

Financial Markets Daily

February 19, 2021

Main drivers for the financial markets today...

- **Stock markets positive, with the USD and oil prices lower while government bond yields increase due to several factors. We highlight greater optimism on the approval of a new stimulus package next week, easing blackouts in Texas, progress on vaccinations and an improvement in the US-Iran relationship**
- **Today, the first G7 meeting with Joe Biden as President will take place, expecting a conciliatory message with its allies. In addition, focus will also be on vaccination efforts and aid to developing countries**
- **On the economic front, January's PMIs in Europe showed a somewhat mixed performance, with relevant improvements in manufacturing but lagging in services. This contrasts with data from the UK, where the latter led gains. In the US attention will also be in these indicators, as well as on speeches from Barkin and Rosengren throughout the morning**
- **In Mexico the Timely Indicator of Economic Activity for January and revisions for December were published. For this latter month, the print was adjusted upwards to -4.2% y/y (sa) from -5.4%. Meanwhile, January's figure stood at -4.4%**

Gabriel Casillas
Chief Economist, Head of Research
and IRO
gabriel.casillas@banorte.com

Alejandro Padilla
Executive Director of Economic
Research and Financial Markets Strategy
alejandro.padilla@banorte.com

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

Manuel Jiménez
Director of Market Strategy
manuel.jimenez@banorte.com

The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|------------------------|--|----------|---------|--------|----------|
| <i>Eurozone and UK</i> | | | | | |
| 3:30 | GER Manufacturing PMI (Markit)* - Feb (P) | index | -- | 56.5 | 57.1 |
| 3:30 | GER Services PMI (Markit)* - Feb (P) | index | -- | 46.5 | 46.7 |
| 3:30 | GER Composite PMI (Markit)* - Feb (P) | index | -- | 50.5 | 50.8 |
| 4:00 | EZ Current account* - Dec | EURbn | -- | -- | 24.6 |
| 4:00 | EUR Manufacturing PMI (Markit)* - Feb (P) | index | -- | 54.2 | 54.8 |
| 4:00 | EUR Services PMI (Markit)* - Feb (P) | index | -- | 45.8 | 45.4 |
| 4:00 | EUR Composite PMI (Markit)* - Feb (P) | index | -- | 48.0 | 47.8 |
| 3:30 | UK Manufacturing PMI* - Feb (P) | índice | -- | 53.1 | 54.1 |
| 3:30 | UK Services PMI* - Feb (P) | índice | -- | 42.0 | 39.5 |
| <i>Mexico</i> | | | | | |
| 7:00 | Timely Indicator of Economic Activity* - Jan | % y/y | -- | -- | -5.4 |
| <i>United States</i> | | | | | |
| 8:00 | Fed's Thomas Barkin speaks at the Rockingham Chamber of Commerce | | | | |
| 9:45 | Manufacturing PMI (Markit)* - Feb (P) | index | -- | 58.5 | 59.2 |
| 9:45 | Services PMI (Markit)* - Feb (P) | index | -- | 57.9 | 58.3 |
| 9:45 | Composite PMI (Markit)* - Feb (P) | index | -- | -- | 58.7 |
| 10:00 | Existing home sales** - Jan | millions | -- | 6.6 | 6.8 |
| 11:00 | Fed's Eric Rosengren speaks at the Yale Economics Symposium | | | | |

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

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@analisis_fundam

A glimpse to the main financial assets

| | Last | Daily chg. |
|------------------------|-----------|------------|
| <i>Equity indices</i> | | |
| S&P 500 Futures | 3,924.50 | 0.4% |
| Euro Stoxx 50 | 3,709.50 | 0.8% |
| Nikkei 225 | 30,017.92 | -0.7% |
| Shanghai Composite | 3,696.17 | 0.6% |
| <i>Currencies</i> | | |
| USD/MXN | 20.35 | 0.2% |
| EUR/USD | 1.21 | 0.3% |
| DX | 90.26 | -0.4% |
| <i>Commodities</i> | | |
| WTI | 59.51 | -1.7% |
| Brent | 63.19 | -1.2% |
| Gold | 1,773.21 | -0.1% |
| Copper | 397.70 | 1.9% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 1.31 | 2pb |

Source: Bloomberg

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Equities

- We conclude the week with widespread gains, boosted by cheap stock buying after recent losses, and reacting to positive corporate results, some favorable economic data and the ongoing progress in the vaccination process worldwide
- Futures in the US anticipate a positive opening with the S&P500 trading 0.4% above its theoretical value. Earnings season continues, though today it is scarce. Around 84% of the companies have reported, and a 6.0% rise in earnings has been achieved vs -8.5%e. Positive surprises rate stands at 79.3%
- Yesterday in Mexico, Televisa's figures surpassed expectations, Volaris results, on the other hand, showed drops, but with an important sequential recovery, while Ienova's figures were weaker than expected

