

Financial Markets Daily

January 31, 2022

Main drivers for the financial markets today...

- **Stock markets mixed, government bond yields higher and USD skewed to the downside. Investors are bracing for more rate hikes by the Fed amid expensive valuations but resilient corporate earnings, a deceleration of growth because of the virus and high geopolitical tensions between Russia and NATO**
- **In China, January PMIs declined modestly, with the composite indicator at 51.0pts from 52.2pts previously. In the Eurozone, 4Q21 GDP stood at 0.3% q/q, with full-year growth at 5.2%**
- **This week, market focus on US employment for January as fears mount of an economic slowdown. Policy decisions by the ECB, BoE, Brazil and Australia, among others. In addition, the hearings of Raskin, Cook, and Jefferson as next Fed Governors. Moreover, the earnings season will continue at an accelerated pace**
- **The meeting between Vladimir Putin and Xi Jinping will be relevant as geopolitical tensions increase. OPEC+ will meet to discuss production plans**
- **US data also includes durable goods and factory orders (Dec), ADP employment, ISM indicators (Jan), and weekly jobless claims**
- **In other regions, we note the unemployment rate, retail sales (Dec) and inflation (Jan) in the Eurozone, as well as industrial production (Dec) in Brazil**
- **In Mexico, preliminary 4Q21 GDP stood at -0.1% q/q (+1.0% y/y), slightly above consensus. Upcoming data includes gross fixed investment and private consumption (Nov), banking credit, remittances (Dec), consumer confidence, IMEF indicators (Jan) and expectations' surveys from the banking sector and Banxico. The ordinary session of Congress will begin on Tuesday**

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.macal@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

Winners of the award for best economic
forecasters for Mexico in 2021, granted by
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	EZ Gross domestic product - 4Q21 (P)	% y/y	--	4.6	3.9
5:00	EZ Gross domestic product* - 4Q21 (P)	% q/q	--	0.4	2.2
8:00	GER Consumer prices - Jan (P)	% y/y	--	4.3	5.7
<i>Mexico</i>					
7:00	Gross domestic product - 4Q21 (P)	% y/y	0.9	1.6	4.5
7:00	Gross domestic product* - 4Q21 (P)	% t/t	-0.1	-0.4	-0.4
10:00	Banking credit - Dec	% y/y	-3.7	--	-4.6
<i>United States</i>					
11:30	Fed's Daily Speaks at Reuters Live Event				

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	4,416.75	-0.1%
Euro Stoxx 50	4,146.19	0.2%
Nikkei 225	27,001.98	1.1%
Shanghai Composite	3,361.44	0.0%
<i>Currencies</i>		
USD/MXN	20.83	0.1%
EUR/USD	1.12	0.1%
DX	97.14	-0.1%
<i>Commodities</i>		
WTI	87.16	0.4%
Brent	91.02	1.1%
Gold	1,791.85	0.0%
Copper	434.50	0.8%
<i>Sovereign bonds</i>		
10-year Treasury	1.79	2pb

Source: Bloomberg



Equities

- **We expect volatility to continue today. We see mixed adjustments in the main stock indices, with attention on corporate results whose earnings growth could help offset the view of higher rates**
- **Nonetheless, US futures anticipate a negative opening, with the S&P500 trading 0.1% below its theoretical value, while rotation into sectors and markets with more attractive valuations continues**
- **In Asia we observed mixed closes, highlighting the rise of Japan's Nikkei of 1.1%, while stock markets in China remain closed for the Lunar New Year Holiday. Meanwhile, Europe trades with almost widespread gains**
- **This week the results of 111 S&P500 companies are expected, with special focus on Alphabet, Amazon, Exxon. Nevertheless, today we will only have 5 reports of lesser relevance**

Sovereign fixed income, currencies and commodities

- **Negative balance in global sovereign rates, with European securities adjusting +3bps. Moreover, US Treasuries print 2bps losses at the long end of the yield curve and adjustments of up to +3bps in the 2-year benchmark. In Mexico, the Mbonos' yield curve closed last week with a flattening bias**
- **USD trades with a negative bias amid mixed performance in G10. In this group, AUD (+0.8%) and JPY (-0.3%) stand at the extremes. In EM, the skew is positive with RUB (+1.3%) as the strongest. In addition, USD/MXN trades at 20.83 per dollar (+0.1%), after a 1.6% weekly peso depreciation**
- **Crude-oil hits fresh 7-year highs, with investors' attention to the next OPEC+ Ministerial Meeting on Wednesday, where no change in output strategy is expected. Favorable performance in base metals (+0.5%) and gold stable at 1,792 \$/oz t**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,725.47	1.7%
S&P 500	4,431.85	2.4%
Nasdaq	13,770.57	3.1%
IPC	50,661.86	0.4%
Ibovespa	111,910.10	-0.6%
Euro Stoxx 50	4,136.91	-1.1%
FTSE 100	7,466.07	-1.2%
CAC 40	6,965.88	-0.8%
DAX	15,318.95	-1.3%
Nikkei 225	26,717.34	2.1%
Hang Seng	23,550.08	-1.1%
Shanghai Composite	3,361.44	-1.0%
<i>Sovereign bonds</i>		
2-year Treasuries	1.16	-3pb
10-year Treasuries	1.77	-3pb
28-day Cetes	5.73	3pb
28-day TIIE	5.73	0pb
2-year Mbono	7.48	0pb
10-year Mbono	7.70	-1pb
<i>Currencies</i>		
USD/MXN	20.81	0.2%
EUR/USD	1.12	0.1%
GBP/USD	1.34	0.1%
DX	97.27	0.0%
<i>Commodities</i>		
WTI	86.82	0.2%
Brent	90.03	0.8%
Mexican mix	81.81	0.3%
Gold	1,791.53	-0.3%
Copper	431.00	-2.6%

Source: Bloomberg

Corporate Debt

- **This week we expect the first auctions of long-term bonds in the local market. In corporate debt, we expect the first tap issue for GM Financial de Mexico's unsecured bond, GMFIN 21, for up to MXN 1.0 billion; in the banking market, we expect the tap issue for the Foreign Trade Bank of Latin America's bond, BLADEX 21, for up to MXN 1.0 billion**
- **HR Ratings affirmed FEFA's ratings at 'HR AAA' with a Stable outlook and at 'HR+1' for the short-term. The ratification is based on the implicit backing the fund has by the Federal Government, being an essential component around the agricultural sector for the achievement federal goals**

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, Yazmin 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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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 - 4000x.
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
Yazmin Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
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 Thalia 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.a.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
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
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
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899