

Financial Markets Daily

February 1, 2022

Main drivers for the financial markets today...

- **Positive stock markets, with Asia closed, and the S&P Futures down, while government bond yields and USD are down, with investors assimilating comments from Fed members noting that the monetary policy adjustment will not cause unnecessary disruptions in the economy, as well as positive corporate earnings results**
- **Yesterday San Francisco's Fed president, Mary Daly, said the central bank could raise interest rates as early as March to fight high inflation, but she cautioned against overreacting and tightening policy too quickly. She stressed that the Fed is not "behind the curve", and explained that decisions must be data dependent, but they have to be gradual and not disruptive**
- **Regarding economic figures, the attention is on the PMI's indicators in different regions. Meanwhile, in the US, the manufacturing ISM will be published. We estimate it will stand at 57.5pts in the first month of the year, below the 58.8pts at the end of 2021. This in a context where manufacturing is being affected by the spike in the number of omicron infections, while supply chain disruptions continue**
- **In Mexico, all eyes are on IMEF indicators, December's remittances report, and in Banxico's economist survey. In addition, the ordinary session of Congress will begin today**

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
Refinitiv



 www.banorte.com
 @analisis_fundam

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Unemployment rate* - Dec	%	--	7.1	7.2
United States					
9:45	Manufacturing PMI (Markit)* - Jan (F)	index	55.0	55.0	55.0
10:00	ISM manufacturing* - Jan	index	57.5	57.6	58.8
12:00	Total vehicle sales** - Jan	thousands	--	12.7	12.4
Mexico					
10:00	Family remittances - Dec	US\$m	4,789.2	4,800.0	4,665.2
10:00	International reserves - Jan 28	US\$bn	--	--	202.0
10:00	Survey of expectations (Banxico)				
11:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 10-year Mbono (May'31); 30-year Udibono (Nov'50) and 1-, 2-, 3-, and 5-year Bondes F				
13:00	PMI manufacturing (IMEF)* - Jan	index	50.6	--	52.6
13:00	PMI non-manufacturing (IMEF)* - Jan	index	49.4	--	52.6

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	4,499.25	-0.1%
Euro Stoxx 50	4,221.99	1.1%
Nikkei 225	27,078.48	0.3%
Shanghai Composite	3,361.44	0.0%
Currencies		
USD/MXN	20.52	-0.6%
EUR/USD	1.13	0.2%
DX	96.35	-0.2%
Commodities		
WTI	87.68	-0.5%
Brent	88.82	-2.6%
Gold	1,805.65	0.5%
Copper	438.60	1.4%
Sovereign bonds		
10-year Treasury	1.75	-3pb

Source: Bloomberg

Equities

- **Positive bias in equity markets as investors assess comments from Fed's members that the interest rate hike cycle will be at a pace that does not derail the economy, while the flow of corporate earnings continues, which has been positive so far**
- **In Asia the markets closed positive. There were no operations in China, Hong Kong, South Korea, and Singapore due to a holiday. In Europe stocks rise, the Euro Stoxx adds 1.1%. On the other hand, in the US the futures of main indices are mixed and show little change**
- **On the corporate front, out of the 24 S&P 500 companies scheduled to report today, 9 have already updated investors with most outperforming estimates, including Exxon Mobil and United Parcel Service. Furthermore, Alphabet, PayPal, and Starbucks will publish their figures after the market closes**

Sovereign fixed income, currencies and commodities

- **Positive balance in sovereign bonds, with -2bps adjustments in European assets while US Treasuries print gains of up to 4bps in the long-end of the yield curve. In local terms, the Mbonos' curve closed yesterday with gains of 3bps, on average, with the 10-year benchmark closing at 7.67% (-2bps)**
- **The dollar weakened amid widespread gains for developed currencies. In EM, positive bias dominates with ZAR (+1.0%) leading gains. Moreover, the Mexican peso appreciates 0.6% to 20.52 per dollar, after gains of 0.8% yesterday, trading as the third strongest currency**
- **Crude oil prices moderates the recent rally, although it remains at levels close to 7-year highs. The market's attention is on the next OPEC+ Ministerial Meeting tomorrow, where no changes in the output strategy are expected. Positive performance in metals**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,131.86	1.2%
S&P 500	4,515.55	1.9%
Nasdaq	14,239.88	3.4%
IPC	51,330.86	1.3%
Ibovespa	112,143.50	0.2%
Euro Stoxx 50	4,174.60	0.9%
FTSE 100	7,464.37	0.0%
CAC 40	6,999.20	0.5%
DAX	15,471.20	1.0%
Nikkei 225	27,001.98	1.1%
Hang Seng	23,802.26	1.1%
Shanghai Composite	3,361.44	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	1.18	2pb
10-year Treasuries	1.78	1pb
28-day Cetes	5.81	8pb
28-day TIIE	5.74	0pb
2-year Mbono	7.47	0pb
10-year Mbono	7.68	-2pb
<i>Currencies</i>		
USD/MXN	20.64	-0.8%
EUR/USD	1.12	0.8%
GBP/USD	1.34	0.3%
DX	96.54	-0.8%
<i>Commodities</i>		
WTI	88.15	1.5%
Brent	91.21	1.3%
Mexican mix	83.11	1.6%
Gold	1,797.17	0.3%
Copper	432.45	0.3%

Source: Bloomberg

Corporate Debt

- **In the banking bond market, today a tap issue for BLADDEX 21, from the Foreign Trade Bank of Latin America, is expected for a target amount of MXN1 billion (max. MXN3 billion)**
- **Fitch Ratings revised IDB Invest's long-term IDR outlook to Stable from Negative and affirmed it at 'AAA'. According to the agency, the outlook revision is driven by stronger-than-expected asset performance and reduced downside risks to IDB Invest's capitalization metrics**
- **IDB Invest is part of the multilateral bank Inter-American Development Bank and currently has three issuances in the local debt market, BIDINV 1-19 / 1-20 / 1-21G, which have an outstanding amount of MXN 6 billion**

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, Carlos Hernández García, Paola Soto Leal, 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	<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

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 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
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x

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
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