

# Financial Markets Daily

April 6, 2022

## Main drivers for the financial markets today...

- **Negative stock markets, government bond yields up and USD with few changes amid *hawkish* tone from Fed's Brainard, anticipating the balance sheet reduction to begin as early as May, amid doubts that accelerated rate hikes will produce a soft landing for the economy**
- **Attention will be on the release of FOMC's minutes for more data on normalization and Harker speaking on the economic outlook**
- **The European Union and G-7 will announce a new round of economic sanctions on Russia including a ban on new investment in the country, additional measures on state-owned companies and financial institutions, and a ban on coal imports**
- **The US\$10 billion plan to deal with the pandemic in the US failed to be approved yesterday in the Senate. Republicans are pushing for an amendment to block the Biden administration's decision to end a pandemic-era measure that allowed border officials to quickly send back migrants and asylum seekers at the border. Senators must negotiate before the upper house goes for a two-week recess**
- **In Mexico, INEGI published GFI for January, up 2.2% m/m (previous: 1.1%), with an increase in construction (4.8%) but a decline in machinery and equipment (-1.1%). In annual terms we saw an 8.6% expansion, still with a positive base effect**
- **Moreover, INEGI also released private consumption for the first month of the 2022. It rose 0.3% m/m (previous: 1.5%), boosted by domestic services (0.8%). This implies a total increase in consumption of 6.9% in annual terms**

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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>Mexico</i>					
7:00	Gross fixed investment - Jan	% y/y	4.0	4.0	7.6
7:00	Gross fixed investment* - Jan	% m/m	0.3	--	1.2
7:00	Private consumption - Jan	% y/y	--	--	7.7
7:00	Private consumption* - Jan	% m/m	--	--	1.5
<i>United States</i>					
9:30	Fed's Harker discusses the economic outlook				
14:00	FOMC Meeting minutes				

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	4,490.50	-0.7%
Euro Stoxx 50	3,849.36	-1.7%
Nikkei 225	27,350.30	-1.6%
Shanghai Composite	3,283.43	0.0%
<i>Currencies</i>		
USD/MXN	20.06	0.3%
EUR/USD	1.09	0.0%
DX	99.54	0.1%
<i>Commodities</i>		
WTI	103.53	1.5%
Brent	108.17	1.4%
Gold	1,926.87	0.2%
Copper	476.70	-0.6%
<i>Sovereign bonds</i>		
10-year Treasury	2.64	10pb

Source: Bloomberg

## Equities

- **Stock markets with clearly negative sentiment, given the prospect of a more pronounced monetary tightening by the Fed, as investors continue to assess the impact of new sanctions on Russia, including U.S. bans on investments in the country and European Union impediments to coal imports.**
- **Futures in the US anticipate a negative opening with the Nasdaq leading the adjustments and trading 1.3% below its theoretical value. In the same sense, Europe also trades negative, while the Eurostoxx loses 1.7%, with technology, real estate and consumer discretionary sectors affecting the index with a decrease of more than 2.0% in the session. Asia closed with almost widespread losses, highlighting the Hang Seng with 1.9% and the Nikkei with 1.6%**
- **In Mexico, the Mexbol Index may decline towards 55,100pts, following international peer's performance**

## Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds, with European assets adjusting +7bps on average while the US Treasury curve loses +6bps on average, and the 10-year benchmark trades at 2.63% (+8bps). Yesterday, the Mbonos' curve lost 8bps on average, and the May'31 Mbono closed at 8.46% (+9bps)**
- **The dollar trades with few changes on the DXY amid mixed performance in the G-10 and emerging market currencies. In the former, trading is capped by SEK (+0.1%) and CHF (-0.4%), while in the latter RUB (+0.9%) and INR (-0.6%) are at the ends. The Mexican peso weakens as it depreciates 0.3% to trade at 20.06 per dollar**
- **Crude oil prices gain 1.5% due to concerns that the economic sanctions against Russia may generate greater supply disruption. Industrial and precious metals prices are predominantly negative**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,641.18	-0.8%
S&P 500	4,525.12	-1.3%
Nasdaq	14,204.17	-2.3%
IPC	55,547.29	-1.4%
Ibovespa	118,885.15	-2.0%
Euro Stoxx 50	3,917.85	-0.8%
FTSE 100	7,613.72	0.7%
CAC 40	6,645.51	-1.3%
DAX	14,424.36	-0.6%
Nikkei 225	27,787.98	0.2%
Hang Seng	22,502.31	0.0%
Shanghai Composite	3,282.72	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	2.51	9pb
10-year Treasuries	2.55	15pb
28-day Cetes	6.52	0pb
28-day TIIE	6.72	0pb
2-year Mbono	8.44	6pb
10-year Mbono	8.46	9pb
<i>Currencies</i>		
USD/MXN	20.00	1.0%
EUR/USD	1.09	-0.6%
GBP/USD	1.31	-0.3%
DXY	99.47	0.5%
<i>Commodities</i>		
WTI	101.96	-1.3%
Brent	106.64	-0.8%
Mexican mix	99.86	-0.3%
Gold	1,923.60	-0.5%
Copper	479.50	0.3%

Source: Bloomberg

## Corporate Debt

- **HR Ratings ratified Navistar Financial's ST program rating at 'HR+1'. According to the agency, the ratification is based on the rating of Traton SE, which is the holder of all of Navistar International Corporation shares and has a global rating equivalent to HR BBB (G) by other rating agencies, equivalent to HR AAA on a local scale. Additionally, the company continues to show a solvency profile in solid ranges with a capitalization ratio at levels of 37.4% and an adjusted leverage ratio of 1.9x**
- **Grupo KUO renewed its committed revolving credit line, for an amount of US\$ 300 million, improving term and cost conditions. With this renewal, the maturity of the committed revolving credit line is extended until 2027, providing flexibility and liquidity to the company**

## 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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	Reference
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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