Sovereign fixed income, currencies and commodities

- Pressures in rates from sovereign bonds remain, although in a lower magnitude relative to previous sessions in the week. European rates adjust +2bps, while US Treasuries +1bp. Yesterday, the Mbonos' curve closed with a 13bps sell-off in mid- and long-term securities
- The USD weakens for a second session in a row approximated by the DXY. G10 currencies gain in a widespread fashion, also with a mostly positive bias in EM. However, USD/MXN depreciates 0.2% to 20.34 heading for a weekly sell-off of just under 2%
- Crude oil pairs part of the surge of the last days amid disruptions in the Texan market, amid a slow production recovery. Furthermore, positive news about the US-Iran relation suggest potential increases in crude exports from the latter. Positive bias in industrial metals, and few variations in precious

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 31,493.34 | -0.4% |
| S&P 500 | 3,913.97 | -0.4% |
| Nasdaq | 13,865.36 | -0.7% |
| IPC | 44,507.95 | -1.2% |
| Ibovespa | 119,199.00 | -1.0% |
| Euro Stoxx 50 | 3,681.04 | -0.5% |
| FTSE 100 | 6,617.15 | -1.4% |
| CAC 40 | 5,728.33 | -0.7% |
| DAX | 13,886.93 | -0.2% |
| Nikkei 225 | 30,236.09 | -0.2% |
| Hang Seng | 30,595.27 | -1.6% |
| Shanghai Composite | 3,675.36 | 0.6% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 0.10 | 0pb |
| 10-year Treasuries | 1.30 | 3pb |
| 28-day Cetes | 4.03 | 1pb |
| 28-day TIE | 4.29 | 0pb |
| 2-year Mbono | 4.11 | 0pb |
| 10-year Mbono | 5.95 | 15pb |
| <i>Currencies</i> | | |
| USD/MXN | 20.31 | 0.4% |
| EUR/USD | 1.21 | 0.4% |
| GBP/USD | 1.40 | 0.9% |
| DXY | 90.59 | -0.4% |
| <i>Commodities</i> | | |
| WTI | 60.52 | -1.0% |
| Brent | 63.93 | -0.6% |
| Mexican mix | 59.40 | -0.7% |
| Gold | 1,775.67 | 0.0% |
| Copper | 390.70 | 2.1% |

Source: Bloomberg

Corporate Debt

- Alpek announced that it completed a US\$600 million bond placement in the international markets with a 3.25% coupon and a 10-year term. The net proceeds will be used to pay the tender offer for its Senior Notes 2022. The transaction was oversubscribed by more than 9 times and is rated 'Baa3 / BBB- / BB+' by Moody's, Fitch Ratings and S&P Global
- HR Ratings ratified the rating of CPEXACB 16U (Concesionaria Autopista Perote-Xalapa's ABS) at 'HR AA- (E)' with a Stable outlook
- Corporativo GBM (GBM 21) placed its first long-term issue of the year for MXN 1.2 billion and a 5-year term. The spread stood at 50bp, below expected with respect to comparable issuances and the issuer's outstanding bonds

Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega, and Juan Barbier Arizmendi 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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|-------------|--|
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| HOLD | <i>When the share expected performance is similar to the MEXBOL estimated performance.</i> |
| SELL | <i>When the share expected performance is lower than the MEXBOL estimated performance.</i> |

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Research and Strategy

| | | | |
|-------------------------|---|--|-------------------------|
| Gabriel Casillas Olvera | Chief Economist, Head of Research and IRO | gabriel.casillas@banorte.com | (55) 4433 - 4695 |
| Raquel Vázquez Godínez | Assistant | raquel.vazquez@banorte.com | (55) 1670 - 2967 |
| Lourdes Calvo Fernandez | Analyst (Edition) | lourdes.calvo@banorte.com | (55) 1103 - 4000 x 2611 |

Economic Research and Financial Market Strategy

| | | | |
|---------------------------|--|--|------------------|
| Alejandro Padilla Santana | Executive Director of Economic Research and Financial Markets Strategy | alejandro.padilla@banorte.com | (55) 1103 - 4043 |
| Itzel Martínez Rojas | Analyst | itzel.martinez.rojas@banorte.com | (55) 1670 - 2251 |

Economic Research

| | | | |
|---------------------------------|-------------------------------|--|------------------|
| Juan Carlos Alderete Macal, CFA | Director of Economic Research | juan.alderete.macal@banorte.com | (55) 1103 - 4046 |
| Francisco José Flores Serrano | Senior Economist, Mexico | francisco.flores.serrano@banorte.com | (55) 1670 - 2957 |
| Katia Celina Goya Ostos | Senior Economist, Global | katia.goya@banorte.com | (55) 1670 - 1821 |
| Luis Leopoldo López Salinas | Economist, Global | luis.lopez.salinas@banorte.com | (55) 1670 - 2707 |

