

Financial Markets Daily

March 7, 2022

Main drivers for the financial markets today...

- **Stock markets negative, government bond yields mixed and the USD higher, given expectations that the war in Ukraine will continue after comments from Vladimir Putin that suggest that he won't stop until his demands are met. Commodities rise, including energy, given comments that the US could ban imports from crude and gas from Russia, albeit till without support from European allies so far. In turn, this has triggered concerns of higher inflation**
- **This week, market focus remains on the evolution of Ukraine's conflict. The French President, Emmanuel Macron, warned about a potential escalation in the short-term. Meanwhile, the US Secretary of State, Anthony Blinken, will visit some Eastern European countries to talk about the situation**
- **In addition, February's inflation in China, US, Mexico, Brazil and Germany. Decision from the ECB amid high uncertainty because of the conflict, along with Peru, Poland, and Hungary. Silence period by the Fed ahead of the March 16th decision**
- **In other geopolitical issues, China's National People's Congress will continue – even more relevant given its possible positioning about Ukraine– and a new president will be elected in South Korea**
- **In economic data, the US will only publish consumer credit, trade balance (Jan) and U. of Michigan consumer confidence (Mar). Going to other regions, we highlight final 4Q21 GDP in the Eurozone and Japan; additionally, industrial production (Jan) in Germany, UK and Brazil, with the latter also releasing retail sales for the same month**
- **In Mexico, February's consumer confidence stood at 43.4pts. Apart from inflation, in coming days we will know industrial production (Jan), ANTAD's same store sales and wage negotiations (Feb), as well as the expectations survey from the banking sector**

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Winners of the award for best economic
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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|--------------------------------------|--------|---------|--------|----------|
| <i>Mexico</i> | | | | | |
| 7:00 | Consumer confidence* - Feb | index | 43.9 | -- | 43.4 |
| 15:30 | Survey of expectations (Citibanamex) | | | | |
| <i>United States</i> | | | | | |
| 15:00 | Consumer credit* - Jan | US\$bn | -- | 24.5 | 18.9 |

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 | 4,288.25 | -0.9% |
| Euro Stoxx 50 | 3,522.03 | -1.0% |
| Nikkei 225 | 25,221.41 | -2.9% |
| Shanghai Composite | 3,372.86 | -2.2% |
| <i>Currencies</i> | | |
| USD/MXN | 21.10 | 0.7% |
| EUR/USD | 1.09 | -0.5% |
| DXY | 99.06 | 0.4% |
| <i>Commodities</i> | | |
| WTI | 122.98 | 6.3% |
| Brent | 125.40 | 6.2% |
| Gold | 1,985.62 | 0.8% |
| Copper | 495.50 | 0.5% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 1.77 | 4pb |

Source: Bloomberg

Equities

- **Equity markets kicked-off the week with a negative performance as the war between Rusia and Ukraine continues weighing on investor sentiment, with concerns about higher inflationary pressures after the possibility that the US and its European allies may ban the import of Russian oil and energy products**
- **In Asia the markets closed in negative territory. In Europe stocks drop, with the Euro Stoxx decreasing 1.0%. Shares from financials and industrials sectors lead losses, while those from technology and energy show gains. In turn, in the US the futures of main indices point to a negative open by falling 0.7% on average**
- **In Mexico, S&P Dow Jones Indices announced the preliminary semi-annual rebalancing results for the S&P/BMV Index, confirming that there will be no changes in constituents**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign rates, with European assets adjusting +4bps on average. Furthermore, US Treasuries print a 4bps sell-off. In Mexico, the Mbonos' yield curve closed last week with average losses of 17bps. The 10-year benchmark, Mbono May'31, ended at 8.09% (+21bps)**
- **Dollar strengthens amid a mixed performance in G10 currencies, limited by SEK (-1.3%) and AUD (+0.6%). In EM, the bias is negative with HUF (-2.6%) as the weakest. Meanwhile, the MXN weakens beyond 21.00 to 21.10 (-0.7%), after a 2.9% weekly depreciation**
- **Commodities soar with crude-oil prices trading at 125 \$/bbl after the US said it was considering a ban on Russian crude and gas imports. The European natural gas benchmark and aluminum trade at all-time highs, while gold jumps to 18-month high**

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 33,614.80 | -0.5% |
| S&P 500 | 4,328.87 | -0.8% |
| Nasdaq | 13,313.44 | -1.7% |
| IPC | 53,322.05 | -0.4% |
| Ibovespa | 114,473.80 | -0.6% |
| Euro Stoxx 50 | 3,556.01 | -5.0% |
| FTSE 100 | 6,987.14 | -3.5% |
| CAC 40 | 6,061.66 | -5.0% |
| DAX | 13,094.54 | -4.4% |
| Nikkei 225 | 25,985.47 | -2.2% |
| Hang Seng | 21,905.29 | -2.5% |
| Shanghai Composite | 3,447.65 | -1.0% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 1.48 | -5pb |
| 10-year Treasuries | 1.73 | -11pb |
| 28-day Cetes | 6.22 | 5pb |
| 28-day TIE | 6.23 | 0pb |
| 2-year Mbono | 7.86 | 15pb |
| 10-year Mbono | 8.09 | 10pb |
| <i>Currencies</i> | | |
| USD/MXN | 20.95 | 1.5% |
| EUR/USD | 1.09 | -1.2% |
| GBP/USD | 1.32 | -0.9% |
| DX | 98.65 | 0.9% |
| <i>Commodities</i> | | |
| WTI | 115.68 | 7.4% |
| Brent | 118.11 | 6.9% |
| Mexican mix | 110.02 | 6.1% |
| Gold | 1,970.70 | 1.8% |
| Copper | 493.75 | 3.3% |

Source: Bloomberg

Corporate Debt

- **This week we don't expect auctions in the long-term corporate debt market, keeping March's issued amount at MXN 10.0 billion, after last week issuances from Grupo Elektra and FEFA**
- **In the second half of the month we expect more dynamism; with the pipeline showing an amount of up to MXN 14.0 billion through ten bonds**
- **In the banking bond market, for the rest of the month we expect the auction of up to MXN 10.0 billion through three bonds from Bancomext, marking the first appearance of a Development Bank in the year**

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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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