Financial Markets Daily

Main drivers for the financial markets today…

- Stock markets and government bond yields mixed, and USD negative digesting the US inflation report for May, that will help shape the path for interest rates. In addition, focus on the trade talks and the economic impact of Trump's tariff war

- US and China agreed on a treaty to reactivate the flow of goods considered "sensitive." Trump said that Beijing is committed to speeding up shipments of rare earth metals, while Washington will relax some export controls and grant visas to Chinese students. The agreement still needs to be approved by the presidents of both nations. Meanwhile, the European Union said it expects trade negotiations with the US to extend beyond Trump's July 9 deadline

- Regarding economic data, US inflation for May was released at +0.1% m/m (consensus: 0.2%; previous: 0.2%). The annual change rise to 2.4% from 2.3% the previous month. The core component stood at +0.1% (consensus: 0.3%; previous: 0.2%), with the annual change remaining at 2.8%

- In Mexico, INEGI published April's industrial production at 0.1% m/m (-4.0% y/y). We highlight increases in mining (1.3%) and manufacturing (0.7%), with construction lower (-2.0%)

- Banorte's Housing Price Index (INBAPREVI) for May will be published

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The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Industrial production - Apr	% y/y	-3.9	-3.6	1.9
8:00	Industrial production* - Apr	% m/m	0.1	0.1	-0.9
8:00	Manufacturing output - Apr	% y/y	-2.8	-2.8	3.1
11:00	Banorte's Housing Price Index (INBAPREVI) - May				
United States					
8:30	Consumer prices* - May	% m/m	0.2	0.2	0.2
8:30	Ex. food & energy* - May	% m/m	0.3	0.3	0.2
8:30	Consumer prices - May	% y/y	2.5	2.5	2.3
8:30	Ex. food & energy - May	% y/y	2.9	2.9	2.8

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	6,067.50	0.4%
Euro Stoxx 50	5,420.20	0.1%
Nikkei 225	38,421.19	0.5%
Shanghai Composite	3,402.32	0.5%
Currencies		
USD/MXN	18.95	-0.6%
EUR/USD	1.15	0.4%
DXY	98.62	-0.5%
Commodities		
WTI	66.09	1.7%
Brent	67.81	1.4%
Gold	3,350.07	0.8%
Copper	484.70	-1.1%
Sovereign bonds		
10-year Treasury	4.43	-4pb

Source: Bloomberg

Equities

- The main stock indexes are showing mixed movements with a positive bias, reacting to US inflation data

- US futures point to a higher open, with the Nasdaq up 0.4% and the S&P 500 rising 0.3%, the latter trading near record highs and poised to extend a three-day winning streak. European markets are little changed, dragged down by Consumer Discretionary and Utilities stocks. Meanwhile, Asian markets closed higher, led by strong gains in Hong Kong and mainland Chinese equities

- In corporate news, Tesla is up 2.0% in pre-market after Elon Musk expressed regret over some of his recent posts about Trump. He also announced that the company's robotaxi network could launch on June 22

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds. Treasuries appreciate following the positive surprise in the inflation report, with the shorter durations gaining up to 7bps. Meanwhile, 10-year rates in Europe rise by an average of 2bps. Yesterday, the Mbonos curve in Mexico reported losses of 3bps, and the 10-year reference closed at 9.18% (+2bps)

- USD falls against all developed currencies, with the EUR (+0.5%) being the strongest. In emerging markets, the bias is also positive, and the MXN positions itself as the second strongest, appreciating 0.6% and breaking below the psychological level of 19.00 for the first time in 10 months. The next short-term resistance is located in the 18.90 area

- Crude-oil futures rebound more than 1.0% after it was revealed that Trump has less confidence in reaching a nuclear deal with Iran. In metals, copper drops 1.0% while gold rises 0.9%

Corporate Debt

- Cemex announced the closing of its US$1.0 billion perpetual subordinated notes issuance. Net proceeds from the offering will be allocated to general corporate purposes, including the refinancing of existing debt or other financial obligations

- Fitch Ratings affirmed Liverpool's international rating at 'BBB+' and its national scale rating at 'AAA(mex)'. The ratings reflect the company's leading position within Mexico's retail sector

- Moody's Local México affirmed the 'AA+.mx' rating on Telmex's unsecured issuance, TELMEX 07, following the conclusion of its annual review. The rating reflects Telmex's dominant market position in Mexico's fixed-line and broadband segments

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	42,866.87	0.2%
S&P 500	6,038.81	0.5%
Nasdaq	19,714.99	0.6%
IPC	58,098.51	0.5%
Ibovespa	136,436.07	0.5%
Euro Stoxx 50	5,415.38	-0.1%
FTSE 100	8,853.08	0.2%
CAC 40	7,804.33	0.2%
DAX	23,987.56	-0.8%
Nikkei 225	38,211.51	0.3%
Hang Seng	24,162.87	-0.1%
Shanghai Composite	3,384.82	-0.4%
Sovereign bonds		
2-year Treasuries	4.02	1pb
10-year Treasuries	4.47	0pb
28-day Cetes	8.10	-4pb
28-day TIIE	8.74	2pb
2-year Mbono	8.21	4pb
10-year Mbono	9.22	1pb
Currencies		
USD/MXN	19.06	0.1%
EUR/USD	1.14	0.0%
GBP/USD	1.35	-0.4%
DXY	99.10	0.2%
Commodities		
WTI	64.98	-0.5%
Brent	66.87	-0.3%
Mexican mix	60.61	-0.1%
Gold	3,323.69	-0.1%
Copper	490.00	-0.5%

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, 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
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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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