

Financial Markets Daily

June 2, 2023

Main drivers for the financial markets today...


- **Stock markets and government bond yields higher, while the USD retraces, after US Congress suspended the debt ceiling, with investors still searching for additional clues about a possible ‘pause’ in the Fed’s hiking cycle**
- **In addition, they react to May’s nonfarm payrolls, which surprised to the upside with 339 thousand new jobs and positive revisions to previous months. On the contrary, the unemployment rate picked up to 3.7% from 3.4% previously**
- **The Chinese government is working on measures to boost the property market, recognizing that existing initiatives have failed to revive the sector. Despite averting an outright collapse, weakness remains as a strong headwind to overall economic dynamism in the country**
- **Even after the latest inflation prints that declined in annual terms, ECB President Christine Lagarde stated that clear evidence that underlying pressures have peaked is still missing. Therefore, she reaffirmed that further rate hikes are necessary**
- **Chilean President Gabriel Boric vowed to take a revamped tax reform proposal to the Senate next month to finance a long list of social promises**
- **According to the UN food price index, global prices dropped to their lowest level in two years in May, building further optimism for global inflation. The index has fallen 22% since its peak last year after Russia’s invasion of Ukraine**
- **Mexico’s unemployment rate picked up to 2.82% in May (+43bps, original data), with 112.2 thousand jobs lost, slightly above consensus expectations. With seasonally adjusted figures, the rate increased 5bps to 2.83%**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Unemployment rate - Apr	%	2.79	2.73	2.39
<i>Brazil</i>					
8:00	Industrial production - Apr	% y/y	--	-1.6	0.9
8:00	Industrial production* - Apr	% m/m	--	-0.2	1.1
<i>United States</i>					
8:30	Nonfarm payrolls* - May	thousands	175	195	253
8:30	Unemployment rate* - May	%	3.5	3.5	3.4

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.
<i>Equity indices</i>		
S&P 500 Futures	4,248.50	0.5%
Euro Stoxx 50	4,305.90	1.1%
Nikkei 225	31,524.22	1.2%
Shanghai Composite	3,230.07	0.8%
<i>Currencies</i>		
USD/MXN	17.52	-0.2%
EUR/USD	1.08	0.0%
DX	103.55	0.0%
<i>Commodities</i>		
WTI	71.25	1.6%
Brent	75.45	1.6%
Gold	1,979.83	0.1%
Copper	377.00	1.6%
<i>Sovereign bonds</i>		
10-year Treasury	3.60	1pb

Source: Bloomberg

Equities

- **Stock markets optimistic, reacting to the agreement on the debt-ceiling in the US, while assimilating the solid figures of the non-farm payrolls. As such, futures anticipate a positive opening, with the S&P500 trading 0.5% above its theoretical value. Meanwhile, appetite for tech stocks continues to drive gains in markets on optimism that interest rates will no longer rise**
- **Europe operates with widespread advances, highlighting the rise in luxury goods, while the mining and energy sectors react positively to the rise in oil and industrial metals. In Asia, we observed positive closures, highlighting the 4.0% advance in the Hang Seng as the possibility of new stimuli in China was applauded**
- **In Mexico, the Mexbol Index could approach to 53,000pts on dip-buying after recent declines**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. European rates traded with pressures of 2bps on average while, the Treasuries yield curve shows marginal losses as investors await further information. Yesterday, the Mbonos curve closed with losses of 3bps on average, and the 10-year benchmark adjusted +2bp to 8.80%**
- **The dollar trades lower (DXY -0.1%) as most G10 currencies advance and EM currencies trade with mixed changes. In the first group AUD (+0.8%) leads the gains and in the second group, trading is capped by KRW (+1.2%) and TRY (-0.4%). The Mexican peso appreciates 0.1% to 17.53**
- **Crude-oil futures are up 1.6% with investors weighing the latest data from China and awaiting the OPEC+ meeting over the weekend. In metals, the bias is positive, with copper (+1.6%) standing out**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,061.57	0.5%
S&P 500	4,221.02	1.0%
Nasdaq	13,100.98	1.3%
IPC	52,724.03	0.0%
Ibovespa	110,564.66	2.1%
Euro Stoxx 50	4,257.61	0.9%
FTSE 100	7,490.27	0.6%
CAC 40	7,137.43	0.5%
DAX	15,853.66	1.2%
Nikkei 225	31,148.01	0.8%
Hang Seng	18,216.91	-0.1%
Shanghai Composite	3,204.64	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	4.34	-6pb
10-year Treasuries	3.60	-5pb
28-day Cetes	11.31	0pb
28-day TIE	11.50	1pb
2-year Mbono	10.39	3pb
10-year Mbono	8.80	0pb
<i>Currencies</i>		
USD/MXN	17.55	-0.8%
EUR/USD	1.08	0.7%
GBP/USD	1.25	0.7%
DXY	103.56	-0.7%
<i>Commodities</i>		
WTI	70.10	3.0%
Brent	74.28	2.2%
Mexican mix	63.80	5.2%
Gold	1,977.61	0.8%
Copper	371.10	2.0%

Source: Bloomberg

Corporate Debt

- **HR Ratings ratified LEPCB 18 (FF of Libramiento Elevada de Puebla) rating at 'HR AAA (E)' with a stable outlook. According to the agency, the ratification of the rating is based on the metrics obtained in the project review, which showed an Annualized Stress Rate of 2.88%, higher than the one calculated in the previous review of 2.75%, and a Coverage during the Life of the Debt of 1.94x**
- **It was reported that on June 5, 2023, a partial amortization of the VANRTCB 21 (ABS of Vanrenta) issuance will be carried out for an amount of MXN 8.86 million, by virtue of the end of the revolving period. The bond has an outstanding amount of MXN 400 million and is rated 'mx AA' and 'HR AA+' by S&P and HR Ratings**

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