

Financial Markets Daily

December 8, 2021

Main drivers for the financial markets today...

- **Positive stock markets, mixed government bond yields and USD stable. Asia is up amid China's measures to limit the impact of the Evergrande and Kasia defaults. Europe and S&P Futures up after Pfizer announced that third dose of its vaccine neutralizes Omicron, countering fears of new restrictions in the UK**
- **In the US, last night, the House of Representatives approved a law that creates a rapid process to raise the debt ceiling only through a simple majority in the Senate, in an amount that seems likely to cover all the needs of 2022. The voting reduces the risk of a default**
- **Regarding monetary policy decisions, in Brazil, we expect the Copom to announce a new 150bp increase in the Selic reference rate, given the strong increase in inflation and the rise in inflation expectations. In other regions, Poland could also raise the rate by 50bp**
- **In economic figures, October retail sales were published in Brazil, posting a 0.1% m/m decline, well below the estimate of a 0.6% m/m increase, with which the annual variation stood at -7.1%. While, in China, consumer prices for November will be released at night, where an annual variation of 2.5% is estimated, from 1.5% the previous month**

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

Juan Carlos Alderete Macal, CFA
Director of Economic Research
juan.alderete.macal@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>Brazil</i>					
7:00	Retail sales - Oct	% y/y	--	-0.6	-5.5
7:00	Retail sales* - Oct	% m/m	--	0.7	-1.3
16:30	Monetary policy decision (Central bank of Braz	%	--	9.25	7.75
<i>China</i>					
20:30	Consumer Prices - Nov	% y/y	--	2.5	1.5

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	4,698.00	0.3%
Euro Stoxx 50	4,264.32	-0.3%
Nikkei 225	28,860.62	1.4%
Shanghai Composite	3,637.57	1.2%
<i>Currencies</i>		
USD/MXN	20.94	-0.4%
EUR/USD	1.13	0.3%
DX	96.22	-0.2%
<i>Commodities</i>		
WTI	72.20	0.2%
Brent	75.77	0.4%
Gold	1,784.42	0.0%
Copper	433.60	0.0%
<i>Sovereign bonds</i>		
10-year Treasury	1.47	-1pb

Source: Bloomberg

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Equities

- **Positive bias in equity markets as investors react favorably to Pfizer and BioNTech's statement that preliminary studies suggest that three doses of their vaccine are effective at neutralizing the new COVID-19 variant, offsetting concerns about new restrictions in the United Kingdom**
- **In Asia most markets closed positive. In Europe stocks are mixed, although the Euro Stoxx decreases 0.3%. Shares from consumer discretionary and technology sectors lead losses, while those from health care and utilities show gains. In turn, in the US the futures of main indices point to a positive open by rising 0.3% on average, even after the S&P 500 and Nasdaq posted their biggest gains since March in the previous session**
- **In Mexico, the Mexbol may stand above the 51,000 pts**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds with European assets adjusting up to +3bps while US Treasuries curve gained 1bp. Yesterday, the Mbonos' curve recorded a moderate steepening, with gains of 2bps on the short-end and pressures of up to 5bp on the long-end**
- **The dollar trades with few changes (DXY -0.1%) while G10 currencies show a positive bias with NOK (+0.7%) leading the upside. In the EM group, performance is mixed, TRY (-1.5%) is the weakest while USD/MXN is the second strongest, after THB, by appreciating 0.6% to 20.92**
- **Crude oil prices advance 0.2% as concerns about the impact of Omicron on the global economic recovery abate. In metals, gold trades neutral at US\$1,784/oz t while industrials are mixed**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,719.43	1.4%
S&P 500	4,686.75	2.1%
Nasdaq	15,686.92	3.0%
IPC	50,918.28	0.6%
Ibovespa	107,557.70	0.7%
Euro Stoxx 50	4,276.20	3.4%
FTSE 100	7,339.90	1.5%
CAC 40	7,065.39	2.9%
DAX	15,813.94	2.8%
Nikkei 225	28,455.60	1.9%
Hang Seng	23,983.66	2.7%
Shanghai Composite	3,595.09	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	0.69	6pb
10-year Treasuries	1.47	4pb
28-day Cetes	5.20	-4pb
28-day TIIE	5.24	0pb
2-year Mbono	6.86	0pb
10-year Mbono	7.40	0pb
<i>Currencies</i>		
USD/MXN	21.04	-0.9%
EUR/USD	1.13	-0.2%
GBP/USD	1.32	-0.2%
DXY	96.37	0.0%
<i>Commodities</i>		
WTI	72.05	3.7%
Brent	75.44	3.2%
Mexican mix	67.00	3.9%
Gold	1,784.13	0.3%
Copper	433.95	0.0%

Source: Bloomberg

Corporate Debt

- **S&P Global Ratings downgraded Credito Real's ratings to 'mxBBB / B +' from 'mxA- / BB-' and placed them on CreditWatch Negative. According to the agency, the downgrade reflects the persistently disappointing results of Crédito Real which, together with the economic recession in the region, have weakened its financial flexibility**
- **HR Ratings downgraded Fibra Shop's rating to 'HR AA-' from 'HR AA +' and maintained the Negative outlook. According to the agency, the downgrade is mainly due to growth below expectations in the agency's scenarios**
- **HR Ratings upgraded Médica Sur's rating to 'HR AA +' from 'HR AA' and maintained the Stable outlook, due to the adequate DSCR (Debt Service Coverage Ratio) metrics of 2.1x on average for 2022, 2023, and 2024, caused by an increase in Free Cash Flow**

Certification of Analysts.

We, Alejandro Padilla Santana, 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, 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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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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
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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
Víctor 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 Domínguez	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
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899