

Financial Markets Daily

December 14, 2021

Main drivers for the financial markets today...

- **Stock markets mixed, with Asia and futures in the US negative. Government bond yields higher and the USD lower ahead of a busy central bank schedule this week. In addition, attention on progress on the ‘Omicron’ variant continue**
- **On the virus, China reported 55 cases in the Zhejiang province, prompting new lockdowns. Meanwhile, a study in South Africa shows that two doses of Pfizer vaccine offer a 70% protection against hospitalization due to the new variant. Meanwhile, another study in the UK shows that vaccines provide fewer neutralizing antibodies against the new variant. Lastly, Pfizer’s pill seems to be giving promising results**
- **In the US, a vote on the debt ceiling is expected to be supported by both parties, with a possible increase between US\$2-3 trillion. In China, uncertainty on the real estate sector continues, with the financial health of Shimo Group on the crosshairs after downward revision on the stock’s outlook, on top of adjustments on Evergrande’s credit rating to ‘restricted default’**
- **On data, October’s IP in the Eurozone was broadly in line with expectations at +1.1% m/. Later in the US we will be looking into November’s PPI, with attention on economic activity figures from China in the same month. On the monetary front we will have decisions from Chile and Hungary**

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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|--|--------|---------|--------|----------|
| <i>Eurozone</i> | | | | | |
| 5:00 | Industrial production* - Oct | % m/m | -- | 1.3 | -0.2 |
| <i>Brazil</i> | | | | | |
| 6:00 | COPOM minutes | | | | |
| <i>United States</i> | | | | | |
| 8:30 | Producer prices* - Nov | % m/m | -- | 0.5 | 0.6 |
| 8:30 | Ex. food & energy* - Nov | % m/m | -- | 0.4 | 0.4 |
| <i>Mexico</i> | | | | | |
| 10:00 | International reserves - Dec 10 | US\$bn | -- | -- | 200.0 |
| 12:30 | Government weekly auction: 1-, 3-, 6- 12- month CETES; 30-year Mbono (Nov'47); 3-year Udibono (Nov'23) and 1, 2, and 3-year Bondes F | | | | |
| <i>Chile</i> | | | | | |
| 16:00 | Monetary policy decision (BCCh) | % | -- | 4.00 | 2.75 |
| <i>China</i> | | | | | |
| 21:00 | Retail Sales - Nov | % y/y | -- | 3.8 | 3.5 |
| 21:00 | Industrial production - Nov | % y/y | -- | 4.8 | 4.9 |
| 21:00 | Gross fixed investment (YTD) - Nov | % y/y | -- | 5.4 | 6.1 |

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 | 4,651.00 | -0.2% |
| Euro Stoxx 50 | 4,185.62 | 0.1% |
| Nikkei 225 | 28,432.64 | -0.7% |
| Shanghai Composite | 3,661.53 | -0.5% |
| <i>Currencies</i> | | |
| USD/MXN | 21.04 | 0.1% |
| EUR/USD | 1.13 | 0.2% |
| DX-Y | 96.17 | -0.2% |
| <i>Commodities</i> | | |
| WTI | 71.34 | 0.1% |
| Brent | 74.42 | 0.0% |
| Gold | 1,784.75 | -0.1% |
| Copper | 430.45 | 0.5% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 1.43 | 2pb |

Source: Bloomberg

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Equities

- **Mixed movements in equity markets as investors are cautious due to fears over the accelerated spread of the new coronavirus variant and its potential impact on the global economy, while they await monetary policy meetings of various central banks this week, including the Fed's that begins today. On the corporate front, Vifor Pharma shares surged after Australian biotech company CSL agreed to buy the Swiss company for ~US \$ 11.7 billion**
- **In Asia most markets closed negative. In Europe stocks rise, the Euro Stoxx adds 0.1%. Shares from communication services and materials sectors lead gains, while those from technology and consumer discretionary show losses. In turn, in the US the futures of main indices are mixed, although they decrease 0.1% on average**
- **In Mexico, the Mexbol may stand around the 50,350 pts**

Sovereign fixed income, currencies and commodities

- **Modest pressures in rates from sovereign bonds with European securities adjusting around 2bps, while the US Treasuries' curve pressures by 2bps with the long-end underperforming, moderating yesterday's bull flattening. Yesterday Mbonos rallied 2bps**
- **USD with negative bias amid a strong performance in G10 currencies where CHF and EUR lead gains (+0.3%). In EM FX balance is modestly positive with HUF (+0.8%) outperforming, although TRY prints a sharp sell-off (-3%) following central bank intervention in the market. The MXN trades with a 0.1% depreciation at 21.04**
- **Crude oil prices stable with uncertainty still weighting regarding the impact to demand from the new variant. OPEC elevated its demand estimate for next year, while the IEA has forecast a supply surplus for 2022 amid higher global production. Metals slightly negative**

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 35,650.95 | -0.9% |
| S&P 500 | 4,668.97 | -0.9% |
| Nasdaq | 15,413.28 | -1.4% |
| IPC | 50,419.17 | -1.6% |
| Ibovespa | 107,383.30 | -0.3% |
| Euro Stoxx 50 | 4,183.04 | -0.4% |
| FTSE 100 | 7,231.44 | -0.8% |
| CAC 40 | 6,942.91 | -0.7% |
| DAX | 15,621.72 | 0.0% |
| Nikkei 225 | 28,640.49 | 0.7% |
| Hang Seng | 23,954.58 | -0.2% |
| Shanghai Composite | 3,681.08 | 0.4% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 0.63 | -2pb |
| 10-year Treasuries | 1.42 | -7pb |
| 28-day Cetes | 5.29 | 1pb |
| 28-day TIIE | 5.24 | 0pb |
| 2-year Mbono | 6.90 | -4pb |
| 10-year Mbono | 7.33 | -3pb |
| <i>Currencies</i> | | |
| USD/MXN | 21.02 | 0.6% |
| EUR/USD | 1.13 | -0.3% |
| GBP/USD | 1.32 | -0.4% |
| DXY | 96.32 | 0.2% |
| <i>Commodities</i> | | |
| WTI | 71.29 | -0.5% |
| Brent | 74.39 | -1.0% |
| Mexican mix | 66.48 | -0.4% |
| Gold | 1,786.67 | 0.2% |
| Copper | 428.40 | -0.1% |

Source: Bloomberg

Corporate Debt

- **S&P Global Ratings confirmed the ratings for Volkswagen Leasing and Volkswagen Bank at 'mxAAA' and 'mxA-1+', based on the unconditional and irrevocable guarantee by its holding company based in Germany, Volkswagen Financial Services AG ('BBB+', Stable), whose ratings, in turn, reflect the ratings from its holding company, Volkswagen AG**
- **Grupo Aeroméxico informed that the Bankruptcy Court approved the Disclosure Statement of the Joint Plant of Reorganization of Aeroméxico and its subsidiaries**
- **Notice of early total amortization of Infonavit's MBS, CEDEVIS 11-2U, on December 20, 2021 for an amount of MXN 475.9 million. The issuance is rated at 'AAA' in local scale by S&P Global, Moody's and Fitch Ratings**

Certification of Analysts.

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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|------|---|
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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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