

# Financial Markets Daily

February 16, 2022

## Main drivers for the financial markets today...

- **Mixed stock markets, while government bond yields & USD are down with investors assessing risks related to geopolitical tensions in Ukraine, as Russia has yet to begin troop withdrawals, and the impact of inflation on central bank decisions**
- **Attention on the FOMC's last meeting minutes, where we expect a very *hawkish* tone. Markets are looking for clues about the size of the interest rate hike at the March meeting, as well as plans to reduce the balance sheet. On this front, today's agenda also includes a speech by Neel Kashkari of the Minneapolis Fed**
- **Regarding economic figures, in the US the reports on retail sales and industrial production for the first month of the year will be released. We estimate a 1.2% m/m advance in total sales. In the control group –which excludes cars, gasoline, food services and construction materials– we expect a 0.9% m/m increase. For manufacturing production, we estimate +0.3% m/m and 0.4% m/m in all industrial activity**
- **Meanwhile, in the United Kingdom, January inflation was announced at -0.1% m/m, with which the annual variation stood at 5.5% from 5.4%, well above the central bank's target and after two hikes at the reference rate**

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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 and UK</i>					
2:00	UK Consumer prices - Jan	% y/y	--	4.9	4.8
2:00	Core - Jan	% y/y	--	4.3	4.2
5:00	EZ Industrial production* - Dec	% m/m	--	0.3	2.3
<i>United States</i>					
8:30	Advance retail sales* - Jan	% m/m	1.2	2.0	-1.9
8:30	Ex autos & gas* - Jan	% m/m	--	1.0	-2.5
8:30	Control Group* - Jan	% m/m	0.9	1.4	-3.1
9:15	Industrial production* - Jan	% m/m	0.4	0.4	-0.1
9:15	Manufacturing production* - Jan	% m/m	0.3	0.3	-0.3
14:00	FOMC Meeting Minutes				

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	4,454.50	-0.2%
Euro Stoxx 50	4,143.32	0.0%
Nikkei 225	27,460.40	2.2%
Shanghai Composite	3,465.83	0.6%
<i>Currencies</i>		
USD/MXN	20.38	-0.1%
EUR/USD	1.14	0.1%
DX	95.86	-0.1%
<i>Commodities</i>		
WTI	93.39	1.4%
Brent	94.77	1.6%
Gold	1,854.09	0.0%
Copper	455.25	0.5%
<i>Sovereign bonds</i>		
10-year Treasury	2.03	-1pb

Source: Bloomberg

## Equities

- **Stock markets mixed, reflecting caution among investors who remain uneasy about geopolitical tensions in Ukraine and try to assess the impact of persistently high inflation on the monetary policy decisions of different central banks**
- **Futures in the US show marginal movements and no clear trend, with the S&P500 trading 0.2% below its fair value. Asia closed with almost widespread gains, with the Nikkei advancing 2.2%. Europe trades mixed, with the FTSE adjusting 0.2% following a surprise rise in UK's inflation**
- **Today 22 companies from the S&P500 will release its figures, standing out AIG, Cisco, Kraft, Marathon Oil and Nvidia. In Mexico, yesterday Alfa reported, in line with expectations, and with growth mainly supported by the figures in Alpek that continue to reflect solid earnings and financial strength. Today we expect Walmex's results after the markets' close**

## Sovereign fixed income, currencies and commodities

- **Positive performance in government rates with European assets gaining 1-2bps, while the US Treasuries yield curve also recorded gains of the same magnitude. Yesterday, the Mbonos' curve recorded a slight flattening, with pressures in the short- and mid-end and gains in longer maturities**
- **The dollar weakens (DXY -0.2%) allowing gains in most G-10 currencies, with AUD (+0.4%) leading the advances. Positive bias also dominates in the EM group with RUB (+0.7%) the strongest and HUF (-0.3%) at the opposite end. USD/MXN trades at 20.35 representing an appreciation of 0.2% and extends yesterday's gains**
- **Crude oil prices are higher as risks to energy supply in Europe continue and await EIA inventories. Industrial metals are positive and gold prices are little changed**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,988.84	1.2%
S&P 500	4,471.07	1.6%
Nasdaq	14,139.76	2.5%
IPC	53,210.94	1.7%
Ibovespa	114,828.20	0.8%
Euro Stoxx 50	4,143.71	2.0%
FTSE 100	7,608.92	1.0%
CAC 40	6,979.97	1.9%
DAX	15,412.71	2.0%
Nikkei 225	26,865.19	-0.8%
Hang Seng	24,355.71	-0.8%
Shanghai Composite	3,446.09	0.5%
<i>Sovereign bonds</i>		
2-year Treasuries	1.58	0pb
10-year Treasuries	2.04	6pb
28-day Cetes	5.95	-11pb
28-day TIE	6.23	1pb
2-year Mbono	7.82	2pb
10-year Mbono	7.83	0pb
<i>Currencies</i>		
USD/MXN	20.40	-0.1%
EUR/USD	1.14	0.5%
GBP/USD	1.35	0.1%
DXY	95.99	-0.4%
<i>Commodities</i>		
WTI	92.07	-3.6%
Brent	93.28	-3.3%
Mexican mix	86.21	-3.2%
Gold	1,853.61	-0.9%
Copper	453.60	0.6%

Source: Bloomberg

## Corporate Debt

- **HR Ratings affirmed the ratings for issuance CPEXACB 16U at 'HR AA- (E)' and changed the outlook to Positive from Stable, as a result of the stress level the payment source can withstand, equal to an Annualised Stress Rate of 1.72%**
- **S&P Global Ratings assigned 'mxAA+' ratings for Navistar Financial's proposed unsecured notes, NAVISTS 22 / 22-2, for up to MXN 2.0 billion, which reflect the support from its holding company**
- **HR Ratings affirmed the ratings for issuances TIPMXCB 20 / 20-2 at 'HR AAA (E)' with a Stable outlook, based on a Maximum Default the structure can hold in the stress scenario of 21.0% and a Historic Default Rate of 2.2%**

## Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, 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, Daniela Olea Suarez, 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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	Reference
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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