,911.69	0.0%
Nasdaq	19,113.77	-0.3%
IPC	57,841.70	-1.3%
Ibovespa	137,026.62	-1.1%
Euro Stoxx 50	5,366.59	-0.1%
FTSE 100	8,772.38	0.6%
CAC 40	7,751.89	-0.4%
DAX	23,997.48	0.3%
Nikkei 225	37,965.10	-1.2%
Hang Seng	23,289.77	-1.2%
Shanghai Composite	3,347.49	-0.5%
Sovereign bonds		
2-year Treasuries	3.90	-4pb
10-year Treasuries	4.40	-2pb
28-day Cetes	8.47	-4pb
28-day TIIE	8.78	1pb
2-year Mbono	8.15	-1pb
10-year Mbono	9.34	1pb
Currencies		
USD/MXN	19.44	0.6%
EUR/USD	1.13	-0.2%
GBP/USD	1.35	-0.2%
DXY	99.33	0.1%
Commodities		
WTI	60.79	-0.2%
Brent	63.90	-0.4%
Mexican mix	57.12	-0.6%
Gold	3,289.25	-0.9%
Copper	467.75	0.0%

Source: Bloomberg

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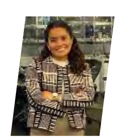

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