

# Financial Markets Daily

December 9, 2021

## Main drivers for the financial markets today...

- **Negative stock markets, USD up and government bond yields down in the face of: (1) COVID-19 spikes in Europe and other regions and the uncertainty about omicron; (2) the default of Evergrande and Kasia's debt in China; and (3) central banks' fear about the economy and inflation**
- **Regarding the development of the pandemic, recent research shows that omicron is 4.2 times more transmissible than delta, although concerns about the variant have lessened after Pfizer said yesterday that a third dose of its vaccine neutralizes its effects. While, the FDA granted emergency use authorization to AstraZeneca's antibody cocktail. Meanwhile, the Senate blocked Biden's vaccine mandate for large companies**
- **Today Biden delivers opening remarks at the virtual Summit for Democracy. Regarding economic figures, in the US, jobless claims for the week ending December 4 will be released. We estimate them at 220k (consensus: 220k) from 222k previously, already at the levels observed prior to the pandemic**
- **In Mexico, INEGI published November's inflation at +1.14% m/m, strongly surprising higher, with the core up 0.37% m/m. As such, annual inflation came in at 7.37% (previous: 6.24%), with the core at 5.67% (previous: 5.19%)**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>Mexico</b>					
7:00	Consumer prices - Nov	% m/m	1.00	1.02	0.84
7:00	Core - Nov	% m/m	0.34	0.31	0.49
7:00	Consumer prices - Nov	% y/y	7.22	7.24	6.24
<b>United States</b>					
8:30	Initial jobless claims* - Dec 4	thousands	220	225	222
<b>Peru</b>					
18:00	Monetary policy decision (BCRP)	%	--	2.50	2.00

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.
<b>Equity indices</b>		
S&P 500 Futures	4,678.50	-0.3%
Euro Stoxx 50	4,215.47	-0.4%
Nikkei 225	28,725.47	-0.5%
Shanghai Composite	3,673.04	1.0%
<b>Currencies</b>		
USD/MXN	21.02	0.4%
EUR/USD	1.13	-0.2%
DX	96.13	0.2%
<b>Commodities</b>		
WTI	71.66	-1.0%
Brent	75.05	-1.0%
Gold	1,778.05	-0.3%
Copper	433.55	-1.3%
<b>Sovereign bonds</b>		
10-year Treasury	1.49	-3pb

Source: Bloomberg

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## Equities

- Stock markets are trading with almost widespread declines, as concerns about the impact of the 'Ómicron' variant on economic growth unsettle investors in the face of higher restrictions and overshadow optimism about the efficacy of vaccines
- In that sense, futures in the US anticipate a negative opening, with the S&P500 trading 0.4% below its theoretical value, after the rise of recent days. Volatility will continue to be an important variable, while today the advance in drugmakers such as Pfizer, is mitigated with the losses in travel companies and airlines
- Asia closed mixed, where stock markets in China and Hong Kong advanced about 1%, even though Evergrande and Kaisa were officially declared in default. Europe trades with generalized, although moderate, losses, due to the implementation of greater restrictions. In Mexico, the IPC could adjust towards 50,600pts

## Sovereign fixed income, currencies and commodities

- Gains in sovereign bonds with European assets adjusting as much as -5bps while the US Treasury curve trades with gains of 2bps on average and the 10-year benchmark at 1.49% (-2bp). Yesterday, the Mbonos' curve saw a flattening, with gains of 2bps on average and the 10-year benchmark closing at 7.36% (-2bps)
- The dollar strengthens with the DXY up 0.3% as most G10 currencies trade with negative bias, NOK (-1.0%) is the weakest. In the EM group the performance is mixed, CLP (+0.6%) and ZAR (-1.3%) are at the extremes. USD/MXN depreciates 0.5% to 21.04 reversing yesterday's gains
- Crude oil declines 0.5% with investors worried about the impact of Omicron on global oil demand. In metals, gold falls 0.2% to \$1,778/oz t while industrials prints losses

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	35,754.75	0.1%
S&P 500	4,701.21	0.3%
Nasdaq	15,786.99	0.6%
IPC	51,056.27	0.3%
Ibovespa	108,095.50	0.5%
Euro Stoxx 50	4,233.09	-1.0%
FTSE 100	7,337.05	0.0%
CAC 40	7,014.57	-0.7%
DAX	15,687.09	-0.8%
Nikkei 225	28,860.62	1.4%
Hang Seng	23,996.87	0.1%
Shanghai Composite	3,637.57	1.2%
<b>Sovereign bonds</b>		
2-year Treasuries	0.68	-1pb
10-year Treasuries	1.52	5pb
28-day Cetes	5.21	1pb
28-day TIIE	5.24	0pb
2-year Mbono	6.88	2pb
10-year Mbono	7.38	-2pb
<b>Currencies</b>		
USD/MXN	20.93	-0.5%
EUR/USD	1.13	0.7%
GBP/USD	1.32	-0.3%
DXY	95.89	-0.5%
<b>Commodities</b>		
WTI	72.36	0.4%
Brent	75.82	0.5%
Mexican mix	67.45	0.7%
Gold	1,782.99	-0.1%
Copper	439.35	1.2%

Source: Bloomberg

## Corporate Debt

- Pemex announced the placement of a US\$ 1 billion bond in international markets with a 10-year term and a 6.70% yield, which will complement the contribution of US\$ 3.5 billion that will be used for the liability management operation aimed mainly at short and medium parties of the company's maturity profile
- Alsea announced that on December 6th, the pricing of its senior bonds for US\$ 500 million, maturing in 2026, took place at an annual rate of 7.750%. According to the statement, Alsea will use the net proceeds of the placement to refinance its debt
- Fitch Ratings affirmed the ratings of the top seven banks in Mexico and changed the outlook on Banorte and Inbursa ratings. According to the agency, the revision in the rating outlook of Banorte and Inbursa reflects the resilient and proven financial profile of both banks

## 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 Thalia 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
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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