

# Financial Markets Daily

February 28, 2022

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

- **Stock markets lower, government bond yields down and USD higher as demand for safe havens picks up due to the escalation of sanctions to Russia on the conflict in Ukraine. Among the measures, the central bank was suspended from using its reserves and some banks excluded from SWIFT**
- **In response, Russian authorities announced measures to protect its economy. Among them, the central bank hiked its reference rate more than double to 20%, some capital controls were imposed, and the ruble won't be allowed to breach a corridor. Oil, wheat, natural gas and palladium surged on fears of scarcity**
- **This week, market focus remains on the Ukraine conflict and countries' reactions. Joe Biden will deliver the State of the Union Address, Powell from the Fed will testify to Congress –along speeches from other members–, as well as nonfarm payrolls (Feb) in the US**
- **In other geopolitical events, OPEC+ will meet to discuss the situation in Ukraine and progress on the renovation of Iran's nuclear deal. In France, the final list of presidential candidates will be released, with the first round to be held on April 10**
- **In monetary policy, decisions in Australia, Canada, Malaysia and Hungary, among others. Moreover, Banxico's Quarterly Report, minutes from the ECB and the Fed's Beige Book**
- **In economic data, the US will publish factory orders, trade balance (Jan), ISM indicators, ADP employment and vehicle sales (Feb)**
- **In Mexico, January's unemployment rate stood at 3.62% from 3.83% in the previous month (sa). The agenda is full, including fixed investment and private consumption (Dec), banking credit, family remittances, public finance report (Jan) and IMEF PMIs (Feb)**

Alejandro Padilla Santana  
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*



**STARMINE AWARDS  
FOR REUTERS POLLS  
FROM REFINITIV**

 [www.banorte.com](http://www.banorte.com)  
 [@analisis\\_fundam](https://twitter.com/analisis_fundam)

## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Consumer prices - Jan (F)	% y/y	--	5.1	5.0
5:00	Core - Jan (F)	% y/y	--	2.3	2.3
<i>Brazil</i>					
7:00	Consumer prices - Feb	% 2w/2w	--	0.87	0.58
7:00	Consumer prices - Feb	% y/y	--	10.60	10.20
<i>South Korea</i>					
	Monetary policy decision (C. bank of South Korea)	%	--	1.25	1.25

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.
<i>Equity indices</i>		
S&P 500 Futures	4,316.00	-1.5%
Euro Stoxx 50	3,853.01	-3.0%
Nikkei 225	26,526.82	0.2%
Shanghai Composite	3,462.31	0.3%
<i>Currencies</i>		
USD/MXN	20.54	0.9%
EUR/USD	1.12	-0.7%
DX-Y	96.93	0.3%
<i>Commodities</i>		
WTI	95.70	4.5%
Brent	102.50	4.7%
Gold	1,907.85	1.0%
Copper	450.15	0.7%
<i>Sovereign bonds</i>		
10-year Treasury	1.91	-5pb

Source: Bloomberg

## Equities

- The week starts with negative movements in stock markets, while the situation in Ukraine and increased sanctions against Russia keep investors uneasy. The exception is Asia, where some indices closed with gains following last Friday's inertia
- Futures in the US anticipate a negative opening, with the S&P500 trading 1.5% below its theoretical value, reflecting significant profit-taking after Friday's rally. Europe trades in the same direction, with average falls of more than 2% and banks with exposure to Russia leading the declines, while defense and utilities are on the rise
- Today only 6 companies from the S&P500 will publish their figures. We already have Nielsen Holdings (above expectations) and Viatris (below expectations). In Mexico, today is the last day for companies to publish their 4Q21 figures. Main focus will be on Femsas and Pemex

## Sovereign fixed income, currencies and commodities

- Positive balance in sovereign rates due to greater demand for safe haven assets. European rates gain 4bps on average, while US Treasuries adjust up to -7bps in the 2-year benchmark. In Mexico, the Mbonos' yield curve registered an average 7bps sell off last week
- Higher risk aversion has strengthened the dollar (DXY +0.3%) with CHF (+0.3%) and JPY (+0.1%) also recording gains. Widespread losses in EM, with RUB (-15%) underperforming after sanctions to prevent the central bank from selling USD, EUR and JPY. Meanwhile, USD/MXN trades at 20.46 (-0.5%), after a 0.3% weekly depreciation
- Commodities soar, highlighting a surge of more than +4.0% in crude-oil prices amid more sanctions to isolate Russia after its invasion to Ukraine. Aluminum reaches new all-time highs, while nickel rebounds to 2011 levels. Gold trades at 1,908 \$/oz t (+1.0%), wheat increases 6.1% and corn rises 3.6%

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,058.75	2.5%
S&P 500	4,384.65	2.2%
Nasdaq	13,694.62	1.6%
IPC	52,555.60	2.1%
Ibovespa	113,141.90	1.4%
Euro Stoxx 50	3,970.69	3.7%
FTSE 100	7,489.46	3.9%
CAC 40	6,752.43	3.5%
DAX	14,567.23	3.7%
Nikkei 225	26,476.50	1.9%
Hang Seng	22,767.18	-0.6%
Shanghai Composite	3,451.41	0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	1.57	-1pb
10-year Treasuries	1.96	0pb
28-day Cetes	6.07	8pb
28-day TIE	6.23	1pb
2-year Mbono	7.67	-6pb
10-year Mbono	7.90	-3pb
<i>Currencies</i>		
USD/MXN	20.35	-1.0%
EUR/USD	1.13	0.7%
GBP/USD	1.34	0.2%
DXY	96.62	-0.5%
<i>Commodities</i>		
WTI	91.59	-1.3%
Brent	97.93	-1.2%
Mexican mix	88.81	-1.9%
Gold	1,889.34	-0.8%
Copper	448.50	0.5%

Source: Bloomberg

## Corporate Debt

- This week the auction of up to MXN 8 billion is expected through six bonds from Grupo Elektra, FEFA and Unirenta. In March we expect a greater dynamism in placements, driven by a high number of expected maturities (MXN 16.8 billion) as well as auctions postponed from previous months
- S&P Global Ratings downgraded Demex's issue rating, DMXI 15, to 'mxCCC+' from 'mxBBB+'. The outlook remains Negative. According to the agency, the project experienced a considerable drop in power generation during 2020 and 2021, as a result of a lower availability of wind resources
- Grupo Radio Centro announced that it will carry out a partial amortization in advance of its RCENTRO 16 / 17 / 17-2 issuances for MXN 10 million on March

## 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, Gerardo Daniel Valle Trujillo and Isaías Rodríguez Sobrino, 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
<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>

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.*

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 2611
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
Yazmín 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
Isaías Rodríguez Sobrino	Analyst, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
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 2755
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
Economic Studies			
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
Daniela Olea Suarez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	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.cebaldos@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