

Financial Markets Daily

March 4, 2022

Main drivers for the financial markets today...

- **Stock markets lower, government bond yields to the downside and USD stronger as Russia's military actions in Ukraine escalate after the shelling and seized control of Europe's largest nuclear plant, Zaporizhzhia. A fire broke in said plant that has already been controlled, exacerbating risk aversion**
- **Investor focus on February's nonfarm payrolls in the US, looking for signals about the Fed's monetary policy given increasing concerns about the impact of the rise in commodity prices on inflation and growth**
- **The US administration is not looking to ban oil imports from Russia, despite Congress introducing a bipartisan bill in this regard. The White House press secretary, Jen Psaki, warned that this measure would have a global impact and raise gasoline prices at the country**
- **The possibility of further sanctions remains alive. The European Union is looking into ways of stripping Russia from its "Most Favored Nation" status at the WTO. This measure would allow the introduction of tariffs to Russian exports towards the region**
- **In Mexico, December's gross fixed investment and private consumption grew 1.2% and 1.5% m/m, respectively, with a better-than-expected performance. In the former, we highlight the rebound in domestic machinery and equipment, while imported goods led the move higher in the latter**

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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</i>					
5:00	Retail sales* - Jan	% m/m	--	1.5	-3.0
<i>Brazil</i>					
7:00	Gross domestic product - 4Q21	% y/y	--	1.1	4.0
7:00	Gross domestic product* - 4Q21	% q/q	--	0.1	-0.1
7:00	Gross domestic product - 2021	% y/y	--	4.5	3.9
<i>Mexico</i>					
7:00	Gross fixed investment - Dec	% y/y	5.4	5.1	5.9
7:00	Gross fixed investment* - Dec	% m/m	-0.1	--	-0.1
7:00	Private consumption - Dec	% y/y	0.0	--	7.5
7:00	Private consumption* - Dec	% m/m	0.0	--	0.7
<i>United States</i>					
8:30	Nonfarm payrolls* - Feb	thousands	350	400	467
8:30	Unemployment Rate* - Feb	%	3.9	3.9	4.0

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	4,320.50	-1.0%
Euro Stoxx 50	3,611.01	-3.5%
Nikkei 225	25,985.47	-2.2%
Shanghai Composite	3,447.65	-1.0%
<i>Currencies</i>		
USD/MXN	20.83	0.9%
EUR/USD	1.10	-0.9%
DX	98.32	0.6%
<i>Commodities</i>		
WTI	109.95	2.1%
Brent	112.58	1.9%
Gold	1,948.80	0.7%
Copper	481.75	1.0%
<i>Sovereign bonds</i>		
10-year Treasury	1.77	-7pb

Source: Bloomberg

Equities

- **Major declines in stock indices on strong risk-off sentiment permeating among investors as Russia's invasion of Ukraine continues escalating. Futures in the US anticipate a negative opening, with the S&P500 trading 1.0% below its theoretical value, while attention remains on the employment figures to be published, ahead of the Fed's decision in the coming days**
- **In Asia, the stock markets closed with generalized declines, highlighting the adjustments in the Hang Seng of 2.5% and in the Nikkei of 2.2%. Europe is trading with significant losses, above 3%, heading for the worst weekly returns since March 2020, while fears of natural gas shortages in response to sanctions implemented vs Russia continue rising**
- **In Mexico, the Mexbol Index may adjust towards 52,500pts, while in corporate news we highlight the 86.7% advance in Volaris' passenger traffic**

Sovereign fixed income, currencies and commodities

- **Sovereign bond gains as risk-off mood continues, with European assets gaining up to 4bps while US Treasuries appreciated by 5bps on average. Yesterday, the Mbonos' curve lost 3bps on average and the 10-year benchmark closed at 8.00% (+6bps), a level not seen since March 2020**
- **The dollar strengthens (DXY +0.5%) amid mixed performance among developed and emerging currencies. In the former group, NZD (+0.5%) and SEK (-0.9%) are at the ends while in the latter, negative bias prevails with HUF (-1.7%) as the weakest. The Mexican peso depreciates 0.9% to 20.83 per dollar**
- **Crude oil prices rise 2.0% on the refusal of European refineries to buy Russian oil due to the invasion of Ukraine. In metals, gold gains 0.7% to 1,949 \$/t oz and nickel rises 5.9%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,794.66	-0.3%
S&P 500	4,363.49	-0.5%
Nasdaq	13,537.94	-1.6%
IPC	53,528.01	0.4%
Ibovespa	115,165.60	0.0%
Euro Stoxx 50	3,741.78	-2.1%
FTSE 100	7,238.85	-2.6%
CAC 40	6,378.37	-1.8%
DAX	13,698.40	-2.2%
Nikkei 225	26,577.27	0.7%
Hang Seng	22,467.34	0.6%
Shanghai Composite	3,481.11	-0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	1.53	2pb
10-year Treasuries	1.84	-4pb
28-day Cetes	6.17	4pb
28-day TIE	6.24	0pb
2-year Mbono	7.71	4pb
10-year Mbono	7.99	3pb
<i>Currencies</i>		
USD/MXN	20.64	0.1%
EUR/USD	1.11	-0.5%
GBP/USD	1.33	-0.4%
DXY	97.79	0.4%
<i>Commodities</i>		
WTI	107.67	-2.6%
Brent	110.46	-2.2%
Mexican mix	103.71	-1.7%
Gold	1,935.95	0.4%
Copper	478.15	2.5%

Source: Bloomberg

Corporate Debt

- **HR Ratings affirmed the rating for AlphaCredit's ABS, ALPHACB 18, at 'HR BBB- (E)' and changed the Negative Watch to Under Review. The modification was based in the recovery in collection, which reached a collected amount of MXN 141 million in the last four weeks**
- **S&P Global affirmed FEFA's ratings at 'mxAAA' and 'mxA-1' with a Stable outlook. Despite a deceleration in the fund's growth, FEFA has kept its credit portfolio above pre-pandemic levels**
- **S&P Global confirmed Banco Sabadell México's rating at 'mxAA' and revised the outlook to Stable from Negative. The outlook change follows the agency's expectation that the bank's credit quality indicators will remain resilient**

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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.

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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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