Economic and Financial Markets Research

Economic Research and Market Strategy

Financial Markets Daily

June 17, 2025

Main drivers for the financial markets today...

- **Stock markets negative, government bond yields mixed, USD with few changes, crude-oil and gold up amid fears of escalation in Israel's war with Iran after US President Trump played down the likelihood of a ceasefire**

- **The US Senate suggested massive changes to the tax plan submitted by the House of Representatives, drastically cutting the child tax credit and state and local tax deductions (SALT), while temporarily maintaining some of Biden's administration climate programs. This could delay the approval as the two chambers' versions have to be reconciled**

- **Regarding economic figures, the US released May retail sales, down 0.9% m/m (consensus -0.6% m/m). The control group, which excludes autos, gasoline, construction materials, and food services, posted a better-than-expected increase of +0.4% m/m (consensus +0.3% m/m). The industrial production report will be published later**

- **In the monetary front, Chile will announce its decision without changes expected in the benchmark rate at 5.00%**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Germany					
5:00	ZEW Survey (Expectations) - Jun	index	--	35.0	25.2
United States					
8:30	Advance retail sales* - May	% m/m	-0.7	-0.7	0.1
8:30	Ex autos & gas* - May	% m/m	--	0.4	0.2
8:30	Control group* - May	% m/m	0.4	0.2	-0.2
9:15	Industrial production* - May	% m/m	0.1	0.0	0.0
9:15	Manufacturing production* - May	% m/m	0.1	-0.2	-0.4
Mexico					
11:00	International reserves - Jun 13	US$bn	--	--	240.4
13:30	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes, 5-year Mbono (Feb'30), 30-year Udibono (Oct'54) and 1- and 3-year Bondes F				
Chile					
18:00	Monetary policy decision (BCCh)	%	--	5.00	5.00

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	6,064.00	-0.4%
Euro Stoxx 50	5,296.18	-0.8%
Nikkei 225	38,536.74	0.6%
Shanghai Composite	3,387.41	0.0%
Currencies		
USD/MXN	18.97	0.3%
EUR/USD	1.16	0.0%
DXY	98.09	0.1%
Commodities		
WTI	73.14	1.9%
Brent	74.76	2.1%
Gold	3,387.19	0.1%
Copper	483.50	0.0%
Sovereign bonds		
10-year Treasury	4.40	-5pb

Source: Bloomberg

Equities

- **Setbacks in main stock indices, with investors reacting to rising geopolitical tension in the Middle East and its possible impact on global markets**

- **In the US, futures anticipate a negative opening with the S&P500 falling 0.4%. Notably, Sunrun (-33.1%), SolarEdge (-26.6%), Enphase Energy (-17.9%), and First Solar (-13.4%) tumble in premarket due to the bill that plans to eliminate tax credits for wind and solar power. The Eurostoxx contracts 0.8%, pressured by the communication and financial sectors. Asia closed mixed, with the Nikkei up 0.6%**

- **In corporate news, SoftBank raised US$4.8 billion following the sale of T-Mobile shares. Meanwhile, Verve Therapeutics shares soared (+75.7%), after it was announced that Eli Lilly is in negotiations to buy the startup**

Sovereign fixed income, currencies and commodities

- **Mixed balance in sovereign bonds. Treasuries appreciate along the curve by about 3bps amid increased appetite for safe-haven assets. Meanwhile, 10-year rates in Europe fluctuate between -2bps and +2bps. Yesterday, the Mbonos' curve averaged losses of 3bps, and the 10-year benchmark (Feb'36) closed at 9.38% (+6bps)**

- **USD weakens against all G10 currencies, with NOK (+0.5%) as the strongest. However, the dynamics in EM are broadly negative, with Asian currencies leading the losses. The MXN is the weakest in the LatAm region, depreciating 0.3% to 18.97 per dollar**

- **Widespread gains in energy with the market on edge about potential crude-oil supply disruptions in the Middle East. Brent rose over 2.0% amid a volatile session. In metals, most industrial and precious ones gain**

Corporate Debt

- **Today, the auction of Consubanco's banking bond, CSBANCO 25, will take place for an amount of up to MXN 1.5 billion, with a three-year tenor. The bond carries a 'HR A' rating from HR Ratings**

- **Fitch Ratings upgraded the structured issuance of ZKC Administración, ZKCCB 17, to 'AA(mex)vra' from 'A+(mex)vra'. The outlook is Stable. The rating action reflects a sustained improvement in the transaction's cash flow performance, as well as higher occupancy levels**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	42,515.09	0.8%
S&P 500	6,033.11	0.9%
Nasdaq	19,701.21	1.5%
IPC	57,046.86	-0.7%
Ibovespa	139,255.91	1.5%
Euro Stoxx 50	5,339.57	0.9%
FTSE 100	8,875.22	0.3%
CAC 40	7,742.24	0.7%
DAX	23,699.12	0.8%
Nikkei 225	38,311.33	1.3%
Hang Seng	24,060.99	0.7%
Shanghai Composite	3,388.73	0.3%
Sovereign bonds		
2-year Treasuries	3.97	2pb
10-year Treasuries	4.45	5pb
28-day Cetes	8.13	2pb
28-day TIIE	8.75	1pb
2-year Mbono	8.17	6pb
10-year Mbono	9.40	10pb
Currencies		
USD/MXN	18.92	-0.2%
EUR/USD	1.16	0.1%
GBP/USD	1.36	0.1%
DXY	98.00	-0.2%
Commodities		
WTI	71.77	-1.7%
Brent	73.23	-1.3%
Mexican mix	67.01	-1.4%
Gold	3,385.23	-1.4%
Copper	489.25	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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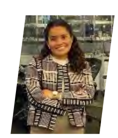

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