

Financial Markets Daily

January 28, 2022

Main drivers for the financial markets today...

- **Stock markets lower except for Japan, government bond yields mixed and USD higher, with investors trying to elucidate economic growth prospects against the Fed's tightening stance in a bid to contain inflation. Moreover, there were uneven signals on earnings results, with Apple beating estimates after reporting record sales**
- **Investors watching the PCE core deflator, personal income and spending (Dec), final University of Michigan confidence (Jan) and US corporate reports. In Mexico, the public finance report (Dec). Moreover, monetary policy decision in Colombia**
- **Russia's Foreign Minister, Sergei Lavrov, said that the US proposal to reduce tensions in Ukraine has some "rational elements", despite not addressing other key issues. In this respect, the recent escalation tone seems to be moderating**
- **The Eurozone's economic confidence indicator fell to 112.7pts in January from 113.8pts previously, its lowest level in nine months. This result increases fears about a new recession, heightened also by Germany's 4Q21 preliminary GDP, which contracted 0.7% q/q**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted by
Refinitiv





The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	GER Gross domestic product* - 4Q21 (P)	% q/q	--	-0.4	1.7
4:00	EZ Monetary aggregates (M3)* - Dec	% y/y	--	6.8	7.3
5:00	EZ Economic confidence* - Jan	index	--	114.5	115.3
5:00	EZ Consumer confidence - Jan (F)	index	--	--	-8.5
<i>Brazil</i>					
7:00	Unemployment rate - Nov	%	--	11.7	12.1
<i>United States</i>					
8:30	Personal income* - Dec	% m/m	--	0.5	0.4
8:30	Personal spending* - Dec	% m/m	--	-0.6	0.6
8:30	Real personal spending* - Dec	% m/m	--	-1.1	0.0
8:30	PCE Deflator* - Dec	% m/m	--	0.4	0.6
8:30	Core* - Dec	% m/m	--	0.5	0.5
8:30	PCE Deflator - Dec	% y/y	--	5.8	5.7
8:30	Core - Dec	% y/y	--	4.8	4.7
10:00	U. of Michigan confidence* - Jan (F)	index	68.8	68.8	68.8
<i>Colombia</i>					
13:00	Monetary policy decision (BanRep)	%	--	3.75	3.00

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	4,296.50	-0.4%
Euro Stoxx 50	4,099.89	-2.0%
Nikkei 225	26,717.34	2.1%
Shanghai Composite	3,361.44	-1.0%
<i>Currencies</i>		
USD/MXN	20.83	0.4%
EUR/USD	1.11	-0.1%
DX	97.35	0.1%
<i>Commodities</i>		
WTI	87.43	0.9%
Brent	90.26	1.0%
Gold	1,788.23	-0.5%
Copper	436.30	-1.4%
<i>Sovereign bonds</i>		
10-year Treasury	1.84	4pb

Source: Bloomberg

Equities

- We conclude the week with widespread declines in stock markets, as investors continue to digest a more aggressive rate hike expectation from the Fed and mixed signals in corporate earnings, with Apple beating expectations
- As such, futures in the US anticipate a negative opening, with the S&P500 trading 0.4% below its theoretical value. Asia closed in the red, with Japan being the exception and the Nikkei which advanced 2.1%. Europe trades with generalized falls, above 1.5%, with the technology and auto sectors showing the major declines
- Today 10 companies from S&P500 are expected to release its figures, including Caterpillar, Charter Communications, Chevron, Colgate-Palmolive and Phillips. At the moment, ~32% of the companies of the S&P500 have reported and a 25.7% vs 19.5% increase in earnings has been achieved. Positive surprises rate stands at 77.9%

Sovereign fixed income, currencies and commodities

- The negative bias in sovereign bonds prevails, with European assets registering losses of up to 6bps, while the US Treasuries yield curve loses 4bps. In Mexico, yesterday the Mbonos' curve ended with pressures of 8bps on average, with greater emphasis on the short-end, and the 10-year benchmark closed at 7.71% (+7bps)
- The dollar trades with slight gains (DXY +0.1%) while G-10 currencies record a negative bias with AUD (-0.7%) as the weakest. In EM, performance is mixed, ZAR (-0.8%) leads losses while USD/MXN trades at 20.84 (-0.4%) breaking the 50-day MA (20.81)
- Crude oil prices advance 0.8% with Brent trading above 90 \$/bbl as the perspective of recovery in demand and concerns over geopolitical tensions remain. In metals, gold falls 0.5% to 1,787 \$/t oz and industrials trade in negative territory

Corporate Debt

- Fitch Ratings downgraded Credito Real's Long-Term Issuer Default Rating (IDRs) to 'B-' from 'BB-' and the LT national scale ratings to 'B(mex)' from 'A-(mex)'. These ratings were maintained on Rating Watch Negative. The downgrade reflects Credito Real's slower-than-anticipated progress in its funding and liquidity plans to address the upcoming CHF170 million due on Feb 9, 2022
- Mexarrend and Zinobe announced an agreement to merge and create Tengelo, a tech company specialized in helping companies in the region to build and scale digital credit solutions for consumers and SMEs through proprietary technology and advanced risk management tools

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,160.78	0.0%
S&P 500	4,326.51	-0.5%
Nasdaq	13,352.78	-1.4%
IPC	50,466.02	-1.1%
Ibovespa	112,611.70	1.2%
Euro Stoxx 50	4,184.97	0.5%
FTSE 100	7,554.31	1.1%
CAC 40	7,023.80	0.6%
DAX	15,524.27	0.4%
Nikkei 225	26,170.30	-3.1%
Hang Seng	23,807.00	-2.0%
Shanghai Composite	3,394.25	-1.8%
<i>Sovereign bonds</i>		
2-year Treasuries	1.19	4pb
10-year Treasuries	1.80	-6pb
28-day Cetes	5.70	17pb
28-day TIE	5.73	0pb
2-year Mbono	7.47	13pb
10-year Mbono	7.71	5pb
<i>Currencies</i>		
USD/MXN	20.76	0.1%
EUR/USD	1.11	-0.8%
GBP/USD	1.34	-0.6%
DXY	97.26	0.8%
<i>Commodities</i>		
WTI	86.61	-0.8%
Brent	89.34	-0.7%
Mexican mix	81.60	-0.6%
Gold	1,797.43	-1.2%
Copper	442.35	-2.0%

Source: Bloomberg

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 Luis García Casales, Yazmín Selene Pérez Enríquez, 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>
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