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Banorte Research and Strategy

Financial Markets Daily

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Main drivers for the financial markets today…

- **Mixed stock markets, S&P500 Futures up, government bond yields and USD down. Attention is on the inflation report for April in the US, with no surprises, in line with estimates**

- **April inflation in the US was +0.4% m/m, bringing the annual variation to 4.9% from 5.0% the previous month. Meanwhile, core CPI was 0.4% m/m, with the y/y change at 5.5% from 5.6% prior. The largest increases were observed in gasoline and used cars prices, with shelter costs moderating their rate of increase, while there were decreases in the prices of new vehicles. Despite the strong monthly advances, we consider the report supports the expectation that the terminal rate has already been reached**

- **No progress in yesterday's negotiations between President Biden and congressional leaders to resolve the impasse on the debt ceiling and eliminate the risk of default. They will meet again on Thursday evening and daily starting Friday**

- **The economic agenda in Mexico includes ANTAD sales and wage negotiations in April. In the afternoon, CPI for the fourth month of the year will be released in China**

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The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Brazil					
8:00	Industrial production - Mar	% y/y	--	0.5	-2.4
8:00	Industrial production* - Mar	% m/m	--	0.8	-0.2
United States					
8:30	Consumer prices* - Apr	% m/m	0.4	0.4	0.1
8:30	Ex. food & energy* - Apr	% m/m	0.3	0.3	0.4
8:30	Consumer prices - Apr	% y/y	5.0	5.0	5.0
8:30	Ex. food & energy - Apr	% y/y	5.4	5.5	5.6
China					
21:30	Consumer prices - Apr	% y/y	--	0.3	0.7
Mexico					
	Wage negotiations - Apr	% y/y	--	--	9.2
	ANTAD same-store sales - Apr	% y/y	--	--	4.1

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	4,149.50	0.4%
Euro Stoxx 50	4,310.43	-0.3%
Nikkei 225	29,122.18	-0.4%
Shanghai Composite	3,319.15	-1.1%
Currencies		
USD/MXN	17.64	-0.7%
EUR/USD	1.10	0.2%
DXY	101.78	0.2%
Commodities		
WTI	73.59	-0.2%
Brent	76.78	-0.9%
Gold	2,038.79	0.2%
Copper	384.20	-1.2%
Sovereign bonds		
10-year Treasury	3.46	-6pb

Source: Bloomberg

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Equities

- **Equity markets mixed, whith investors assesing the possibility of a less restrictive monetary policy by the Fed, after US inflation data**

- **US futures anticipate a positive opening with the S&P500 trading 0.7% above its theoretical value. Meanwhile, Europe trades mixed, with the Eurostoxx up 0.1%, althought consumer staples and financials sectors are limiting the index's performance. Asia closed with declines, with the Hang Seng dropping 0.5% and the Nikkei 0.4%**

- **On the international corporate front, in the US, Airbnb falls more than 13.0% on pre-market after indicating a more cautious outlook for second-quarter earnings. With regard to S&P500 companies, only STERIS PLC and Walt Disney Co will release their results at market close**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. European 10-year securities trade with gains of up to 7bp while the Treasuries yield curve posted gains of up to 10bp, concentrated on the short-end. Yesterday, the Mbonos curve closed with gains of 4bp on average**

- **The dollar weakens (DXY -0.2%) as G-10 currencies trade with gains and EM currencies with mixed changes. In the former group, NOK (+1.1%) leads the gains while in the latter, trading is capped by RUB(+2.3%) and MYR (-0.2%). The Mexican peso is the third strongest by appreciating 0.9% to 17.62 per dollar being its best level since September 2017**

- **Crude oil futures fall 0.2% on a rise in inventories according to API figures, attention on EIA figures. In metals, the negative bias prevails, nickel stands out with a 1.9% drop**

Corporate Debt

- **PCR Verum affirmed Montepío Luz Saviñón's long- and short-term ratings at 'AA+/M' and '1+/M', respectively. The ratings are based on the Institution's long and good track record in the lending sector, the high degree of institutionalization and technification within its operations, its solid equity structure, as well as its high liquidity indicators**

- **Axtel announced that, during the current year, it formalized bank loans and a refinancing for approximately US$530 million in order to prepay the total of its Senior Notes for US$314 million maturing in November 2024 and improve its debt profile**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,561.81	-0.2%
S&P 500	4,119.17	-0.5%
Nasdaq	12,179.55	-0.6%
IPC	55,452.73	0.8%
Ibovespa	107,113.66	1.0%
Euro Stoxx 50	4,323.09	-0.6%
FTSE 100	7,764.09	-0.2%
CAC 40	7,397.17	-0.6%
DAX	15,955.48	0.0%
Nikkei 225	29,242.82	1.0%
Hang Seng	19,867.58	-2.1%
Shanghai Composite	3,357.67	-1.1%
Sovereign bonds		
2-year Treasuries	4.02	2pb
10-year Treasuries	3.52	1pb
28-day Cetes	11.52	8pb
28-day TIIE	11.57	0pb
2-year Mbono	10.37	-6pb
10-year Mbono	8.79	-3pb
Currencies		
USD/MXN	17.77	-0.1%
EUR/USD	1.10	-0.4%
GBP/USD	1.26	0.0%
DXY	101.61	0.2%
Commodities		
WTI	73.71	0.8%
Brent	77.44	0.6%
Mexican mix	65.38	0.6%
Gold	2,034.56	0.7%
Copper	390.15	-0.7%

Source: Bloomberg

Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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
BUY	*When the share expected performance is greater than the MEXBOL estimated performance.*
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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