

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets and government bond yields up, with the USD lower. Diminished fears of a regional escalation of the war between Israel and Iran, especially about the possible involvement of more countries. Nevertheless, attacks continue without signs of a potential cease fire in the short term
- On the other hand, China released mixed activity data for May. Retail sales rebounded more than expected, reaching their highest pace since December 2023, albeit with lingering weakness in industrial production and fixed investment
- No further relevant information in the US and Mexico today. At night, the BoJ will announce its monetary policy decision
- Market attention this week on a plethora of central bank decisions, highlighting the Fed. We agree with the ample consensus that they will maintain the interest rate range unchanged between 4.25% to 4.50%
- Moreover, decisions in the UK, Chile, Indonesia, Sweden, Brazil, Switzerland, Norway, and Turkey. China will publish the 1- and 5-year prime loan rates, and there will be a plethora of speeches from ECB members
- The rest of the US agenda includes housing starts, building permits, retail sales, industrial production (May), and the Philly Fed regional manufacturing indicator (Jun). US markets will be closed on Thursday because of the *Juneteenth* holiday
- In Mexico, data includes only 1Q25 Aggregate Demand and Supply, the *Timely Indicator of Economic Activity* (May), and the banking sector survey. In addition, we will scan news on: (1) The G7, with a possible meeting between Presidents Trump and Sheinbaum; and (2) the ongoing negotiations about a possible exception favoring Mexico on 50% global tariffs to steel and aluminum imposed by the US

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Brazil					
8:00	Economic activity - Apr	% y/y	--	2.3	3.5
8:00	Economic activity* - Apr	% m/m	--	0.1	0.8
United States					
8:30	Empire manufacturing* - Jun	index	-7.0	-5.0	-9.2
Japan					
	Monetary policy decision (BoJ)	%	--	0.50	0.50

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

June 16, 2025



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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	6,075.00	0.7%
Euro Stoxx 50	5,328.66	0.7%
Nikkei 225	38,311.33	1.3%
Shanghai Composite	3,388.73	0.3%
Currencies		
USD/MXN	18.88	-0.4%
EUR/USD	1.16	0.2%
DX	98.01	-0.2%
Commodities		
WTI	72.14	-1.2%
Brent	73.42	-1.1%
Gold	3,414.82	-0.5%
Copper	482.80	0.3%
Sovereign bonds		
10-year Treasury	4.43	3pb

Source: Bloomberg

Equities

- Positive stock markets. However, investors remain alert due to the conflict between Iran and Israel, while the leaders of the world's largest economic powers will meet in Canada during the G7 Summit
- US futures anticipate a higher open, with the S&P500 rising by 0.7%. The Eurostoxx gains by the same magnitude, with the financial and industrial sectors leading. Asia closed higher
- Grupo Mexico reported on Friday a sales contract for its highway businesses. The operation involves the sale of ~80% of CIBSA's shares and about 99% of OIBSA. The value of the operation is estimated at MXN 7.7 billion and is expected to be completed in the second semester of 2025

Sovereign fixed income, currencies and commodities

- The rise in tensions between Iran and Israel has reignited concerns about inflation. As a result, the US Treasury curve steepens, with losses of 2bps at the short-end and 3bps at the long-end. In Europe, 10-year yields are trading within a ± 2 bps range. Last week, Mbonos posted losses of 5bps
- USD weakens against most G10 currencies, with the NZD (+0.7%) leading gains. Among emerging markets, the bias is also positive. The MXN appreciates 0.4% to 18.88 per dollar. This week, we expect a trading range between 18.70 and 19.20
- Crude-oil futures decline 1.1% as investors monitor the attacks between Iran and Israel, which so far have spared critical export infrastructure. Industrial metals are up, while precious metals are down

Corporate Debt

- This week, the local market is set to see the auction of four long-term bonds. These include two unsecured corporate issues: one from Instituto Fonacot (FNCOT 25, MXN 4.0 billion) and another from Daimler México (DAIMLER 25, MXN 2.0 billion); additionally, two structured deals: one from Vanrenta (VRTCB 25, MXN 500 million) and another from Exitus Capital (EXITCB 25, MXN 1.0 billion). Looking ahead, we expect continued momentum in primary market activity
- Grupo México announced the sale of its toll road business in a transaction valued at approximately MXN 7.7 billion. Proceeds will be allocated to investment projects in Mexico and for general corporate purposes

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	42,197.79	-1.8%
S&P 500	5,976.97	-1.1%
Nasdaq	19,406.83	-1.3%
IPC	57,438.57	-0.7%
Ibovespa	137,212.63	-0.4%
Euro Stoxx 50	5,290.47	-1.3%
FTSE 100	8,850.63	-0.4%
CAC 40	7,684.68	-1.0%
DAX	23,516.23	-1.1%
Nikkei 225	37,834.25	-0.9%
Hang Seng	23,892.56	-0.6%
Shanghai Composite	3,377.00	-0.8%
Sovereign bonds		
2-year Treasuries	3.95	4pb
10-year Treasuries	4.40	4pb
28-day Cetes	8.11	2pb
28-day TIIE	8.74	0pb
2-year Mbono	8.12	-2pb
10-year Mbono	9.30	3pb
Currencies		
USD/MXN	18.96	0.4%
EUR/USD	1.15	-0.3%
GBP/USD	1.36	-0.3%
DX	98.18	0.3%
Commodities		
WTI	72.98	7.3%
Brent	74.23	7.0%
Mexican mix	67.94	7.5%
Gold	3,432.34	1.4%
Copper	486.85	-0.4%

Source: Bloomberg

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