

Financial Markets Daily

March 11, 2022

Main drivers for the financial markets today...

- **Stock markets higher, government bond yields up and USD with small changes, with investors hoping that the war may show signs of easing after Putin's comments of a positive shift in talks between Russia and Ukraine**
- **Nevertheless, markets remain concerned about the effect of high inflation and surging commodity prices on growth, which in turn adds pressures to central banks**
- **Investors focused on preliminary figures for March's University of Michigan confidence in the US, Biden's speech in which he may announce the termination of normal trade relations with Russia, and the meeting between European leaders in France**
- **The US Senate approved a US\$1.5 trillion funding bill which includes US\$13.6 billion in resources for humanitarian aid and security support for Ukraine. The measure needs to be signed by president Biden to avoid a government shutdown today**
- **Recent efforts to reestablish Iran's nuclear deal were brought to a pause because of "external factors", according to the EU foreign policy chief. This could add further upward pressures to oil prices**
- **In Mexico, January's industrial production surprised higher, up 1.0% m/m (+4.3% y/y). We highlight strong growth in mining (+7.0%), with manufacturing at +0.3% and construction down 0.2%**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted by
Refinitiv



**STARMINE AWARDS
FOR REUTERS POLLS
FROM REFINITIV**



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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|-----------------------|--|-------|---------|--------|----------|
| <i>Germany and UK</i> | | | | | |
| 2:00 | GER Consumer prices - Feb (F) | % y/y | -- | 5.1 | 5.1 |
| 2:00 | UK Industrial production* - Jan | % m/m | -- | 0.2 | 0.3 |
| <i>Mexico</i> | | | | | |
| 7:00 | Industrial production - Jan | % y/y | 2.0 | 2.4 | 3.0 |
| 7:00 | Industrial production* - Jan | % m/m | -0.4 | -0.3 | 1.2 |
| 7:00 | Manufacturing output - Jan | % y/y | 1.9 | 2.1 | 3.8 |
| <i>Brazil</i> | | | | | |
| 7:00 | Consumer prices - Feb | % m/m | -- | 0.94 | 0.54 |
| 7:00 | Consumer prices - Feb | % y/y | -- | 10.46 | 10.38 |
| <i>United States</i> | | | | | |
| 10:00 | U. of Michigan consumer sentiment* - Mar (P) | index | 57.0 | 62.5 | 62.8 |

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 | 4,306.50 | 1.4% |
| Euro Stoxx 50 | 3,758.37 | 2.9% |
| Nikkei 225 | 25,162.78 | -2.1% |
| Shanghai Composite | 3,309.75 | 0.4% |
| <i>Currencies</i> | | |
| USD/MXN | 20.88 | -0.3% |
| EUR/USD | 1.10 | 0.4% |
| DX | 98.46 | 0.0% |
| <i>Commodities</i> | | |
| WTI | 107.89 | 1.8% |
| Brent | 111.56 | 2.0% |
| Gold | 1,971.87 | -1.3% |
| Copper | 466.55 | 0.5% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 2.01 | 2pb |

Source: Bloomberg

Equities

- We conclude the week with high volatility in stock markets, as investors continue to discern between panic selling and dip buying, as concerns around growth and inflation continue
- However, futures in the US anticipate a markedly positive opening, with the S&P500 trading 1.4% above its theoretical value, with the hope that the war will subside, after the progress in talks between Russia and Ukraine. In that same vein, Europe trades with significant widespread gains, with commodity, banks and travel stocks being the main drivers. In Asia, we observed mixed closures, highlighting the falls in Japan and Hong Kong, affected by the performance in the technology sector
- In Mexico we consider that the Mexbol Index may approach to 53,800pts, although caution will continue to permeate among investors

Sovereign fixed income, currencies and commodities

- Sovereign bonds trade with moderate losses, with adjustments of +3bps in European assets while the US Treasury curve is under pressure by 4bps on the short-end and 1bp on long-term tenors. Yesterday, the Mbonos' curve closed with losses of 11bps on average and the 10-year benchmark at 8.49% (+11bp)
- The dollar trades with few changes on the DXY allowing a mixed performance between G-10 and emerging currencies. In the former group the range is narrowed by NOK (+0.8%) and JPY (-0.7%), while in the latter BRL (+0.5%) is the strongest and THB (-0.4%) is at the opposite end. The Mexican peso appreciates 0.4% to 20.86 per dollar
- Crude oil prices rise 0.5% on average as volatility continues due to global supply uncertainty. In metals, gold falls 1.3% to 1,971 \$/oz t while industrials print a mixed performance

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 33,174.07 | -0.3% |
| S&P 500 | 4,259.52 | -0.4% |
| Nasdaq | 13,129.96 | -0.9% |
| IPC | 53,387.62 | -1.0% |
| Ibovespa | 113,663.10 | -0.2% |
| Euro Stoxx 50 | 3,651.39 | -3.0% |
| FTSE 100 | 7,099.09 | -1.3% |
| CAC 40 | 6,207.20 | -2.8% |
| DAX | 13,442.10 | -2.9% |
| Nikkei 225 | 25,690.40 | 3.9% |
| Hang Seng | 20,890.26 | 1.3% |
| Shanghai Composite | 3,296.09 | 1.2% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 1.70 | 2pb |
| 10-year Treasuries | 1.99 | 3pb |
| 28-day Cetes | 6.30 | 5pb |
| 28-day TIE | 6.24 | 0pb |
| 2-year Mbono | 8.28 | 12pb |
| 10-year Mbono | 8.48 | 7pb |
| <i>Currencies</i> | | |
| USD/MXN | 20.94 | 0.1% |
| EUR/USD | 1.10 | -0.8% |
| GBP/USD | 1.31 | -0.7% |
| DXY | 98.51 | 0.6% |
| <i>Commodities</i> | | |
| WTI | 106.02 | -2.5% |
| Brent | 109.33 | -1.6% |
| Mexican mix | 102.49 | -3.3% |
| Gold | 1,996.98 | 0.3% |
| Copper | 465.25 | 1.7% |

Source: Bloomberg

Corporate Debt

- Fitch Ratings upgrade IEnova's IDR and its outstanding senior notes to 'BBB+' from 'BBB'. Outlook is Stable. According to the agency, the ratings upgrade follows the re-assessment of the linkage with its holding company Sempra Infrastructure Parents, LP (SIP) ('BBB+' Stable)
- HR Ratings ratified SICREA's rating at 'HR A-' with a stable outlook and at 'HR2' for the ST. According to the agency, the ratification of SICREA's rating is based on the Company's high solvency position, with a capitalization ratio of 51.4% as of 3Q21
- Fitch Ratings assigned 'AAA(mex)' ratings to the proposed issuances OMA 22L / 22-2L of Grupo Aeroportuario del Centro Norte (OMA). The assigned rating reflects the risk related to the system of 13 airports operation in northern and central Mexico

Certification of Analysts.

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|-------------|--|
| 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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