

# Financial Markets Daily

February 24, 2022

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

- **Negative stock markets and government bond yields down, while the USD, gold and oil are up amid an escalation of geopolitical tensions in Europe, after Russia began a military attack in some strategic areas in Ukraine. Investors are waiting for the reaction of the US and NATO countries. Biden and the G7 will have a call today to discuss the situation, while the European Union will hold a summit to prepare massive sanctions. This situation has also increased uncertainty around its negative effect on economic recovery and inflationary pressures in the world, further complicating central banks decisions**
- **Markets will focus on comments from Fed members Barkin, Bostic, Mester and Waller, while regarding economic figures, in the US the revision to the GDP for 4Q21 will be released**
- **In Mexico, attention on Banxico's last meeting minutes. Regarding economic figures, INEGI published 1H-February's inflation at 0.42% 2w/2w, once again surprising higher. The core came in at 0.43% 2w/2w, reflecting high pressures. With these results, annual inflation came in at 7.22% (previous: 7.01%), with the core at 6.52% (previous: 6.30%). INEGI also released December's retail sales, down 0.4% m/m (4.9% y/y), surprising higher. Inside, we highlight mixed performance, albeit with relevant declines in appliances and computers (-4.8% m/m) and supermarket and departmental stores (-2.6%)**

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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>Mexico</i>					
7:00	Consumer prices - Feb 15	% 2w/2w	0.37	0.40	0.39
7:00	Core - Feb 15	% 2w/2w	0.39	0.35	0.35
7:00	Consumer prices - Feb 15	% y/y	7.17	7.20	7.01
7:00	Core - Feb 15	% y/y	6.48	6.44	6.30
7:00	Retail sales - Dec	% y/y	6.3	--	5.4
7:00	Retail sales* - Dec	% m/m	0.3	--	0.9
10:00	Banxico's minutes				
<i>United States</i>					
8:30	Initial jobless claims* - Feb 19	thousands	235	235	248
8:30	Gross domestic product** - 4Q21	% q/q	6.8	7.0	6.9
8:30	Personal consumption** - 4Q21	% q/q	3.1	3.4	3.3
9:00	Fed's Barkin speaks on the economic outlook				
10:00	New home sales** - Jan	thousands	--	805	811
11:10	Fed's Bostic Discusses Banking in a Digital Era				
12:00	Fed's Mester Speaks on Economic and Policy Outlook				
20:00	Fed's Waller discusses the 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	4,120.00	-2.4%
Euro Stoxx 50	3,769.77	-5.1%
Nikkei 225	25,970.82	-1.8%
Shanghai Composite	3,429.96	-1.7%
<i>Currencies</i>		
USD/MXN	20.52	1.4%
EUR/USD	1.12	-1.2%
DXY	97.11	1.0%
<i>Commodities</i>		
WTI	99.35	7.9%
Brent	104.91	8.3%
Gold	1,963.58	2.9%
Copper	452.30	0.9%
<i>Sovereign bonds</i>		
10-year Treasury	1.86	-13pb

Source: Bloomberg

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## Equities

- **Negative returns in equity markets, reflecting strong risk aversion among investors due to escalating geopolitical tensions after Russia approved military operations in Ukraine**
- **We expect a session marked by high volatility. US futures trade lower, with the S&P500 falling 2.4%. Asia closed in red numbers, while in Europe the sentiment is similar, with the Eurostoxx sinking 4.6%**
- **On the corporate front, today 22 companies from the S&P500 will report their figures. In Mexico, Gentera's figures and its guidance exceeded expectations; Lab showed a positive report with profitability expansion; Lacomer reported solid revenue growth but margin pressures; and Orbia posted positive results, highlighting Vestolit and a favorable environment for PVC prices, although with slight pressure on profitability. We will be attentive to the reports of Alsea, Asur, Kof, Tlevisa, and Volar**

## Sovereign fixed income, currencies and commodities

- **Widespread gains in sovereign bonds amid strong demand for safe haven assets, European assets register gains of up to 11bps while the US treasury yield curve shows a similar rally. The 10-year benchmark trades at 1.86% (-13bps)**
- **The dollar strengthens (DXY +1.0%) amid negative performance in developed currencies, where SEK (-1.9%) is the weakest. In the EM group the dynamics are similar, with TRY(-5.4%) leading the losses. The Mexican peso depreciated 0.9% to 20.42 per dollar**
- **Crude oil prices surpass the 100 \$/bbl barrier due to geopolitical tensions and concerns about a disruption of supply chains with inventories at low levels. Gold rises 2.3% to 1,953 \$/t oz as another asset considered safe-haven**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,131.76	-1.4%
S&P 500	4,225.50	-1.8%
Nasdaq	13,037.49	-2.6%
IPC	51,362.95	-2.4%
Ibovespa	112,007.60	-0.8%
Euro Stoxx 50	3,973.41	-0.3%
FTSE 100	7,498.18	0.1%
CAC 40	6,780.67	-0.1%
DAX	14,631.36	-0.4%
Nikkei 225	26,449.61	0.0%
Hang Seng	23,660.28	0.6%
Shanghai Composite	3,489.15	0.9%
<i>Sovereign bonds</i>		
2-year Treasuries	1.60	5pb
10-year Treasuries	1.99	5pb
28-day Cetes	5.96	2pb
28-day TIIE	6.22	0pb
2-year Mbono	7.68	-1pb
10-year Mbono	7.87	3pb
<i>Currencies</i>		
USD/MXN	20.25	-0.3%
EUR/USD	1.13	-0.2%
GBP/USD	1.35	-0.3%
DXY	96.19	0.2%
<i>Commodities</i>		
WTI	92.10	-0.3%
Brent	96.84	0.0%
Mexican mix	88.53	0.1%
Gold	1,909.01	0.5%
Copper	448.85	-0.6%

Source: Bloomberg

## Corporate Debt

- **Fitch Ratings upgraded Ford Credit México's long-term rating to 'AA(mex)' from 'AA-(mex)'. Outlook is Stable. According to the agency, the rating upgrade is based on a favorable change in Fitch's assessment of the propensity of its ultimate holding company Ford Motor Company (FMC; 'BB+' /Stable) to provide support to FC Mexico**
- **S&P Global Ratings revised Naturgy Mexico's outlook to Negative; confirmed ratings at 'mxAA+'. According to the agency, the holding company Naturgy Energy Group S.A. ('BBB' /Rev. Esp. Negativa/A-2) announced its intention to split into two groups, one that would include the Spanish and Latin American electricity and gas network operations (NetworksCo), and a second group that would include the liquefied natural gas, thermal generation and renewables (MarketsCo)**

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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, 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
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>

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