

Financial Markets Daily

March 18, 2022

Main drivers for the financial markets today...

- **Stock markets and government bond yields lower, while the USD gains, given mixed signals about the evolution of peace talks between Russia and Ukraine. Moreover, high volatility is expected in today's trading session because of Quadruple Witching Day –the expiration of options and futures contracts on individual stocks and indices–**
- **Investors watching closely the conversation about the conflict between Joe Biden and Xi Jinping in an environment of heightened tensions between both countries because of this situation. In the economic agenda, we highlight February's existing home sales and leading indicators in the US. In addition, comments from Kashkari, Barkin and Bowman of the Fed**
- **On the war, the US Defense Intelligence Agency said that Russia may increase its threats to use nuclear weapons against the West if the strong Ukrainian resistance lingers around and severe economic restrictions remain in place**
- **Moderna will request the FDA clearance for a second COVID-19 booster shot for all adults. This application comes amid heated debate about whether more doses are needed to prevent severe disease and death and how long vaccines protect from infection**
- **Japan's central bank held its accommodative policy stance unchanged, in deep contrast with other countries globally. Governor Haruhiko Kuroda stated that their policy will remain unchanged even if inflation hits 2% in April and that there is no reason to follow other central banks in developed countries**
- **Russia also held its reference rate unchanged at 20%, in line with expectations. Markets are waiting for the statement from governor Elvira Nabiullina**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
6:00	Trade balance* - Jan	EURbn	--	-9.0	-9.7
<i>Brazil</i>					
8:00	Unemployment rate - Jan	%	--	11.3	11.1
<i>United States</i>					
10:00	Existing home sales** - Feb	thousands	--	6.1	6.5

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	4,371.25	-0.7%
Euro Stoxx 50	3,831.73	-1.4%
Nikkei 225	26,827.43	0.7%
Shanghai Composite	3,251.07	1.1%
<i>Currencies</i>		
USD/MXN	20.50	-0.1%
EUR/USD	1.10	-0.5%
DX	98.37	0.4%
<i>Commodities</i>		
WTI	104.09	1.1%
Brent	107.68	1.0%
Gold	1,938.67	-0.2%
Copper	470.00	0.2%
<i>Sovereign bonds</i>		
10-year Treasury	2.14	-3pb

Source: Bloomberg

Equities

- **Stock markets end the week with mostly negative movements, reflecting profit taking after the rally of recent days, and while the conflict between Russia and Ukraine seems not to subside**
- **Futures in the US anticipate a downward opening, with the S&P500 trading 0.7% below its theoretical value, and expecting high volatility in the session, being the first 'Quadruple Witching Day' of the year, major expiration of options & futures contracts**
- **Asia closed mixed, while the rally in technology continues to support the performance of the stock markets in China, although the Hang Seng ends with a decrease of 0.4%. Meanwhile, Europe trades with widespread falls close to 1%**
- **In Mexico, the Mexbol Index could adjust below 54,000pts, after hitting a new all-time high, although volatility will define performance**

Sovereign fixed income, currencies and commodities

- **Positive performance in government rates, with European assets adjusting -2bps on average while the US Treasury curve trades with gains of 3bps from mid-term tenors. Yesterday, the Mbonos' curve posted gains of 8bps on average with the long-term securities adjusting as much as -13bps**
- **The dollar strengthens (DXY +0.5%) as negative bias prevails among developed and emerging currencies. In the former group EUR (-0.6%) is the weakest, while in the latter HUF (-1.8%) leads losses. The Mexican peso appreciates 0.1% to 20.50, an important psychological level**
- **Crude-oil prices post moderate gains on the EIA's warning of supply disruptions in the coming months due to the war in Ukraine. In metals, performance is mixed**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,480.76	1.2%
S&P 500	4,411.67	1.2%
Nasdaq	13,614.78	1.3%
IPC	54,364.51	1.8%
Ibovespa	113,076.33	1.8%
Euro Stoxx 50	3,885.32	-0.1%
FTSE 100	7,385.34	1.3%
CAC 40	6,612.52	0.4%
DAX	14,388.06	-0.4%
Nikkei 225	26,652.89	3.5%
Hang Seng	21,501.23	7.0%
Shanghai Composite	3,215.04	1.4%
<i>Sovereign bonds</i>		
2-year Treasuries	1.91	-2pb
10-year Treasuries	2.17	-1pb
28-day Cetes	6.49	5pb
28-day TIIE	6.26	1pb
2-year Mbono	8.31	-8pb
10-year Mbono	8.47	-11pb
<i>Currencies</i>		
USD/MXN	20.52	-0.6%
EUR/USD	1.11	0.5%
GBP/USD	1.31	0.0%
DXY	97.97	-0.7%
<i>Commodities</i>		
WTI	102.98	8.4%
Brent	106.64	8.8%
Mexican mix	98.28	8.0%
Gold	1,942.89	0.8%
Copper	470.20	2.2%

Source: Bloomberg

Corporate Debt

- **Grupo Aeroméxico informed that (i) the resolutions adopted by the Shareholders Meetings of the Company held on January 14 and February 14, 2022 are now effective, (ii) Aeroméxico has consummated its Plan of Reorganization; and (iii) it has successfully concluded its financial restructuring process and emerged from its Chapter 11**
- **Moody's assigned 'Baa1' and 'Aaa.mx' long-term global and national scale ratings to the two bank bonds to be issued by Banco Santander México (BSMX 22 and BSMX 22-2) for a combined amount of up to MXN 10.0 billion reflecting Santander México's disciplined underwriting standards that has supported adequate asset quality metrics through the economic cycles**

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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, 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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