

Financial Markets Daily

March 26, 2021

Main drivers for the financial markets today...

- **Stock markets higher, USD down and government bond yields up amid a strong pace of vaccinations in the US, after President Biden doubled its goal**
- **Meanwhile, the Fed announced they will allow banks to resume dividend increases and eliminate any restriction left on buybacks at the end of June. This will be permitted if institutions obtain good results in upcoming stress tests, reversing relevant restrictions imposed during the pandemic**
- **Nevertheless, fear remains among market participants about additional inflationary pressures that could trigger higher interest rates**
- **Market attention focused on US data, including trade balance, PCE deflator, personal income and spending, and March's final University of Michigan confidence, along the monetary policy decision in Colombia**
- **In Germany, the IFO expectations index increased to 100.4pts in March from 95.0pts previously, highest in three years. This is a very positive signal considering the challenges faced by the country and the region to move faster in their vaccination programs**
- **In Mexico, February's trade balance posted a US\$2,681.1 million surplus. Inside, exports declined 3.6% m/m (-1.1% y/y) and imports -2.3% m/m (-0.6% y/y), impacted by natural gas undersupply and the blackouts due to the arctic wave in Texas**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
5:00	IFO Survey (business climate)* - Mar	index	--	93.2	92.4
<i>Mexico</i>					
8:00	Trade balance - Feb	US\$m	2,779.2	2,779.2	-1,236.4
<i>United States</i>					
8:30	Trade balance* - Feb	US\$bn	--	-85.8	-83.7
8:30	Personal income* - Feb	% m/m	--	-7.2	10.0
8:30	Personal spending* - Feb	% m/m	--	-0.8	2.4
8:30	Real personal spending* - Feb	% m/m	-1.5	-1.0	2.0
8:30	PCE Deflator - Feb	% m/m	--	0.3	0.3
8:30	Core - Feb	% m/m	--	0.1	0.3
8:30	PCE Deflator - Feb	% y/y	--	1.6	1.5
8:30	Core - Feb	% y/y	1.5	1.5	1.5
10:00	U. of Michigan confidence* - Mar (F)	index	83.5	83.6	83.0
<i>Colombia</i>					
14:00	Monetary policy decision (BanRep)	%	--	1.75	1.75

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	3,910.50	0.1%
Euro Stoxx 50	3,853.08	0.6%
Nikkei 225	29,176.70	1.6%
Shanghai Composite	3,418.33	1.6%
<i>Currencies</i>		
USD/MXN	20.60	0.2%
EUR/USD	1.18	0.1%
DX	92.80	0.0%
<i>Commodities</i>		
WTI	60.52	2.2%
Brent	63.80	2.0%
Gold	1,725.12	-0.1%
Copper	405.35	1.6%
<i>Sovereign bonds</i>		
10-year Treasury	1.66	4.00

Source: Bloomberg

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Equities

- The week concludes with positive movements in stock markets. Investors show a greater risk appetite for risky assets as Joe Biden's comments to double his vaccination target and the Fed's lifting of dividend restrictions on banks boost optimism about the economic recovery
- US futures anticipate an upward opening, with the S&P500 trading 0.1% above its theoretical value. Cruise stocks rise in the premarket, with Royal Caribbean Cruises and Carnival Corp up 2.9% ahead of the expected recovery
- Meanwhile in Asia, the session ended in positive territory, with China's Shenzhen shares advancing 2.2%. Europe, meanwhile, shows gains, with the EuroStoxx advancing 0.6%, with technology and energy stocks leading the increase with +1.2% and +1.1%, respectively

Sovereign fixed income, currencies and commodities

- Weekly close with renewed pressures in global rates after some sessions with a more stable price action. European bonds sell-off 4bps, on average, while US Treasuries steepen with pressures of up to 4bps in the longest-end. Yesterday the Mexican yield curve rallied 8bps and experienced slight pressures in the shortest-end in the aftermath of Banxico
- The USD limits a weaker performance in earlier trading hours resulting in a negative balance for G10 currencies and similar dynamics in emerging crosses where BRL leads the pressures (-1.8%) and MXN depreciates 0.2% to 20.70 per dollar, after gaining 1.3% yesterday
- Crude oil futures surge ~2% supported by a stronger sentiment across markets and with focus on the Suez canal blockage that could last at least until next Wednesday. Balance in metals is positive although copper falls modestly along gold

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,619.48	0.6%
S&P 500	3,909.52	0.5%
Nasdaq	12,977.68	0.1%
IPC	47,012.37	0.7%
Ibovespa	113,749.90	1.5%
Euro Stoxx 50	3,832.57	0.0%
FTSE 100	6,674.83	-0.6%
CAC 40	5,952.41	0.1%
DAX	14,621.36	0.1%
Nikkei 225	28,729.88	1.1%
Hang Seng	27,899.61	-0.1%
Shanghai Composite	3,363.59	-0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	0.14	-1pb
10-year Treasuries	1.63	2pb
28-day Cetes	4.06	2pb
28-day TIIE	4.28	0pb
2-year Mbono	4.87	-6pb
10-year Mbono	6.93	-9pb
<i>Currencies</i>		
USD/MXN	20.68	-1.3%
EUR/USD	1.18	-0.4%
GBP/USD	1.37	0.4%
DXY	92.85	0.3%
<i>Commodities</i>		
WTI	58.56	-4.3%
Brent	61.95	-3.8%
Mexican mix	57.13	-3.3%
Gold	1,726.93	-0.4%
Copper	397.80	-2.1%

Source: Bloomberg

Corporate Debt

- HR Ratings affirmed the ratings for issuances TIPMXCB 20 / 20-2 at 'HR AAA (E)' with Stable outlook after the intended tap issue for an amount of up to MXN 1.0 billion.
- S&P Global Ratings affirmed Financiera Independencia's ratings at 'mxBBBB-' and 'mxA-3' and removed them from Negative CreditWatch following the recent sale of its subsidiaries. The outlook is Negative
- Today, Fimubac is expected to auction a structured bond, FIMUBCB 21, backed by a portfolio of loans with payroll deduction, for up to MXN 1.2 billion and a 4-year term. The issuance is rated at 'AA+(mex)' and 'HR AAA' by Fitch Ratings and HR Ratings

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We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, 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 Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Juan Barbier Arizmendi, and Eridani Ruibal Ortega, 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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