Market Strategy

| | | | |
|-------------------------|-----------------------------|--|------------------|
| Manuel Jiménez Zaldivar | Director of Market Strategy | manuel.jimenez@banorte.com | (55) 5268 - 1671 |
|-------------------------|-----------------------------|--|------------------|

Fixed income and FX Strategy

| | | | |
|----------------------------|--|--|------------------|
| Santiago Leal Singer | Senior Strategist, Fixed Income and FX | santiago.leal@banorte.com | (55) 1670 - 2144 |
| Leslie Thalía Orozco Vélez | Strategist, Fixed Income and FX | leslie.orozco.velez@banorte.com | (55) 1670 - 1698 |

Equity Strategy

| | | | |
|--------------------------------|------------------------------|--|-------------------------|
| Marissa Garza Ostos | Director of Equity Strategy | marissa.garza@banorte.com | (55) 1670 - 1719 |
| José Itzamna Espitia Hernández | Senior Strategist, Equity | jose.espitia@banorte.com | (55) 1670 - 2249 |
| Valentín III Mendoza Balderas | Senior Strategist, Equity | valentin.mendoza@banorte.com | (55) 1670 - 2250 |
| Víctor Hugo Cortés Castro | Senior Strategist, Technical | victorh.cortes@banorte.com | (55) 1670 - 1800 |
| Eridani Ruibal Ortega | Analyst | eridani.ruibal.ortega@banorte.com | (55) 1103 - 4000 x 2755 |
| Juan Barbier Arizmendi, CFA | Analyst | juan.barbier@banorte.com | (55) 1670 - 1746 |

Corporate Debt

| | | | |
|-------------------------------|--------------------------------|--|------------------|
| Tania Abdul Massih Jacobo | Director of Corporate Debt | tania.abdul@banorte.com | (55) 5268 - 1672 |
| Hugo Armando Gómez Solís | Senior Analyst, Corporate Debt | hugoa.gomez@banorte.com | (55) 1670 - 2247 |
| Gerardo Daniel Valle Trujillo | Analyst, Corporate Debt | gerardo.valle.trujillo@banorte.com | (55) 1670 - 2248 |

Economic Studies

| | | | |
|----------------------------------|--|--|------------------|
| Delia María Paredes Mier | Executive Director of Economic Studies | delia.paredes@banorte.com | (55) 5268 - 1694 |
| Miguel Alejandro Calvo Domínguez | Senior Analyst, Economic Studies | miguel.calvo@banorte.com | (55) 1670 - 2220 |

Wholesale Banking

| | | | |
|----------------------------------|--|--|------------------|
| Armando Rodal Espinosa | Head of Wholesale Banking | armando.rodal@banorte.com | (81) 8319 - 6895 |
| Alejandro Aguilar Ceballos | Head of Asset Management | alejandro.aguilar.cebillos@banorte.com | (55) 5268 - 9996 |
| Alejandro Eric Faesi Puente | Head of Global Markets and Institutional Sales | alejandro.faesi@banorte.com | (55) 5268 - 1640 |
| Alejandro Frigolet Vázquez Vela | Head of Sólida Banorte | alejandro.frigolet.vazquezvela@banorte.com | (55) 5268 - 1656 |
| Arturo Monroy Ballesteros | Head of Investment Banking and Structured Finance | arturo.monroy.ballesteros@banorte.com | (55) 5004 - 1002 |
| Carlos Alberto Arciniega Navarro | Head of Treasury Services | carlos.arciniega@banorte.com | (81) 1103 - 4091 |
| Gerardo Zamora Nanez | Head of Transactional Banking, Leasing and Factoring | gerardo.zamora@banorte.com | (81) 8318 - 5071 |
| Jorge de la Vega Grajales | Head of Government Banking | jorge.delavega@banorte.com | (55) 5004 - 5121 |
| Luis Pietrini Sheridan | Head of Private Banking | luis.pietrini@banorte.com | (55) 5004 - 1453 |
| Lizza Velarde Torres | Executive Director of Wholesale Banking | lizza.velarde@banorte.com | (55) 4433 - 4676 |
| Osvaldo Brondo Menchaca | Head of Specialized Banking Services | osvaldo.brondo@banorte.com | (55) 5004 - 1423 |
| Raúl Alejandro Arauzo Romero | Head of Transactional Banking | alejandro.arauzo@banorte.com | (55) 5261 - 4910 |
| René Gerardo Pimentel Ibarrola | Head of Corporate Banking | pimentelr@banorte.com | (55) 5268 - 9004 |
| Ricardo Velázquez Rodríguez | Head of International Banking | rvelazquez@banorte.com | (55) 5004 - 5279 |
| Víctor Antonio Roldan Ferrer | Head of Commercial Banking | victor.rolan.ferrer@banorte.com | (55) 5004 - 1454 |