

Financial Markets Daily

January 20, 2022

Main drivers for the financial markets today...

- **Positive stock markets, USD with small changes and government bond yields down, with investors turning their focus to corporative earnings, despite still elevated concerns about high inflation and the prospect of Federal Reserve interest-rate hikes. Meanwhile, oil falls after reaching a 7-year high**
- **The ECB published its last meeting minutes. While, in an interview today, Lagarde said they have every reason not to respond as forcefully as the Fed to consumer price pressures, noting that central banks are in very different situations. Furthermore, she said that she expects inflation to stabilize and then gradually start to decline throughout 2022. Her comments reinforce our expectation that the ECB will keep its benchmark rates unchanged throughout the year**
- **Regarding economic figures, in the US, the Philly Fed regional manufacturing indicator will be published. We expect levels of 20.0pts after it moderated in December to 15.4pts. However, after the Empire Manufacturing report published a few days ago, we see downside risks. Meanwhile, in the Eurozone, the final inflation data for December was released, posting an annual variation of 5.0% y/y, with the core at 2.6% y/y**
- **In Mexico, INEGI published the unemployment rate for December, closing the year at 4.0% (sa), which is 10bps higher than in the previous month. As a result, 4.3 million jobs were created in full-year 2021. Later, the survey of expectations from Citibanamex will be released**

Alejandro Padilla
Chief Economist and
Head of Research
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research
and Financial Markets Strategy
juan.alderete.mactal@banorte.com

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com

Manuel Jiménez Zaldivar
Director of Market Strategy
manuel.jimenez@banorte.com



www.banorte.com



@analisis_fundam

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Consumer prices - Dec (F)	% y/y	--	5.0	4.9
5:00	Core - Dec (F)	% y/y	--	2.6	2.6
7:30	ECB Minutes				
<i>Turkey</i>					
6:00	Monetary policy decision (Central Bank of Turkey)	%	--	14.00	14.00
<i>Mexico</i>					
7:00	Unemployment rate - Dec	%	3.25	3.37	3.66
15:30	Survey of expectations (Citibanamex)				
<i>United States</i>					
8:30	Initial jobless claims* - Jan 15	thousands	223	220	230
8:30	Philadelphia Fed* - Jan	index	20.0	19.8	15.4
10:00	Existing home sales** - Dec	millions	--	6.4	6.5

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	4,538.00	0.3%
Euro Stoxx 50	4,273.64	0.1%
Nikkei 225	27,772.93	1.1%
Shanghai Composite	3,555.06	-0.1%
<i>Currencies</i>		
USD/MXN	20.46	-0.2%
EUR/USD	1.13	0.0%
DX	95.62	0.1%
<i>Commodities</i>		
WTI	86.50	-0.5%
Brent	88.02	-0.5%
Gold	1,838.85	-0.1%
Copper	450.45	0.8%
<i>Sovereign bonds</i>		
10-year Treasury	1.83	-3pb

Source: Bloomberg

Document for distribution among public

Equities

- **Positive bias in equity markets as investors turned their attention to corporate earnings to assess the strength of economic recovery, while closely monitoring any signal about interest rate hikes from central banks**
- **In Asia most markets rose as China cut its key lending rates. In Europe positive returns prevail, the Euro Stoxx adds 0.1%. Shares from utilities and technology sectors lead gains, while those from energy and financials superhead losses. In turn, in the US the futures of main indices point to a positive open by rising 0.6% on average**
- **On the corporate front, out of the 15 S&P 500 companies scheduled to report today, 7 have already updated investors with most outperforming estimates. Netflix will publish its figures after the market closes. In Mexico, today Gfnorte and Kimber will release their quarterly reports after the markets close**

Sovereign fixed income, currencies and commodities

- **Modest positive balance in global sovereign rates with European securities adjusting -2bps. Moreover, US Treasuries print 2bps gains at the long end of the yield curve. In Mexico, the Mbonos' yield curve closed yesterday with a 5bps rally, on average, with the 10-year benchmark closing at 7.71% (-5bps)**
- **USD trades with few changes amid a mixed performance in G10 and EM currencies. In the former, the performance is bounded by +/- 0.3%. In EM, ZAR (+0.8%) leads gains, while USD/MXN trades at 20.48 per dollar (+0.2%), after two negative sessions in a row**
- **Crude-oil slips 0.4% from 7-year high incorporating Joe Biden comments to address the increase in prices and an modest increase in US inventories. Favorable performance in base metals, while gold trades with few changes at 1,838 \$/oz t**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,028.65	-1.0%
S&P 500	4,532.76	-1.0%
Nasdaq	14,340.25	-1.1%
IPC	52,823.23	-0.8%
Ibovespa	108,013.50	1.3%
Euro Stoxx 50	4,268.28	0.2%
FTSE 100	7,589.66	0.3%
CAC 40	7,172.98	0.5%
DAX	15,809.72	0.2%
Nikkei 225	27,467.23	-2.8%
Hang Seng	24,127.85	0.1%
Shanghai Composite	3,558.18	-0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	1.06	1pb
10-year Treasuries	1.86	-1pb
28-day Cetes	5.59	2pb
28-day TIIE	5.73	0pb
2-year Mbono	7.34	-4pb
10-year Mbono	7.73	-4pb
<i>Currencies</i>		
USD/MXN	20.51	0.5%
EUR/USD	1.13	0.2%
GBP/USD	1.36	0.1%
DXY	95.51	-0.2%
<i>Commodities</i>		
WTI	86.96	1.8%
Brent	88.44	1.1%
Mexican mix	81.13	1.2%
Gold	1,840.54	1.5%
Copper	447.00	2.0%

Source: Bloomberg

Corporate Debt

- **Betterware of México informed that it has entered into a definitive agreement to acquire 100% of JAFRA's operations in Mexico and the US from the German-based Vorwerk Group for a total cash consideration of US\$255 million (equivalent to MXN5.35 billion), acquiring the company with a balance sheet with no debt and no cash**
- **The company expects to close the transaction in the first half of 2022, subject to COFECE approval. The acquisition will be carried out through a combination of US\$225 million in debt financing and US\$30 million in cash**

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	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
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