

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets lower, government bond yields up, and USD biased higher. Risk aversion after the European Parliamentary elections that suggest more disagreements in the bloc, with Macron calling for snap legislative elections in France to stop his right-wing rival, Marine Le Pen**
- **No economic data today in the US. Meanwhile, April's wage negotiations will be released in Mexico**
- **Market attention this week on the Fed decision. There is strong consensus that they will leave the reference rate unchanged at 5.25% - 5.50%. Nevertheless, it will be important to assess the tone in the presser, along with the macro forecasts and dot plot updates**
- **In this backdrop, we anticipate a downward revision to growth this year at 2.1% (4Q/4Q), with modest adjustments to inflation. For the dot plot, the 2024 median would indicate 50bps of accumulated rate cuts for the rest of 2024, from -75bps currently**
- **May's inflation data will also be key. We expect 0.1% m/m for the headline, with the annual rate at 3.4%. For the core, these metrics would stand at 0.3% and 3.5%, respectively**
- **Moreover, monetary policy decisions in Japan, Peru, and Thailand. Also, a plethora of comments from ECB members after last week's announcement, including by Lagarde**
- **In events, the G-7 leaders meeting will take place in Italy**
- **Other US data includes only producer prices (may) and U. of Michigan consumer confidence. In other regions we highlight industrial production (Apr) in the UK and Eurozone; inflation (May) in China and Brazil; with the latter country also publishing retail sales (Apr)**
- **In Mexico, industrial production (Apr) and retail sales from ANTAD members**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
11:00	New York Fed 1-yr inflation expectations - May	%	--	--	3.3
Mexico					
	Wage negotiations - May	% y/y	--	--	7.6

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

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Alejandro Padilla Santana
Chief Economist and Head of Research
alejandropadilla@banorte.com



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com



Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandrocervantes@banorte.com



Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com



www.banorte.com/analiseconomico
[@ analisis_fundam](#)

Winners of the awards as the best economic forecasters in Mexico by LSEG and Focus Economics in 2023



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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,350.25	-0.1%
Euro Stoxx 50	5,004.37	-0.9%
Nikkei 225	39,038.16	0.9%
Shanghai Composite	3,051.28	0.0%
Currencies		
USD/MXN	18.46	0.3%
EUR/USD	1.08	-0.5%
DXY	105.21	0.3%
Commodities		
WTI	76.38	1.1%
Brent	80.41	1.0%
Gold	2,305.13	0.5%
Copper	454.45	1.4%
Sovereign bonds		
10-year Treasury	4.47	3pb

Source: Bloomberg

Equities

- Negative movements, with cautious investors after new highs in the US last week and awaiting further catalysts. Thus, futures of the main indexes point to a slightly negative opening, falling 0.1% on average
- Widespread declines in Europe, with the Eurostoxx down 0.9%. In particular, financial sector stocks drag the index. BNP Paribas and Societe Generale fall around 5%. Asia with several markets closed for public holidays (China, Hong Kong and Australia)
- The S&P Dow Jones Indices benchmark rebalancing was announced on Friday. Changes to the S&P500 sample include the entry of *KKR*, *CrowdStrike Holdings* and *GoDaddy* in place of *Robert Half*, *Comerica* and *Illumina*. For the S&P Latin America 40 Index, Gcarso enters for Brazilian company Lojas Renner. All effective prior to the opening on Monday, June 24

Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. Ten-year European rates rebound up to 10bps, while the Treasuries' yield curve steepens, adjusting +3bps at the long-end. Last week, Mbonos sold off 35bps on average, with the 10-year benchmark reaching highs not seen since October 2023 at 10.20% (+45bps w/w)
- Dollar rises to 1-month highs, advancing against most G10 currencies where EUR (-0.4%) leads losses. In EM, the bias is negative but ZAR (+0.8%) outperformed followed by RUB (+0.2%) and CLP (+0.2%). The MXN trades at 18.46 per dollar (+0.3%) extending the last week's 7.5% move higher
- Crude-oil futures are up, with Brent and WTI trading back above 80 and 75 \$/bbl, respectively. Widespread gains in metals, with copper and gold gaining 1.4% and 0.5%, in the same order

Corporate Debt

- The first auctions of the month are tentatively scheduled for the second half. However, we may see changes in auction dates related to investor appetite in light of recent movements in other asset prices, as well as the expected path of central banks' rate cuts
- Grupo Axo entered into a joint venture agreement with The TJX Companies. The alliance will encompass Axo's off-price physical store business in Mexico, which it operates through Multibrand Outlet Stores. TJX will acquire 49% and Axo 51% of the business, which includes more than 200 stores under Axo's existing Promoda, Reduced and Urban Store formats

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	38,798.99	-0.2%
S&P 500	5,346.99	-0.1%
Nasdaq	17,133.13	-0.2%
IPC	52,977.32	-2.8%
Ibovespa	120,767.19	-1.7%
Euro Stoxx 50	5,051.31	-0.4%
FTSE 100	8,245.37	-0.5%
CAC 40	8,001.80	-0.5%
DAX	18,557.27	-0.5%
Nikkei 225	38,683.93	-0.1%
Hang Seng	18,366.95	-0.6%
Shanghai Composite	3,051.28	0.1%
Sovereign bonds		
2-year Treasuries	4.89	16pb
10-year Treasuries	4.43	15pb
28-day Cetes	11.04	2pb
28-day TIIE	11.25	0pb
2-year Mbono	10.66	0pb
10-year Mbono	9.76	0pb
Currencies		
USD/MXN	18.40	2.3%
EUR/USD	1.08	-0.8%
GBP/USD	1.27	-0.6%
DXY	104.89	0.8%
Commodities		
WTI	75.53	0.0%
Brent	79.62	-0.3%
Mexican mix	70.49	0.0%
Gold	2,293.78	-3.5%
Copper	448.35	-4.2%

Source: Bloomberg

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Directory

Research and Strategy



Raquel Vázquez Godínez
Assistant
raquel.vazquez@banorte.com
(55) 1670 - 2967



María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Market Strategy



Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com
(55) 1670 - 1751



José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com
(55) 1670 - 2249



Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698



Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Quantitative Analysis



Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972



José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000



Andrea Muñoz Sánchez
Strategist, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1105 - 1430



Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043



Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1105 - 1438



Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719



Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com
(55) 1670 - 2250



Marcos Saúl García Hernández
Analyst, Fixed Income, FX and Commodities
marcos.garcia.hernandez@banorte.com
(55) 1670 - 2296



Ana Gabriela Martínez Mosqueda
Strategist, Equity
ana.martinez.mosqueda@banorte.com
(55) 5261 - 4882



José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608



Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124



Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611



Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821



Luis Leopoldo López Salinas
Economist, Global
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707



Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800



Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugo.gomez@banorte.com
(55) 1670 - 2247



Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248



Paula Lozoya Valadez
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000 x 2060



Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220



Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1670 - 2904