

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets mixed, government bond yields negative, and the USD lower given the uncertainty of the Fed's future actions, who continues to discuss the economic and inflationary outlook, as well as doubts about President Trump's trade policy and threat of tariffs
- On the monetary front, Christopher Waller, one of the Fed governors, indicated that the central bank should cut its reference rate by 25bps at this month's meeting. He specifically mentioned that with inflation close to target and the labor market "on the edge" the institution must act
- Regarding economic data, in the US we will be watching housing sector data for June, as well as the University of Michigan's sentiment for the seventh month of the year. In the Eurozone, the current account in May showed a significant surplus of €32.3 billion. In Mexico, INEGI published the June's Timely Indicator of Economic Activity, anticipating a 0.2% m/m increase (+1.3% y/y sa), with expansions of the same magnitude for industry and services
- In the US, the House of Representatives approved legislation to implement US\$9 billion in cuts to public radio and television funding, as well as foreign aid projects, among other measures. The measure had already been approved by the Senate and will therefore be sent to President Trump for ratification
- On trade issues, Trump again warned Brazil to drop the charges against former President Jair Bolsonaro. However, President Lula da Silva responded that he will not respond to US blackmail and that they will respond to its tariffs on August 1st
- In other news, the European Union confirmed new sanctions against Russia, including new price limits on that country's crude oil and refined products, along with the disconnection of 20 more institutions from the SWIFT payment system

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
4:00	Current account* - May	EURbn	--	--	19.8
Mexico					
8:00	Timely Indicator of Economic Activity* - Jun	% y/y	--	--	-0.3
United States					
8:30	Housing starts** - Jun	thousands	--	1,295	1,256
8:30	Building permits** - Jun	thousands	--	1,387	1,394
10:00	U. of Michigan Confidence* - Jul (P)	index	60.5	61.5	60.7

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	6,344.25	0.1%
Euro Stoxx 50	5,369.66	-0.1%
Nikkei 225	39,819.11	-0.2%
Shanghai Composite	3,534.48	0.5%
Currencies		
USD/MXN	18.72	-0.3%
EUR/USD	1.16	0.4%
DXY	98.31	-0.4%
Commodities		
WTI	68.13	0.9%
Brent	70.00	0.7%
Gold	3,352.86	0.4%
Copper	555.10	1.2%
Sovereign bonds		
10-year Treasury	4.43	-2pb

Source: Bloomberg

Equities

- Mixed returns across major indices as the US continues to set all-time highs in the S&P 500 and Nasdaq, with investors digesting positive corporate earnings results. Europe shows mixed movements, but of moderate magnitude, while in Asia the rise in the stock markets in Hong Kong and China contrasted with the adjustments in Japan
- In this context, North American futures anticipate an opening with small changes and a slightly positive bias. Netflix's results surprised positively, and the company raised its guidance on revenue and margins. Similarly, the figures for 3M and American Express turned out better than expected
- We have ~10% of the results of S&P500 companies and a cumulative increase in earnings of 10.2% vs 2.8%. The positive surprises rate stands at 86.3%

Sovereign fixed income, currencies and commodities

- The US Treasury curve falls an average of 3bps, following dovish comments from Fed's Waller. In Europe, 10-year yields register a +1bp adjustment. Yesterday, Mbonos averaged losses of 1bp, with the 10-year benchmark (Feb'36) closing at 9.46% (+2bps)
- The dollar falls in indices, resulting in losses against all G10 currencies, with NOK (+1.5%) as the strongest. In EM, the bias is also positive, with European currencies leading. The MXN appreciates 0.3% to 18.71 per dollar, diluting part of the losses from the previous day
- Crude-oil futures rise 1.8%, driven by a new round of EU sanctions on Russia that include a price cap on oil and restrictions on fuels derived from Russian crude. Metals show a positive bias, with gold and copper up 0.6%

Corporate Debt

- S&P Global Ratings placed Grupo GICSA's 'mxB' ratings on CreditWatch with negative implications following the announcement of potential changes to the terms and conditions of its outstanding debt issuances, including interest rates, maturities, amortization schedules, collateral, and other contractual obligations
- PCR Verum affirmed Grupo Fonderia's 'AA+/M' ratings and revised the outlook to Negative from Stable. The shift in outlook reflects a sharper-than-expected increase in Grupo Fonderia's leverage levels, stemming from adverse impacts on its EBITDA generation

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	44,484.49	0.5%
S&P 500	6,297.36	0.5%
Nasdaq	20,885.65	0.7%
IPC	56,714.92	0.4%
Ibovespa	135,564.74	0.0%
Euro Stoxx 50	5,377.15	1.5%
FTSE 100	8,972.64	0.5%
CAC 40	7,822.00	1.3%
DAX	24,370.93	1.5%
Nikkei 225	39,901.19	0.6%
Hang Seng	24,498.95	-0.1%
Shanghai Composite	3,516.83	0.4%
Sovereign bonds		
2-year Treasuries	3.90	1pb
10-year Treasuries	4.45	0pb
28-day Cetes	8.00	24pb
28-day TIIE	8.23	-1pb
2-year Mbono	8.18	0pb
10-year Mbono	9.49	4pb
Currencies		
USD/MXN	18.78	0.3%
EUR/USD	1.16	-0.4%
GBP/USD	1.34	0.0%
DX	98.73	0.3%
Commodities		
WTI	67.54	1.7%
Brent	69.52	1.5%
Mexican mix	63.75	1.3%
Gold	3,338.97	-0.2%
Copper	551.25	-0.2%

Source: Bloomberg

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