

Financial Markets Daily

January 14, 2022

Main drivers for the financial markets today...

- Stock markets lower, the dollar declines, and government bond yields are mixed. Investors are waiting the earnings season kickoff in the US in the midst of a tighter monetary stance by the Fed to contain inflation, enhancing the rotation towards value stocks
- Markets focused on December's retail sales and industrial production, as well as January's preliminary U. of Michigan confidence in the US. Moreover, comments from Williams of the Fed and corporate reports
- President Biden will nominate Sarah Bloom Raskin as main banking regulator within the Fed, along Lisa Cook and Philip Jefferson as Governors. With these nominations, the president would follow through with his promise of improving diversity within the central bank
- Energy supply issues in Europe are exacerbating due to the risk of an armed conflict in Ukraine, which pushed gas prices higher. On the other hand, the French government asked its main utility to sell electricity at a deep discount to protect consumers
- Economic data released lately has been mixed. In Germany, 4Q21 GDP would have contracted between 0.5% to 1.0% q/q. In China, exports grew 20.9% y/y while imports were weaker than expected, at 19.5%. Specifically, the latter suggests some domestic demand weakness

Alejandro Padilla Santana

Chief Economist and

Head of Research

alejandropadilla@banorte.com
Juan Carlos Alderete Macal, CFA

Executive Director of Economic Research

and Financial Markets Strategy

juan.alderete.macal@banorte.com
Alejandro Cervantes Llamas

Executive Director of Quantitative Analysis

alejandrocervantes@banorte.com
Manuel Jiménez Zaldivar

Director of Market Strategy

manuel.jimenez@banorte.com

www.banorte.com

[@analisis_fundam](https://twitter.com/analisis_fundam)

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone and UK					
2:00	UK Industrial production* - Nov	% m/m	--	0.2	-0.6
4:00	GER Gross domestic product* - 2021	% y/y	--	2.7	-5.0
5:00	EZ Trade balance* - Nov	EURbn	--	1.5	2.4
Brazil					
7:00	Retail sales - Nov	% m/m	--	--	-7.1
7:00	Retail sales* - Nov	% y/y	--	--	-0.1
United States					
8:30	Advance retail sales* - Dec	% m/m	0.0	-0.1	0.3
8:30	Ex autos & gas* - Dec	% m/m	--	-0.1	0.2
8:30	Control group* - Dec	% m/m	0.2	0.3	-0.1
9:15	Industrial production* - Dec	% m/m	0.3	0.3	0.5
9:15	Manufacturing production* - Dec	% m/m	0.4	0.4	0.7
10:00	U. of Michigan confidence* - Jan (P)	index	68.5	70.0	70.6
11:00	Fed's Williams Speaks at Council on Foreign Relations				

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.
Equity indices		
S&P 500 Futures	4,645.00	-0.2%
Euro Stoxx 50	4,274.77	-1.0%
Nikkei 225	28,124.28	-1.3%
Shanghai Composite	3,521.26	-1.0%
Currencies		
USD/MXN	20.32	-0.1%
EUR/USD	1.14	-0.1%
DX	94.82	0.0%
Commodities		
WTI	82.73	0.7%
Brent	85.25	0.9%
Gold	1,822.81	0.0%
Copper	451.45	-0.7%
Sovereign bonds		
10-year Treasury	1.74	4pb

Source: Bloomberg

Document for distribution among public

Equities

- The week concludes with negative movements in stock markets, as investors continue assimilating comments from different members from the Federal Reserve who continue to bet on fighting inflation aggressively and underpinning the expectation of a rate hike as soon as March
- In that sense, Asia closed with widespread falls, while Europe is trading in negative territory, with technology stocks showing the biggest declines. In the US, futures anticipate a negative opening, with the S&P500 trading 0.2% below its theoretical value, and focused on 4Q21 earnings season kickoff
- Today we expect results from main banks: BlackRock, Citigroup, First Republic Bank, JPMorgan Chase & Wells Fargo. Analyst consensus from Bloomberg anticipates a 19.5% increase in S&P500 corporate earnings in 4Q21 vs 39.1% in 3Q21. For both Value and Growth companies, a 13.9% increase in profits is expected

Sovereign fixed income, currencies and commodities

- Widespread pressures in sovereign bonds with losses of 3bps on average in European securities and in the US Treasuries yield curve. Yesterday the Mbonos' curve closed with gains of 8bps on average, extending the rally of previous days, with the 10-year benchmark closing at 7.66% (-9bps)
- The USD trades with few changes on the DXY while developed currencies show a mixed performance, with JPY (+0.4%) and AUD (-0.3%) at the ends. In the EM group the momentum is similar, CLP (+0.8%) leads the gains while USD/MXN trades at 20.32 appreciating 0.1%
- Crude oil prices advance 0.8% on signs of increased demand despite the 'Omicron' impact. In metals, gold trades at 1,824 \$/oz t (+0.1%) while industrials are mixed

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	36,113.62	-0.5%
S&P 500	4,659.03	-1.4%
Nasdaq	14,806.81	-2.5%
IPC	53,930.45	0.0%
Ibovespa	105,529.50	-0.1%
Euro Stoxx 50	4,315.90	0.0%
FTSE 100	7,563.85	0.2%
CAC 40	7,201.14	-0.5%
DAX	16,031.59	0.1%
Nikkei 225	28,489.13	-1.0%
Hang Seng	24,429.77	0.1%
Shanghai Composite	3,555.26	-1.2%
Sovereign bonds		
2-year Treasuries	0.89	-3pb
10-year Treasuries	1.70	-4pb
28-day Cetes	5.53	2pb
28-day TIIE	5.72	0pb
2-year Mbono	7.35	-4pb
10-year Mbono	7.68	-9pb
Currencies		
USD/MXN	20.35	-0.1%
EUR/USD	1.15	0.1%
GBP/USD	1.37	0.0%
DXY	94.79	-0.1%
Commodities		
WTI	82.12	-0.6%
Brent	84.47	-0.2%
Mexican mix	76.75	-0.3%
Gold	1,822.54	-0.2%
Copper	454.60	-0.7%

Source: Bloomberg

Corporate Debt

- Alsea announced the pricing of €300 million in Senior Notes due 2027, at a 5.500% annual coupon rate, issued by its subsidiary Food Service Project. The Euro Notes 2027 have a 2-year call date. Alsea intends to allocate the net proceeds of the transaction to consummate a debt refinancing transaction. The Euro Notes 2027 global scale ratings were 'B1' by Moody's and 'BB-' by Fitch Ratings
- Notice of partial early amortization of the DESCB 18 issuances (Dalton Efectivo Seguro ABS) on January 21 for MXN 24.2 million. Currently, the bond has an outstanding amount of MXN 76 million

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, Leslie Thalía Orozco Vélez, Luis Leopoldo López Salinas, 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	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
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>

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.

GRUPO FINANCIERO BANORTE S.A.B. de 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	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
--------------------------------	-----------------------------	----------------------------	------------------

Fixed income and FX Strategy

Leslie Thalía Orozco Vélez	Senior 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

Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	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	raul.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