

# Financial Markets Daily

December 17, 2021

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

- **Stock markets lower –led by losses in tech stocks–, government bond yields mixed and USD higher, as markets assimilate (1) A less accommodative stance by global central banks; and (2) risks associated with the pandemic and the new variant, ‘omicron’**
- **President Biden acknowledged that his US\$2 trillion economic plan may not be approved by Congress this year, albeit remaining confident that negotiations are on the right path. There is some concern that the approval process may be more difficult ahead of the mid-term elections next year**
- **Moreover, Biden warned of “a winter of severe illness and death” for the unvaccinated due to rising contagions because of the ‘omicron’ variant. In this respect, the number of cases has surged 40% in the last two weeks**
- **The Bank of Japan kept its monetary stance unchanged. Nevertheless, they decided to begin withdrawing monetary stimulus measures implemented during the pandemic in April, given the improvement in financial conditions**
- **Evergrande was rated in default by S&P Global Ratings, becoming the second agency moving to this category. This action comes after missing coupon payments at the end of the grace period that started at the beginning of the month, a situation that could trigger cross payments of about US\$19.2 billion**

Alejandro Padilla  
 Chief Economist and  
 Head of Research  
[alejandro.padilla@banorte.com](mailto:alejandro.padilla@banorte.com)

Juan Carlos Alderete Macal, CFA  
 Executive Director of Economic Research  
 and Financial Markets Strategy  
[juan.alderete.mactal@banorte.com](mailto:juan.alderete.mactal@banorte.com)

Alejandro Cervantes Llamas  
 Executive Director of Quantitative Analysis  
[alejandro.cervantes@banorte.com](mailto:alejandro.cervantes@banorte.com)

Manuel Jiménez Zaldivar  
 Director of Market Strategy  
[manuel.jimenez@banorte.com](mailto:manuel.jimenez@banorte.com)



[www.banorte.com](http://www.banorte.com)



@ analisis\_fundam

## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	GER IFO Survey (business climate)* - Dec	index	--	95.2	96.5
5:00	EZ Consumer prices - Nov (F)	% y/y	--	4.9	4.9
5:00	Core - Nov (F)	% y/y	--	2.6	2.6
<i>Mexico</i>					
10:00	Survey of expectations (Banxico)				
<i>Colombia</i>					
13:00	Monetary policy decision (BanRep)	%	--	3.00	2.50

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; \* Seasonally adjusted, \*\* Seasonally adjusted annualized rate.

This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Apertura de Mercados Financieros" was released earlier today.

## A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,644.25	-0.3%
Euro Stoxx 50	4,164.24	-0.9%
Nikkei 225	28,545.68	-1.8%
Shanghai Composite	3,632.36	-1.2%
<i>Currencies</i>		
USD/MXN	20.79	-0.2%
EUR/USD	1.13	-0.1%
DX	96.13	0.1%
<i>Commodities</i>		
WTI	71.03	-1.9%
Brent	73.67	-1.8%
Gold	1,809.47	0.6%
Copper	432.00	0.5%
<i>Sovereign bonds</i>		
10-year Treasury	1.40	-1pb

Source: Bloomberg

Document for distribution among public

## Equities

- We conclude the week with negative bias in stock markets, affected mainly by declines in technology companies, whose valuations look extended, especially with the expectation of a hike in rates soon, in order to mitigate high inflation levels that prevail
- As such, futures in the US anticipate a negative opening, with the S&P500 trading 0.3% below its theoretical value, and expecting high volatility towards the end of the session, with the quarterly rebalancing of this index, and with the last "Quadruple Witching Day" of the year (major expiration of options & futures contracts)
- In Asia, the session concluded with falls close to 1.5% in the main indices, while Europe also trades with widespread declines. In Mexico, the Mexbol Index may continue consolidating near 51,000pts
- In corporate news, KOF reached an agreement to acquire CVI Refrigerantes, a Coca-Cola bottler in southern Brazil

## Sovereign fixed income, currencies and commodities

- Mixed balance in global rates with European securities adjusting -3bps, on average. Meanwhile, US Treasuries print gains of 3bps in the long-term securities. In Mexico, the Mbonos' yield curve closed yesterday with a flattening where the short-end printed a 15bps sell-off
- USD slightly positive amid a negative performance in G10 currencies except for JPY and CHF as safe heaven assets. In the EM universe, bias is positive except for TRY (-6.9%), while MXN is trading at 20.78 per dollar (+0.2%)
- Crude-oil declines 2.0% as a result of increased fears about 'Omicron' variant impact on demand. Widespread gains in metals, where aluminum registers gains of 2.0%, while gold trades at 1,812 \$/oz t (+0.6%)

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,897.64	-0.1%
S&P 500	4,668.67	-0.9%
Nasdaq	15,180.43	-2.5%
IPC	51,384.07	0.4%
Ibovespa	108,326.30	0.8%
Euro Stoxx 50	4,201.87	1.0%
FTSE 100	7,260.61	1.3%
CAC 40	7,005.07	1.1%
DAX	15,636.40	1.0%
Nikkei 225	29,066.32	2.1%
Hang Seng	23,475.50	0.2%
Shanghai Composite	3,675.02	0.8%
<i>Sovereign bonds</i>		
2-year Treasuries	0.61	-5pb
10-year Treasuries	1.41	-5pb
28-day Cetes	5.53	27pb
28-day TIE	5.25	1pb
2-year Mbono	6.99	8pb
10-year Mbono	7.38	0pb
<i>Currencies</i>		
USD/MXN	20.82	-0.9%
EUR/USD	1.13	0.4%
GBP/USD	1.33	0.5%
DXY	96.04	-0.5%
<i>Commodities</i>		
WTI	72.38	2.1%
Brent	75.02	1.5%
Mexican mix	66.98	1.9%
Gold	1,799.35	1.3%
Copper	430.45	2.9%

Source: Bloomberg

## Corporate Debt

- HR Ratings affirmed GANACB 11U's rating (Grupo de Autopistas Nacionales' FF) at 'HR AAA (E)' with a Stable outlook, based on the Annualized Stress Rate of the issuance, totaling 4.83% (vs. 4.37% in the previous revision) that increased because of the recovery in the aggregated real income in the first 10 months of 2021 (+2.3% y/y)
- HR Ratings affirmed the ratings for Be Grand at 'HR BBB-' and for its unsecured issuance BEGRAND 18 at 'HR A-' keeping the outlook Stable. The affirmation is based on the estimates over the recovery in Free Cash Flow generation, and in the sustained debt decline for the following periods
- HR Ratings affirmed Corpovael's (CADU) ratings at 'HR BBB' with a Stable outlook, mainly based in the cash generation, that stood 45.9% over the base scenario in the last twelve months as of 3Q21

## Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, 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.

## Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

## Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

## Last-twelve-month activities of the business areas.

*Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.*

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

## Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

## Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

## Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
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.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

## Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V., since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

*The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.*

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	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, 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			
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
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
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.cebillos@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