

Financial Markets Daily

May 5, 2021

Main drivers for the financial markets today...

- **Positive stock markets, government bond yields up and USD stable, with investors showing less concern about inflation, after Janet Yellen softened her comment on interest rates and regained confidence in the economic recovery and the vaccination process**
- **In the US, the April's ADP private employment report will be released. We estimate it to show 870k jobs created, after 517k jobs were generated the previous month. The non-manufacturing ISM index will also be published, with our estimation standing at 65.3pts**
- **There will be a plethora of *Fed speakers*, with the intervention of Charles Evans from Chicago, who will speak on economics and monetary policy, Rosengren from Boston, who will address the issue of economic prospects and Mester from Cleveland, who will participate in a Boston Economic Club forum**
- **Brazil's central bank will release its decision on the *Selic* rate. We estimate a 75bp hike, after the same magnitude increase in the previous meeting. Although downside risks to economic growth remain, inflation stands above the ceiling of the target range, while inflation expectations for 2022 have increased. We expect the *Copom* to leave the door open to further increases, albeit more moderate**
- **In Mexico, the banking sector's expectations survey will be released**

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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|---|-----------|---------|--------|----------|
| <i>Brazil</i> | | | | | |
| 8:00 | Industrial production - Mar | % y/y | -- | -- | 0.4 |
| 17:30 | Monetary policy decision (Central bank of Braz | % | -- | 3.50 | 2.75 |
| <i>United States</i> | | | | | |
| 8:15 | ADP employment* - Apr | thousands | 870 | 888 | 517 |
| 9:30 | Fed's Evans Speaks on Economy and Monetary Policy | | | | |
| 12:00 | Fed's Mester Speaks to Boston Economic Club | | | | |
| <i>Mexico</i> | | | | | |
| 15:30 | Survey of expectations (Citibanamex) | | | | |
| <i>China</i> | | | | | |
| 21:45 | Services PMI (Caixin)* - Apr | index | -- | 54.2 | 54.3 |
| 21:45 | Composite PMI (Caixin)* - Apr | index | -- | -- | 53.1 |

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 | 4,171.50 | 0.3% |
| Euro Stoxx 50 | 3,973.06 | 1.2% |
| Nikkei 225 | 28,812.63 | 0.0% |
| Shanghai Composite | 3,446.86 | 0.0% |
| <i>Currencies</i> | | |
| USD/MXN | 20.22 | 0.1% |
| EUR/USD | 1.20 | 0.0% |
| DX | 91.25 | 0.0% |
| <i>Commodities</i> | | |
| WTI | 66.35 | 1.0% |
| Brent | 69.64 | 1.1% |
| Gold | 1,778.50 | 0.0% |
| Copper | 455.35 | 0.4% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 1.61 | 2pb |

Source: Bloomberg

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Equities

- **Stock markets positive, supported by solid corporate results and rebounding after a high volatility session following Yellen's comments that interest rates may have to rise to prevent the economy from overheating, although she later softened her stance. In addition, investors remain attentive to possible inflationary pressures and tax increases in the coming months**
- **In the US, futures anticipate a positive opening with the S&P500 trading at +0.3%. Meanwhile, in Europe the Stoxx 600 rises 1.3%, with a generalized gain across every sector. Asia closed mixed, while China and Japan remained closed for holidays**
- **On the corporate front, 38 S&P500 companies report today, with General Motors, Booking, MetLife, and PayPal standing out**

Sovereign fixed income, currencies and commodities

- **Negative balance in global rates with European assets adjusting +3bp, while US Treasuries print a 1bp sell-off in the longest end of the yield curve. In local terms, the Mbonos' curve closed yesterday with a 3bps sell-off, on average, with the 10-year benchmark closing at 6.91% (+3bps)**
- **The USD trades slightly negative amid a positive performance in most of the G10 currencies with NZD leading gains (+0.7%). In EM, bias is mixed with ZAR as the strongest (+0.4%), while MXN trades unchanged below 100-day MA at 20.20 per dollar after a 0.2% depreciation yesterday**
- **Crude-oil prints gains of 1.0% following signs of boosting demand. Attention today is focused on the EIA report on inventories after a decline in API data yesterday. In metals, industrials register a positive balance with copper reaching all time highs, while precious trade stable**

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 34,133.03 | 0.1% |
| S&P 500 | 4,164.66 | -0.7% |
| Nasdaq | 13,633.50 | -1.9% |
| IPC | 48,328.20 | -0.4% |
| Ibovespa | 117,712.00 | -1.3% |
| Euro Stoxx 50 | 3,924.80 | -1.9% |
| FTSE 100 | 6,923.17 | -0.7% |
| CAC 40 | 6,251.75 | -0.9% |
| DAX | 14,856.48 | -2.5% |
| Nikkei 225 | 28,812.63 | 0.0% |
| Hang Seng | 28,557.14 | 0.7% |
| Shanghai Composite | 3,446.86 | 0.0% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 0.16 | 0pb |
| 10-year Treasuries | 1.59 | -1pb |
| 28-day Cetes | 4.06 | -10pb |
| 28-day TIIIE | 4.29 | 0pb |
| 2-year Mbono | 4.95 | 2pb |
| 10-year Mbono | 6.92 | 3pb |
| <i>Currencies</i> | | |
| USD/MXN | 20.20 | 0.2% |
| EUR/USD | 1.20 | -0.4% |
| GBP/USD | 1.39 | -0.2% |
| DX-Y | 91.29 | 0.4% |
| <i>Commodities</i> | | |
| WTI | 65.69 | 1.9% |
| Brent | 68.88 | 2.0% |
| Mexican mix | 62.86 | 2.0% |
| Gold | 1,779.06 | -0.8% |
| Copper | 452.15 | -0.2% |

Source: Bloomberg

Corporate Debt

- **Unifin Financiera informed about the new financing for a total amount of MXN 4.88 billion through: (1) a private securitization of the lease portfolio with Citibanamex, maturing in 8 years, (2) the expansion of its credit line with Bancomext and (3) a new syndicated loan with Nomura Corporate Funding Americas**
- **Moody's affirmed CFE's global scale rating at 'Baa1' and raised the national scale rating to 'Aaa.mx' from 'Aa1.mx'. The outlook remains Negative. According to the agency, the increase recognizes the resilient credit profile of the company given that it provides an essential service, as well as the support of the Government of Mexico**
- **Fitch Ratings affirmed Consubanco's ratings at 'BB-' and 'A- (mex)' and withdrew the Negative Observation; the outlook is Stable**

Certification of Analysts.

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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|-------------|--|
| BUY | <i>When the share expected performance is greater than the MEXBOL estimated performance.</i> |
| 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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