

Financial Markets Daily

February 26, 2021

Main drivers for the financial markets today...

- **Stock markets down and USD up following yesterday's sell off –particularly in tech stocks–, while S&P500 futures depict small changes and government bond yields are lower as the selling frenzy in global bonds has momentarily eased, after central bank's responses against current volatility**
- **Specifically, Australia's central bank unexpectedly bought more than US\$2 billion of securities and Korea announced plans to increase asset purchases in coming months. An ECB member said they would add stimulus if the increase in yields affects growth, while Japan warned that it is necessary to comply with their 10-year yield target**
- **Market attention on US data, along the G20 meetings in which Janet Yellen, US Treasury Secretary, will participate**
- **The House of Representatives will vote today the US\$1.9 trillion stimulus package, which is expected to be approved without delay. This step means that a final approval is getting closer, despite lingering issues that still need to be addressed**
- **In Mexico, January's trade balance showed a US\$1,236.4 million deficit, in line with the period's seasonality. Exports declined 2.6% y/y, while imports contracted by 5.9%**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Trade balance - Jan	US\$m	-1,237.9	-433.0	6,262.0
10:00	Banking credit - Jan	% y/y	-4.7	--	-4.6
<i>Brazil</i>					
7:00	Unemployment rate - Dec	%	--	13.9	14.1
<i>United States</i>					
8:30	Trade balance* - Jan	US\$bn	--	-83.1	-82.5
8:30	Personal income* - Jan	% m/m	--	9.5	0.6
8:30	Personal spending* - Jan	% m/m	--	2.3	-0.2
8:30	Real personal spending* - Jan	% m/m	--	2.0	-0.6
8:30	PCE Deflator* - Jan	% m/m	--	0.3	0.4
8:30	Core* - Jan	% m/m	--	0.1	0.3
8:30	PCE Deflator* - Jan	% y/y	--	1.4	1.3
8:30	Core* - Jan	% y/y	--	1.4	1.5
10:00	U. of Michigan confidence* - Feb (F)	index	76.2	76.3	76.2

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	3,834.50	0.2%
Euro Stoxx 50	3,654.49	-0.8%
Nikkei 225	28,966.01	-4.0%
Shanghai Composite	3,509.08	-2.1%
<i>Currencies</i>		
USD/MXN	20.92	0.3%
EUR/USD	1.21	-0.5%
DX	90.59	0.5%
<i>Commodities</i>		
WTI	62.36	-1.8%
Brent	65.97	-1.4%
Gold	1,761.47	-0.5%
Copper	413.70	-3.0%
<i>Sovereign bonds</i>		
10-year Treasury	1.47	-5pb

Source: Bloomberg

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Equities

- We conclude the week with widespread losses in stock markets, following yesterday's sell-off, though futures in the US have been fluctuating without a clear trend. Investors keep rotating from technology stocks to sectors which might benefit in a post-pandemic scenario
- In the US we are on the final stage of corporate earnings, with over 96% of the results and a 5.1% rise in earnings vs -8.5%, with a positive surprise rate at 78.9%. Today there is few activity with only the reports from Evergy and Public Service Enterprise
- In Mexico today we will have FCFE and Soriana results. Yesterday, figures from Alsea and Megacable stood out, surpassing expectations, while Chedraui posted a positive quarter, though in line with expectations. We think the three reports will be welcomed by the market

Sovereign fixed income, currencies and commodities

- Partial recovery in sovereign bonds worldwide after the sharpest sell-off since last year for these type of securities yesterday, induced by pressures in US Treasuries. European bonds gain ~2bps, while in the US the curve rallies 5bps from the 5-year area onwards. Yesterday Mbonos closed with pressures of 16bps, on average
- The US dollar trades positive amid widespread losses in developed and emerging market currencies, with the latter group registering INR as the weakest cross and a 0.4% depreciation in the MXN at 20.92, after printing yesterday is strongest loss since last year with a 2.3% depreciation
- Crude oil prices fall in the midst of higher global volatility with eyes on OPEC+ meeting next week where the group is expected to structure its collective production strategy going forward. Metals also experience a negative bias with copper falling 3%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,402.01	-1.8%
S&P 500	3,829.34	-2.4%
Nasdaq	13,119.43	-3.5%
IPC	44,310.27	-1.9%
Ibovespa	112,256.40	-2.9%
Euro Stoxx 50	3,685.28	-0.6%
FTSE 100	6,651.96	-0.1%
CAC 40	5,783.89	-0.2%
DAX	13,879.33	-0.7%
Nikkei 225	30,168.27	1.7%
Hang Seng	30,074.17	1.2%
Shanghai Composite	3,585.05	0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	0.17	5pb
10-year Treasuries	1.52	14pb
28-day Cetes	4.04	2pb
28-day TIE	4.28	0pb
2-year Mbono	4.25	9pb
10-year Mbono	6.29	20pb
<i>Currencies</i>		
USD/MXN	20.85	2.3%
EUR/USD	1.22	0.1%
GBP/USD	1.40	-0.9%
DXY	90.13	0.0%
<i>Commodities</i>		
WTI	63.53	0.5%
Brent	66.88	-0.2%
Mexican mix	62.23	0.6%
Gold	1,770.56	-1.9%
Copper	426.35	-0.9%

Source: Bloomberg

Corporate Debt

- Grupo Aeroméxico received the third and last disbursement of DIP Financing for US\$625 million. The Guaranteed Preferential Financing obtained by Aeroméxico (DIP Financing) has a total principal amount of US\$1 billion with funds managed by Apollo Global Management Inc.
- HR Ratings affirmed Grupo Elektra's ratings at 'HR AA+' and 'HR 1' with a Stable outlook based on the negative net debt levels observed historically, which the agency expects to be maintained during the following years
- HR Ratings affirmed Grupo Industrial Saltillo's ratings at 'HR AA-' and 'HR 1' with Stable outlook based on the deleveraging strategies shown by the company during the last twelve months as of 3Q20, including a US\$25 million prepayment of a syndicated loan

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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	Reference
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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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