

Financial Markets Daily

December 16, 2021

Main drivers for the financial markets today...

- **Positive stock markets, dollar and government bond yields down with investors digesting Fed policy tightening - accelerating tapering and *dot plot* with three hikes in 2022 and three more in 2023 - that will help fight elevated inflation without derailing economic growth despite omicron's risks**
- **Regarding monetary policy, many decisions today in different regions, where the ECB kept the reference rates unchanged, and announced that the PEPP asset purchase program will expire on march 2022, while the BoE surprised by raising its reference rate to 0.25% from the all-time low of 0.10%. Later, the focus will be on Banxico's decision, where we anticipate a 50bp hike to place the rate at 5.50%**
- **In economic figures, in the US the industrial production report for November will be published. We estimate it will post a 0.7% m/m increase, with manufacturing advancing by the same magnitude. Likewise, the *Philly Fed* index for December will be released. We expect it at 35pts after reaching 39pts the previous month. In addition, jobless claims for the week ending December 11 will be published, where we anticipate levels below 200k, back to the same levels observed prior to the pandemic**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
7:00	Monetary policy decision (BoE)	%	--	0.10	0.10
7:45	Monetary policy decision (ECB)	%	0.000	0.000	0.000
<i>Brazil</i>					
6:00	Central Bank quarterly inflation report				
<i>United States</i>					
8:30	Housing starts** - Nov	thousands	--	1,568	1,520
8:30	Building permits** - Nov	thousands	--	1,660	1,653
8:30	Initial Jobless Claims* - Dec 11	thousands	195	200	184
8:30	Philadelphia Fed* - Dec	index	35.0	29.0	39.0
9:15	Industrial production* - Nov	% m/m	0.7	0.7	1.6
9:15	Manufacturing production* - Nov	% m/m	0.7	0.6	1.2
9:45	Manufacturing PMI (Markit)* - Dec (P)		--	58.3	58.3
9:45	Services PMI (Markit)* - Dec (P)		--	--	58.0
<i>Mexico</i>					
14:00	Monetary policy decision (Banxico)	%	5.50	5.25	5.00
<i>Japan</i>					
	Monetary policy decision (BoJ)	%	--	--	-0.10

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	4,732.00	0.7%
Euro Stoxx 50	4,240.74	1.9%
Nikkei 225	29,066.32	2.1%
Shanghai Composite	3,675.02	0.8%
<i>Currencies</i>		
USD/MXN	20.97	-0.2%
EUR/USD	1.13	0.4%
DX	95.99	-0.5%
<i>Commodities</i>		
WTI	71.15	0.4%
Brent	74.23	0.5%
Gold	1,785.69	0.5%
Copper	430.20	2.9%
<i>Sovereign bonds</i>		
10-year Treasury	1.47	1pb

Source: Bloomberg

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Equities

- **Positive movements in equity markets as investors assimilate yesterday's comments from the Fed of a more accelerated tapering, in addition to anticipating three interest rate hikes in 2022, with the objective of fighting inflation, but pointing out that the policy adjustment will not be at the expense of the unfolding economic recovery. On the other hand, the unexpected rise in the interest rate by the Bank of England stood out, while the ECB kept the rate unchanged. The above in the midst of continuous concerns about 'Ómicron'**
- **In Asia most markets closed positive. In Europe stocks advance, the Euro Stoxx adds 2.0%. Shares from technology, financials, and industrials sectors lead gains. In turn, in the US the futures of main indices point to a positive open by rising 0.7% on average**
- **In Mexico, the Mexbol may stand around the 51,500 pts**

Sovereign fixed income, currencies and commodities

- **Mixed balance in global rates with European securities adjusting +2bps, on average, excluding UK bonds (+8bps). Meanwhile, US Treasuries print mixed movements limited by +/-2bps. In Mexico, the Mbonos' yield curve closed yesterday with few changes**
- **USD slightly negative amid a favorable performance in G10 currencies with GBP as the strongest (+0.8%) assimilating BoE's monetary policy decision. In the EM universe, bias is positive except for TRY (-4.2%), while MXN is trading at 20.95 per dollar (+0.3%) after a 1.0% appreciation yesterday**
- **Crude-oil jumps after a decrease much more than forecast in US crude-oil inventories partially offsetting fears of lower demand. Widespread gains in metals, where copper registers gains of 3.3%, while gold trades at 1,783 \$/oz t (+0.3%)**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,927.43	1.1%
S&P 500	4,709.85	1.6%
Nasdaq	15,565.58	2.2%
IPC	51,163.66	-0.2%
Ibovespa	107,431.20	0.6%
Euro Stoxx 50	4,159.68	0.4%
FTSE 100	7,170.75	-0.7%
CAC 40	6,927.63	0.5%
DAX	15,476.35	0.1%
Nikkei 225	28,459.72	0.1%
Hang Seng	23,420.76	-0.9%
Shanghai Composite	3,647.63	-0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	0.66	1pb
10-year Treasuries	1.46	2pb
28-day Cetes	5.26	1pb
28-day TIE	5.24	0pb
2-year Mbono	6.91	-2pb
10-year Mbono	7.39	1pb
<i>Currencies</i>		
USD/MXN	21.01	-1.0%
EUR/USD	1.13	0.3%
GBP/USD	1.33	0.2%
DX	96.51	-0.1%
<i>Commodities</i>		
WTI	70.87	0.2%
Brent	73.88	0.2%
Mexican mix	65.70	-1.6%
Gold	1,776.92	0.3%
Copper	418.25	-1.8%

Source: Bloomberg

Corporate Debt

- **Grupo Posadas announced that it will issue new Senior Notes due 2027 for a total principal amount of up to US\$398.6 million in the restructuring of its existing notes due in June 2022. With this issuance, the company finished its restructuring process**
- **FIBRA Prologis informed it agreed the purchase of an industrial portfolio composed of 14 buildings, with 2.4 million square feet of industrial space and land for expansion, for an approximate investment of US\$160 million**
- **Grupo Axo announced it entered into several transactions with ON Stores México through which, if some conditions are met, Grupo Axo will operate, manage and distribute the Old Navy brand in Mexico**

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>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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