

Financial Markets Daily

May 14, 2021

Main drivers for the financial markets today...

- **Stock markets higher, led by the tech sector, while the USD declines slightly, and government bond yields correct lower, as a moderation in commodity prices has momentarily reduced fears about higher inflationary pressures**
- **In this backdrop, investors are waiting for US data that could validate expectations of a strong recovery after last week's negative surprise in the nonfarm payrolls report. Specifically, releases today include April's retail sales and industrial production, as well as University of Michigan consumer confidence in May. We will also have comments by Kaplan from the Fed and the ECB minutes**
- **The CDC in the US said yesterday that fully vaccinated people can stop using masks in most settings, even indoors. This signals a broader return to normality, while the government is using the updated guidance as an incentive for more people to get inoculated**
- **Japan's government broadened its COVID-19 state of emergency to three more prefectures after a worsening rise in infections, with this move just over two months before the Olympics**
- **Republican Senators said they are optimistic about Biden's US\$2.25 trillion investment plan after meeting yesterday with him at the White House. Although important areas of disagreement still exist, they stated that the plan could move forward and are ready to keep negotiating**
- **According to consulting firm AlixPartners, the global automotive industry will lose around US\$110 billion in sales due to the chip shortage, upping their previous estimate of losses close to US\$61 billion**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
8:30	Advance retail sales* - Apr	% m/m	2.0	1.0	9.7
8:30	Ex autos & gas* - Apr	% m/m	--	0.7	8.2
8:30	Control Group* - Apr	% m/m	0.0	0.0	6.9
9:15	Industrial production* - Apr	% m/m	0.8	1.3	1.4
9:15	Manufacturing production* - Apr	% m/m	0.2	0.3	2.7
10:00	U. of Michigan Confidence* - May (P)	index	88.0	90.2	88.3
13:00	Fed's Kaplan Takes Part in a Moderated Discu				

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	4,130.75	0.6%
Euro Stoxx 50	3,980.55	0.7%
Nikkei 225	28,084.47	2.3%
Shanghai Composite	3,490.38	1.8%
<i>Currencies</i>		
USD/MXN	19.85	-0.4%
EUR/USD	1.21	0.3%
DX	90.55	-0.2%
<i>Commodities</i>		
WTI	64.40	0.9%
Brent	67.68	0.9%
Gold	1,835.59	0.5%
Copper	466.30	-0.9%
<i>Sovereign bonds</i>		
10-year Treasury	1.64	-2pb

Source: Bloomberg

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Equities

- In this week's last session, stock markets showed positive movements, highlighting the rise in technology companies, due to more moderate commodity prices, and optimism among investors regarding global economic recovery, which slightly reduced concerns about inflationary pressures
- In Asia, stock markets closed positive. In Europe, markets advance, the Eurostoxx increases 0.7%. Shares of companies in the industrial, consumer discretionary and financial sectors lead the gains. Meanwhile, in the US, futures of the main stock indexes point to a positive opening with an 0.7% upturn on average
- Chdraui announced the largest acquisition in its history at attractive valuations: 3.7x FV/EBITDA vs. the company's 5.5x. However, profitability pressures and higher leverage could raise doubts among investors with few clear synergies

Sovereign fixed income, currencies and commodities

- Mixed performance in global rates with European securities from advanced regions rallying 1-2bps, peripherals pressure up to 3bps, while the Treasuries' curve extends yesterday's breather with the long-end outperforming by gaining 3bps. Yesterday, the Mbono's curve rallied 6bps, on average
- Weak USD heading for a modest weekly gain, with all of the G10 universe positive today, while EM FX depicts a similar performance with TRY standing as the strongest currency (+0.8%). In this context the Mexican peso gains 0.4% to 19.84 per dollar
- Crude oil advances ~1% limiting a weakest performance during the week supported today by stronger risk assets and a weaker USD, although uncertainty about demand conditions prevail. Mixed metals with industrials trading down

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,021.45	1.3%
S&P 500	4,112.50	1.2%
Nasdaq	13,124.99	0.7%
IPC	48,829.31	0.2%
Ibovespa	120,705.90	0.8%
Euro Stoxx 50	3,952.45	0.1%
FTSE 100	6,963.33	-0.6%
CAC 40	6,288.33	0.1%
DAX	15,199.68	0.3%
Nikkei 225	27,448.01	-2.5%
Hang Seng	27,718.67	-1.8%
Shanghai Composite	3,429.54	-1.0%
<i>Sovereign bonds</i>		
2-year Treasuries	0.15	-1pb
10-year Treasuries	1.66	-3pb
28-day Cetes	4.09	1pb
28-day TIIE	4.29	0pb
2-year Mbono	4.99	2pb
10-year Mbono	6.93	-7pb
<i>Currencies</i>		
USD/MXN	19.94	-1.1%
EUR/USD	1.21	0.1%
GBP/USD	1.41	0.0%
DX	90.75	0.0%
<i>Commodities</i>		
WTI	63.82	-3.4%
Brent	67.05	-3.3%
Mexican mix	63.26	0.0%
Gold	1,826.72	0.6%
Copper	469.05	-1.0%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings lowered its long-term global scale rating on Credito Real to 'BB-' from 'BB' and its national scale rating to 'mxA-' from 'mxA' with a Stable outlook. The downgrade reflects the lower-than-expected year end 2020 and first-quarter 2021 results and very difficult conditions for the coming months
- Grupo Bimbo announced that, through its subsidiary Bimbo Bakeries USA, carried out a bond offering for US\$600 million with a 4.00% coupon due 2051 in the international debt capital markets
- Fitch Ratings affirmed América Móvil's ratings at 'AAA(mex)' and 'BBB' and revised the global scale ratings' outlook to Positive from Stable reflecting the company's deleveraging trajectory due to spin-offs, divestitures, and strong FCF generation

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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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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