

Financial Markets Daily

May 12, 2021

Main drivers for the financial markets today...

- **Mixed stock markets, government bond yields down, while the USD operates slightly higher with investors' focus on US inflation data, which is expected to be the highest in almost a decade amid the low base of comparison due to the onset of the pandemic, and the rebound in commodity prices**
- **We estimate inflation in the US to stand at 3.6% a/a in April up from 2.6% y/y in March and expect it to remain around these levels in the coming months. However, the Fed has been very clear that it expects the hike to be temporary and has stressed that they are still far from their targets. In this context, we maintain our estimate that there will not be an increase in the reference rate at least until the end of 2022, while we anticipate the announcement of the start of the *tapering* towards the end of this year or the beginning of 2022**
- **Regarding the Fed speakers agenda, we highlight the intervention of Rosengren, Bostic, Harker and Clarida. On the other hand, there will be special attention in President Biden's meeting with the Republicans**
- **The European Commission raised its growth forecast for the Eurozone this year from 3.8% previous, to 4.3%, while also raising its projection for 2022, placing it at 4.4%**
- **In Mexico, March's industrial production was released, up 0.7% m/m (+ 1.7% y/y). Rebounds in public services (4.9%) and manufacturing (3.0%) after last month's shocks, while construction (-0.1%) and mining (-3.1%) posted declines after increasing in February**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone and UK</i>					
2:00	UK Gross domestic product* - 1Q21 (P)	% q/q	--	-1.6	1.3
<i>Mexico</i>					
7:00	Industrial production - Mar	% y/y	0.9	0.6	-4.5
7:00	Industrial production* - Mar	% m/m	0.5	0.6	0.4
13:00	Job creation of workers affiliated to IMSS - Apr	thousands	--	--	88.8
<i>United States</i>					
8:30	Consumer prices* - Apr	% m/m	0.2	0.2	0.6
8:30	Ex. food & energy* - Apr	% m/m	0.3	0.3	0.3
8:30	Consumer prices - Apr	% y/y	3.6	3.6	2.6
9:00	Fed's Clarida Speaks at NABE Conference				
9:00	Fed's Harker discusses higher education				

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	4,130.50	-0.4%
Euro Stoxx 50	3,946.19	0.0%
Nikkei 225	28,147.51	-1.6%
Shanghai Composite	3,462.75	0.6%
<i>Currencies</i>		
USD/MXN	19.97	0.1%
EUR/USD	1.21	-0.2%
DX	90.31	0.2%
<i>Commodities</i>		
WTI	66.20	1.4%
Brent	69.43	1.3%
Gold	1,833.14	-0.2%
Copper	481.20	0.7%
<i>Sovereign bonds</i>		
10-year Treasury	1.62	0pb

Source: Bloomberg

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Equities

- **Stock markets with mixed movements and negative bias, as investors remain attentive to the release of inflation data. The foregoing in a context where concerns about possible pressures in this matter, which could lead to an earlier than expected increase in interest rates, guide the weakness in global equity assets**
- **In the US, futures anticipate a negative opening with the S&P500 trading at -0.4%, while the Nasdaq retraces 0.6%, reflecting further declines in technology stocks, amid high valuation concerns. Meanwhile, in Europe the Stoxx 600 rises 0.3%, with the utilities and healthcare sectors leading the gains**
- **In Asia, markets closed mixed, where the Shanghai Comp rose 0.6% and the Nikkei fell 1.6%**

Sovereign fixed income, currencies and commodities

- **Rates from global sovereign bonds gain modestly following a session yesterday with widespread pressures with European securities adjusting -1bp, while Treasuries gain ~1bp from the 10-year onwards and trade mostly unhunched in the rest. Yesterday Mbonos sold-off 1bps, on average**
- **The USD strengthens after 4 consecutive days weakening with the G10 universe deprecating, although under narrow ranges, while EM FX depicts a similar performance with TRY underperforming (-1%). USD/MXN marginally depreciates 0.1% to 19.97**
- **Positive crude oil with the market focused in the effects of the cyberattack of a key US pipeline that has resulted US gasoline prices rising to their highest since 2014. Meanwhile, the IEA signaled a better outlook for stocks excess. In metals, gold and silver fall modestly, while copper trades stable**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,269.16	-1.4%
S&P 500	4,152.10	-0.9%
Nasdaq	13,389.43	-0.1%
IPC	49,655.29	-0.4%
Ibovespa	122,964.00	0.9%
Euro Stoxx 50	3,946.06	-1.9%
FTSE 100	6,947.99	-2.5%
CAC 40	6,267.39	-1.9%
DAX	15,119.75	-1.8%
Nikkei 225	28,608.59	-3.1%
Hang Seng	28,013.81	-2.0%
Shanghai Composite	3,441.85	0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	0.16	1pb
10-year Treasuries	1.62	2pb
28-day Cetes	4.15	1pb
28-day TIIE	4.29	0pb
2-year Mbono	4.94	9pb
10-year Mbono	6.89	12pb
<i>Currencies</i>		
USD/MXN	19.96	0.1%
EUR/USD	1.21	0.2%
GBP/USD	1.41	0.2%
DXY	90.14	-0.1%
<i>Commodities</i>		
WTI	65.28	0.6%
Brent	68.55	0.3%
Mexican mix	62.43	0.1%
Gold	1,837.47	0.1%
Copper	476.20	1.0%

Source: Bloomberg

Corporate Debt

- **Notice of total early redemption of Orbia Advance Corporation's unsecured notes ORBIA 12 (previously MEXCHEM 12) on June 10th, 2021. The issuance has an outstanding amount of MXN 3.0 billion**
- **Fitch Ratings affirmed the ratings for Fibra Danhos and its issuances DANHOS 16 / 17 at 'AAA(mex)' with a Stable outlook, based on its low leveraged and high liquidity structure, as well as the diverse income sources**
- **Moody's assigned 'Aaa.mx' and 'Aa3' ratings to the local notes proposed by Corporación Andina de Fomento (CAF 1-21) for an amount up to MXN 2.0 billion**

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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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	Reference
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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