

Financial Markets Daily

February 18, 2022

Main drivers for the financial markets today...

- **Stock markets and government bond yields mixed, while the dollar is little changed. Concerns about geopolitical tensions wane on planned talks between Russia and the US on Ukraine. Moreover, attention remains focused on the possibility of a more aggressive withdrawal of monetary stimulus, especially by the Fed**
- **Investors watching January's existing home sales and leading indicators in the US, as well as speeches by Evans, Waller, Williams and Brainard from the Fed. On the other hand, today concludes the G20 finance ministers and central bankers meeting in Indonesia**
- **The US Senate approved a bill to avert a new government shutdown today, providing three more weeks to legislators to finish a funding plan for the full fiscal year**
- **According to Peter Kazimir, member of the ECB's Governing Council, the central bank should end its asset purchases program during the summer, albeit also increasing their flexibility on rate hike plans. This comment suggests an increasing consensus about the need to start tapering**
- **Moreover, James Bullard from the Fed reiterated his hawkish stance, saying that the central bank may need to increase the reference rate above the estimated level of neutrality to contain rising inflation**
- **In Mexico, January's Timely Indicator of Economic Activity estimates a 0.1% m/m economic decline (+0.7% y/y). By sectors, INEGI anticipates industry weakness (-0.4% m/m) and services unchanged (0.0%), likely affected by a renewed impact from the latest COVID-19 wave**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	Current account* - Dec	EURbn	--	--	23.6
10:00	Consumer confidence* - Feb (P)	index	--	-8.0	-8.5
<i>Mexico</i>					
7:00	Timely Indicator of Economic Activity* - Jan	% y/y	--	--	-0.2
<i>United States</i>					
10:00	Existing home sales** - Jan	millions	--	6.1	6.2
10:45	Fed's Evans and Waller take part in policy panel at Chicago Booth				
11:00	Fed's Williams discusses economic outlook				

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	4,396.00	0.5%
Euro Stoxx 50	4,112.52	0.0%
Nikkei 225	27,122.07	-0.4%
Shanghai Composite	3,490.76	0.7%
<i>Currencies</i>		
USD/MXN	20.29	0.0%
EUR/USD	1.14	0.0%
DX	95.82	0.0%
<i>Commodities</i>		
WTI	90.07	-1.8%
Brent	91.32	-1.8%
Gold	1,891.68	-0.4%
Copper	454.30	0.4%
<i>Sovereign bonds</i>		
10-year Treasury	1.97	0pb

Source: Bloomberg

Equities

- **Stock markets conclude the week with mixed movements, as concerns about geopolitical tensions around Ukraine seem to ease a bit**
- **Futures in the US anticipate a positive opening, with the S&P500 trading 0.5% above its theoretical value, on cheap stock buying after yesterday's declines. Though, Chinese stocks listed in the US are declining after authorities in Beijing ruled new rules on fees on food delivery platforms. In Asia we observed mixed closes, highlighting the fall of the Hang Seng of 1.9%. Europe trades with almost widespread gains, even though the energy sector is under pressure**
- **We already have ~82% of the results of companies in the S&P500 and a 27.9% vs 19.5% increase in earnings has been achieved. The positive surprises rate stands at 77.6%. Today only Deere & Co and PPL Corp will release its figures**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds, with European assets adjusting between +/-3bps, while US Treasuries post 1bp pressures, concentrated in the short-end. Yesterday, the Mbonos' curve steepened with 3bps gains on the short-end and 2bps pressure on longer maturities. The 10-year benchmark closed at 7.80%, unchanged**
- **The dollar trades with few changes (DXY +0.1%) as most G-10 currencies post gains, except JPY (-0.2%) as risk aversion wanes. In the EM group, performance is mixed with INR (+0.6%) and ZAR (-0.4%) at the ends. The USD/MXN oscillates in a narrow range at 20.29, which represents a marginal variation**
- **Crude oil prices fall 1.6% as geopolitical tensions in Europe ease and with the possibility of Iran reentering the oil market. In metals, the negative bias prevails, except for copper (+0.4%)**

Corporate Debt

- **Genera informed that its subsidiary in Peru, Compartamos Financiera, placed the amount of 40.7 million soles (approximately MXN 220 million), through a public issuance in the Peruvian debt market. The issuance will have a 1-year term, with a 5.5% rate and had a demand of 2.9x**
- **HR Ratings affirmed TV Azteca's issuer ratings at 'HR DS', and the debt ratings of its Senior Notes at 'HR D (G)', and its unsecured note AZTECA 17 at 'HR C-'. Also, the agency affirmed the Under-Review status. The company hasn't made the last three coupon payments of its Senior Notes for an accumulated amount of US\$49.5 million**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,312.03	-1.8%
S&P 500	4,380.26	-2.1%
Nasdaq	13,716.72	-2.9%
IPC	52,712.05	-1.8%
Ibovespa	113,528.50	-1.4%
Euro Stoxx 50	4,113.19	-0.6%
FTSE 100	7,537.37	-0.9%
CAC 40	6,946.82	-0.3%
DAX	15,267.63	-0.7%
Nikkei 225	27,232.87	-0.8%
Hang Seng	24,792.77	0.3%
Shanghai Composite	3,468.04	0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	1.47	-5pb
10-year Treasuries	1.96	-8pb
28-day Cetes	6.03	5pb
28-day TIIE	6.23	0pb
2-year Mbono	7.70	-7pb
10-year Mbono	7.80	0pb
<i>Currencies</i>		
USD/MXN	20.30	0.1%
EUR/USD	1.14	-0.1%
GBP/USD	1.36	0.2%
DXY	95.80	0.1%
<i>Commodities</i>		
WTI	91.76	-2.0%
Brent	92.97	-1.9%
Mexican mix	85.72	-2.0%
Gold	1,898.43	1.5%
Copper	452.80	-0.3%

Source: Bloomberg

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, Yazmin 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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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