

Financial Markets Daily

January 21, 2022

Main drivers for the financial markets today...

- Stock markets, government bond yields and USD to the downside, with investors assimilating some disappointing earnings results (e.g. Netflix) which have enhanced the rotation towards value stocks, while assets remain impacted by prospects of a tighter monetary stance by the Fed to combat inflation
- On the other hand, geopolitical tensions between the US and Russia continue, while oil prices fell after a surprise climb in US crude stockpiles
- The data agenda is light, highlighting December's leading index in the US and January's preliminary consumer confidence in the Eurozone, as well as corporate reports
- China's PBoC asked banks to increase the flow of credit, reinforcing recent signals that point towards more stimulus measures in a bid to boost growth. According to the institution's deputy Governor, the central bank will unveil more actions in coming months
- On COVID-19, there are news that staffing shortages in US hospitals have started to wane, although some states are still in a very difficult situation. On the other hand, France will relax some restrictions at the beginning of next month and Austria has become the first country in the European Union to make vaccines mandatory
- UK's consumer confidence fell 4pts in January to -19pts, its lowest since the lockdowns that took place in February 2021. The decline was driven by heightened concerns about households' personal finances, in turn driven by high inflation
- The main unions in the US and Canada have questioned if fairness conditions will be adequate in the upcoming vote that will take place among GM workers at the plant in Silao, Guanajuato, to choose new representation. This suggests that tensions in some fronts related to the USMCA will remain in place, likely proving an additional headwind for the auto sector

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The most relevant economic data...

Event/Period	Unit	Banorte	Survey	Previous
Eurozone				
10:00 Consumer confidence* - Jan (F)	index	--	-9.0	-8.3

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.
Equity indices		
S&P 500 Futures	4,447.00	-0.6%
Euro Stoxx 50	4,222.03	-1.8%
Nikkei 225	27,522.26	-0.9%
Shanghai Composite	3,522.57	-0.9%
Currencies		
USD/MXN	20.46	-0.4%
EUR/USD	1.13	0.3%
DX	95.57	-0.2%
Commodities		
WTI	84.34	-2.9%
Brent	87.17	-1.4%
Gold	1,838.70	0.0%
Copper	452.45	-1.3%
Sovereign bonds		
10-year Treasury	1.77	-3pb

Source: Bloomberg

Equities

- We conclude the week with negative movements in stock markets, with investors reacting to corporate reports and valuations that look high, given the expectation of a rise in rates that continues to encourage rotation towards value companies.
- Futures in the US anticipate a downward opening, with the S&P500 trading 0.5% below its theoretical value, while Netflix's results disappointed, especially regarding on the expectation of a weaker-than-expected rise in subscribers.
- Asia closed with widespread declines, except for the Hang Seng which rose marginally by 0.05%, and Europe trades with falls of more than 1%.
- Today only Huntington Bancshares, IHS Markit, and Schlumberger will release its figures. As of today, we have ~12% of the results of companies in the S&P500 and a 20.8% vs 19.5% increase in earnings has been achieved. The positive surprises rate stands at 78.7%

Sovereign fixed income, currencies and commodities

- Risk-off drives sovereign bonds, with European assets adjusting up to -3bps while the US Treasuries yield curve trades with gains of 2bp on the long-end. Yesterday, the Mbonos' curve closed with gains of 5bps on average, concentrated in the short- and mid-end. The 10-year benchmark closed at 7.65% (-5bps)
- The dollar trades with few changes amid mixed performance in developed and emerging currencies. In the former group, trading is capped by CHF (+0.4%) and NZD (-0.4%), while in the latter ZAR (+0.5%) and TRY (-0.5%) are at the ends. The Mexican peso is the third strongest, appreciating 0.2% to 20.50 per dollar
- Crude oil prices fall 1.8% following the performance of other risk assets. In metals, gold trades at 1,833 US\$/oz t (-0.3%) while in industrials the negative bias prevails

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,715.39	-0.9%
S&P 500	4,482.73	-1.1%
Nasdaq	14,154.02	-1.3%
IPC	52,508.35	-0.6%
Ibovespa	109,102.00	1.0%
Euro Stoxx 50	4,299.61	0.7%
FTSE 100	7,585.01	-0.1%
CAC 40	7,194.16	0.3%
DAX	15,912.33	0.6%
Nikkei 225	27,772.93	1.1%
Hang Seng	24,952.35	3.4%
Shanghai Composite	3,555.06	-0.1%
Sovereign bonds		
2-year Treasuries	1.02	-3pb
10-year Treasuries	1.80	-6pb
28-day Cetes	5.69	10pb
28-day TIIE	5.73	0pb
2-year Mbono	7.30	-4pb
10-year Mbono	7.67	-5pb
Currencies		
USD/MXN	20.54	0.1%
EUR/USD	1.13	-0.3%
GBP/USD	1.36	-0.1%
DX-Y	95.74	0.2%
Commodities		
WTI	86.90	-0.1%
Brent	88.38	-0.1%
Mexican mix	81.09	0.0%
Gold	1,839.29	-0.1%
Copper	458.25	2.5%

Source: Bloomberg

Corporate Debt

- Early partial amortization of UNIRECB 19 (Unirenta's ABS) for next January 28 for MXN28.9 million. It currently has an outstanding amount of MXN86 million (Nominal Value: MXN14.3009) and is rated 'mxAAA' and 'HR AAA' by S&P Global Ratings and HR Ratings
- S&P Global Ratings upgraded CPEXACB 16U (FF of the Perote-Xalapa highway / subordinated series) rating to 'mxA-' from 'mxBBB+' and modified the outlook to Stable from Positive. According to the agency, the rapid recovery in traffic levels on the Perote-Xalapa highway in 2021, driven by double-digit growth in heavy traffic due to its strategic location given its proximity to the Veracruz's harbor, translated into higher-than-expected distributions of remainders to the subordinate series

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