

Financial Markets Daily

November 26, 2021

Main drivers for the financial markets today...

- **Stock markets lower, government bond yields down and USD mixed, portraying strong risk aversion in the face of fears of a new strain of COVID-19 that has shown greater mutations, representing an important headwind for the global economic recovery**
- **Market attention today will focus on the special meeting by the WHO to analyze and determine if the new COVID-19 strain is classified as a “variant of concern or interest”**
- **US markets return from the Thanksgiving holiday in a low-volume session, with only half a day of operations. Focus will also be on Black Friday sales, marking the kick-off of the Christmas season**
- **Chinese regulators have asked Didi to work on plans to de-list from US bourses, a situation that highlights once again the underlying tensions between both countries**
- **In Mexico, October’s trade balance showed a US\$2,701.0 deficit. Exports grew 0.2% m/m (0.0% y/y), with manufacturing lower. Imports grew 1.1% m/m (25.1% y/y), pushed higher by non-oil**

Alejandro Padilla
Chief Economist and
Head of Research
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
Director of Economic Research
juan.alderete.mactal@banorte.com

Manuel Jiménez
Director of Market Strategy
manuel.jimenez@banorte.com



www.banorte.com



@analisis_fundam

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	Monetary aggregates (M3)* - Oct	% y/y	--	7.4	7.4
<i>Mexico</i>					
7:00	Trade balance - Oct	US\$m	-1,721.0	-2,500.0	-2,398.4

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	4,625.50	-1.6%
Euro Stoxx 50	4,161.96	-3.1%
Nikkei 225	28,751.62	-2.5%
Shanghai Composite	3,564.09	-0.6%
<i>Currencies</i>		
USD/MXN	21.81	1.1%
EUR/USD	1.13	0.6%
DX	96.31	-0.5%
<i>Commodities</i>		
WTI	73.38	-6.4%
Brent	77.50	-5.7%
Gold	1,808.42	1.1%
Copper	431.20	-3.3%
<i>Sovereign bonds</i>		
10-year Treasury	1.53	-10pb

Source: Bloomberg

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Equities

- We conclude the week with a strong risk-off sentiment and significant falls in stock markets, in the face of a new variant of the coronavirus that has been identified in South Africa
- US futures anticipate a negative opening, with the S&P500 trading 1.6% below its theoretical value, resuming operations from Thanksgiving holiday, on another low-volume day on shortened operations, and attention on the kick-off of the Christmas season with Black Friday
- In Asia, the trading session concluded in negative territory, with Japan and Hong Kong recording declines of more than 2%. Europe trades with widespread losses, of 3% on average, with shares related to tourism and travel as the most impacted by the new restrictions implemented for travelers. In Mexico, negative sentiment could push the Mexbol Index even below 50,000pts. Although some cheap-stock buying could arise, we suggest caution

Sovereign fixed income, currencies and commodities

- Sharp rally in sovereign bonds amid a strong flight to quality with European rates rallying 6bps, on average, and up to 12bps in the UK. US Treasuries resume their trading and rally substantially, with a 10bps adjustment from the 2-year note onwards
- Mixed performance in the USD, mostly stronger against EM currencies although with more defensive dynamics in the G10 with JPY (+1.2%) and CHF (+1.1%) supported by their haven quality. The Mexican peso reaches new lows since last year as weak as 22.16 in the intraday, currently trading at 21.81 (-1.1%)
- Commodities fall, highlighting a 6% loss in crude oil amid the concerns on the virus effects to global demand. Industrial metals loose close to 3% including copper, while precious trade up in gold and silver

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,804.38	0.0%
S&P 500	4,701.46	0.0%
Nasdaq	15,845.23	0.0%
IPC	50,625.00	-0.4%
Ibovespa	105,811.30	1.2%
Euro Stoxx 50	4,293.24	0.4%
FTSE 100	7,310.37	0.3%
CAC 40	7,075.87	0.5%
DAX	15,917.98	0.2%
Nikkei 225	29,499.28	0.7%
Hang Seng	24,740.16	0.2%
Shanghai Composite	3,584.18	-0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	0.64	0pb
10-year Treasuries	1.63	0pb
28-day Cetes	5.15	3pb
28-day TIIE	5.24	0pb
2-year Mbono	7.02	-2pb
10-year Mbono	7.75	-1pb
<i>Currencies</i>		
USD/MXN	21.57	0.7%
EUR/USD	1.12	0.1%
GBP/USD	1.33	0.0%
DXY	96.77	-0.1%
<i>Commodities</i>		
WTI	78.39	0.0%
Brent	82.22	0.0%
Mexican mix	74.87	0.0%
Gold	1,788.85	0.0%
Copper	447.05	0.0%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings confirmed Connex (CONMEX 14U) global scale debt ratings at 'BBB' and national scale at 'mxAAA'. In addition, it revised the debt outlook of IPO (IPO 15U) to Stable from Negative and confirmed the rating at 'mxA'. According to the agency, the stable outlook reflects the expectation that debt service coverage ratios will be presented above 2x, which will allow full distributions of the senior debt service
- Moody's affirmed Grupo Aeroportuario del Centro Norte (OMA) ratings at 'Baa1' and 'Aaa.mx'; changed the outlook to Stable from Negative. According to the agency, the change in the outlook reflects OMA's solid financial and liquidity performance despite the drop in traffic as a result of the pandemic

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, and Gerardo Daniel Valle Trujillo, 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	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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Research and Strategy

Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Economic Research

Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1670 - 2707

Market Strategy

Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
-------------------------	-----------------------------	----------------------------	------------------

Fixed Income and FX Strategy

Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698

Equity Strategy

Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Victor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800

Corporate Debt

Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Economic Studies

Miguel Alejandro Calvo Domiguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
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Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899