

Financial Markets Daily

March 16, 2022

Main drivers for the financial markets today...

- **Positive stock markets, government bond yields up and USD down amid progress in ceasefire negotiations between Russia and Ukraine, while the Chinese government is trying to stabilize markets by supporting real estate and technology companies and stimulating the economy**
- **In this context, Ukraine stated that Russia has begun to take more realistic negotiating positions, while the latter speaks of being close to a security agreement with Ukraine. However, President Zelensky will address the US Congress requesting military assistance to contain the attacks, while NATO defense ministers will meet to discuss the situation in Ukraine**
- **Markets' attention is on the FOMC's monetary policy decision, starting its hike cycle, where we anticipate a 25bp increase in the Fed Funds rate. The central bank will also update its macroeconomic estimates and the dot plot. We estimate that the latter will show the expectation of four or five hikes this year**
- **Additionally, in Brazil, the Copom will announce its monetary policy decision, where we expect a 150bp increase in the Selic rate to place it at 12.25%. This in a scenario of high price pressures, with annual inflation above 10%**
- **Regarding economic figures, retail sales for February were published in the US, posting a 0.3% m/m advance, below both the consensus estimate (+0.4%) and the previous figure (+4.9%). For its part, the control group that excludes some of the most volatile categories, showed a 1.2% m/m contraction, well below the +6.7% of the previous month. The report highlights challenges for consumption in 1Q22**

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



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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
8:30	Advance retail sales* - Feb	% m/m	1.0	0.4	3.8
8:30	Ex autos & gas* - Feb	% m/m	--	0.4	3.8
8:30	Control Group* - Feb	% m/m	0.4	0.3	4.8
14:00	FOMC Rate Decision (Upper Bound)	%	0.50	0.50	0.25
14:00	FOMC Rate Decision (Lower Bound)	%	0.25	0.25	0.00
14:00	Interest Rate on Excess Reserves (IOER)	%	0.40	0.40	0.15
14:30	Fed Chair Powell Holds Press Conference Following FOMC Meeting				
<i>Brazil</i>					
	Monetary policy decision (Central bank of Braz	%	12.25	11.75	10.75

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	4,300.50	1.1%
Euro Stoxx 50	3,877.27	3.7%
Nikkei 225	25,762.01	1.6%
Shanghai Composite	3,170.71	3.5%
<i>Currencies</i>		
USD/MXN	20.77	-0.3%
EUR/USD	1.10	0.3%
DX	98.59	-0.5%
<i>Commodities</i>		
WTI	97.40	1.0%
Brent	100.24	0.3%
Gold	1,918.34	0.0%
Copper	461.00	2.4%
<i>Sovereign bonds</i>		
10-year Treasury	2.17	3pb

Source: Bloomberg

Equities

- **Stock markets positive, due to optimism that the talks between Russia and Ukraine will indeed make progress, and with all the attention at today's FED Meeting**
- **Futures in the US anticipate a sharply positive open with the S&P500 trading 1.1% and the Nasdaq 1.9% above their theoretical values. In the same sense, Europe trades with average advances of 3.7%, with the technology sector providing the major boost. In Asia we observe significantly positive closings, highlighting the advance of the Hang Seng with 9.8% and the Shanghai with 3.6%, due to possible initiatives to alleviate regulatory repression, causing an increase of at least 20% in Alibaba and Baidu on pre-market trading**
- **In Mexico, the Mexbol Index may approach to 53,800pts, while the Walmex Day had no relevant surprises, enhancing its omnichannel strategy**

Sovereign fixed income, currencies and commodities

- **Risk-on pressures sovereign rates, with European assets adjusting by as much as +5bp while the US Treasuries yield curve loses 2bps in the mid-end. Yesterday, the Mbonos' curve ended with a slight flattening, with pressures of 1bp in the short- and mid-end, while the long-end gained 1bp**
- **The dollar weakens with DXY adjusting -0.5% on the back of gains in G-10 and emerging currencies. In the former group SEK (+1.5%) leads the risers while in the latter, CZK (+1.0%) is the strongest. The Mexican peso appreciates 0.3% to 20.77 per dollar, approaching its 100-day MA**
- **Crude-oil prices stabilize below US\$100/bbl with markets digesting rising contagion in China and possible supply disruptions from the war in Ukraine. In metals, gold advances 0.2% and industrials print gains of 1%, on average**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,544.34	1.8%
S&P 500	4,262.45	2.1%
Nasdaq	12,948.62	2.9%
IPC	53,010.01	0.4%
Ibovespa	108,959.30	-0.9%
Euro Stoxx 50	3,738.11	-0.1%
FTSE 100	7,175.70	-0.2%
CAC 40	6,355.00	-0.2%
DAX	13,917.27	-0.1%
Nikkei 225	25,346.48	0.2%
Hang Seng	18,415.08	-5.7%
Shanghai Composite	3,063.97	-5.0%
<i>Sovereign bonds</i>		
2-year Treasuries	1.85	-1pb
10-year Treasuries	2.14	1pb
28-day Cetes	6.35	2pb
28-day TIE	6.25	1pb
2-year Mbono	8.41	-1pb
10-year Mbono	8.63	-2pb
<i>Currencies</i>		
USD/MXN	20.83	-0.4%
EUR/USD	1.10	0.1%
GBP/USD	1.30	0.3%
DXY	99.10	0.1%
<i>Commodities</i>		
WTI	96.44	-6.4%
Brent	99.91	-6.5%
Mexican mix	92.26	-7.3%
Gold	1,917.94	-1.7%
Copper	451.30	-0.2%

Source: Bloomberg

Corporate Debt

- **HR Ratings affirmed the rating for issuance TENIXCB 14U (Tenango-Ixtapan de la Sal Highway's Future Flow) at 'HR AAA (E)' with a Stable outlook, based on the highway's adequate over-collateral and revenue recovery in 2021**
- **Moody's assigned a 'A2.mx' local scale rating and 'Ba2' global scale rating to Operadora de Servicios Mega's proposed issuance, GFMEGA 22X; PCR Verum assigned a 'A/M' rating to the bond**
- **The unsecured bond GFMEGA 22X will be issued for up to MXN 3.0 billion and will pay a floating rate, with its maturity due in 2027. Proceeds from the issuance will be used to finance eligible sustainable projects**

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, Yazmín Selene Pérez Enríquez, José Itzamna Espitia Hernández, Carlos Hernández García, David Alejandro Arenas Sánchez, 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>
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