

# Financial Markets Daily

April 19, 2022

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

- Stock markets lower, government bond yields positive, with the USD strengthening and oil down, with investors reevaluating the possibility of more aggressive hikes from the Fed to halt inflation –after Bullard’s hawkish remarks yesterday– and amid prevailing disruptions to supply chains. Specifically, James Bullard (St. Louis Fed) mentioned that he cannot rule out the possibility of a 75bps hike to reign in inflation, albeit with this still not being his base case. In addition, he reiterated that he believes that the rate should reach 3.5% by year-end
- Attention continues in Ukraine, with renewed Russian attacks in the Donbas region, in the eastern part of the country. In this sense, France’s Finance Minister, Bruno Le Maire, mentioned that he would seek to extend economic sanctions to Russian oil. In addition, it is expected that the European Union sets up a fund for the reconstruction of Ukraine
- Today, the IMF will release its ‘World Economic Outlook’, in which we will likely see a downward revision to the global growth forecast for 2022, similar to the one done yesterday by the World Bank
- On economic data, the schedule is light. In the US, March’s housing sector data will be released. On the monetary policy front, we have comments from Evans (Chicago). Finally, tonight, the PBoC will publish levels for the 1- and 5-year prime loan rates
- In Mexico, INEGI published its Timely Indicator of Economic Activity for March, with a 0.8% m/m increase (0.4% y/y sa). By sectors, they expect industry at +1.0% m/m, rebounding after the previous decline, and with services at +0.7%, maintaining dynamism

## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>United States</b>					
8:30	Housing starts** - Mar	thousands	--	1,745	1,769
8:30	Building permits** - Mar	thousands	--	1,839	1,865
12:05	Fed’s Evans Speaks to Economic Club of New York				
<b>Mexico</b>					
7:00	Timely Indicator of Economic Activity* - Mar	% y/y	--	--	2.8
10:00	International reserves - Apr 15	US\$bn	--	--	200.1
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 3-year Mbono (Mar’25);				
12:30	20-year Udibono (Nov’35) and 1-, 2-, and 3-year Bondes F				
21:15	Rate decision 1-year Loan Prime Rate	%	--	3.60	3.70
21:15	Rate decision 5-year Loan Prime Rate	%	--	4.55	4.60

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; \* Seasonally adjusted; \*\* Seasonally adjusted annualized rate. This document is provided for the reader’s convenience only. The translation from the original Spanish version was made by Banorte’s staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled “Apertura de Mercados Financieros” was released earlier today.

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## A glimpse to the main financial assets

	Last	Daily chg.
<b>Equity indices</b>		
S&P 500 Futures	4,388.00	0.0%
Euro Stoxx 50	3,813.62	-0.9%
Nikkei 225	26,985.09	0.7%
Shanghai Composite	3,194.03	0.0%
<b>Currencies</b>		
USD/MXN	19.90	0.4%
EUR/USD	1.08	0.1%
DX	100.85	0.1%
<b>Commodities</b>		
WTI	105.61	-2.4%
Brent	110.50	-2.4%
Gold	1,966.85	-0.6%
Copper	474.45	-1.2%
<b>Sovereign bonds</b>		
10-year Treasury	2.90	5pb

Source: Bloomberg

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## Equities

- Mixed movements, with a negative bias, in equity markets as investors are cautious due to prospects of lower global economic growth and a potentially more aggressive restrictive monetary policy by the Fed, while the development of the war in Ukraine and the impact of the coronavirus in China continue
- In Asia the markets closed mixed. In Europe stocks drop, the Euro Stoxx decreases 0.9%. In turn, in the US the futures of main indices are mixed and show little change
- On the corporate front, out of the 13 S&P 500 companies scheduled to report today, 9 have already updated investors with most outperforming estimates, including Johnson & Johnson and Lockheed Martin Corp. IBM, while Netflix will publish their figures after the market closes

## Sovereign fixed income, currencies and commodities

- Widespread pressures in sovereign rates, with European assets adjusting +7bps, while the US Treasury curve print losses of 4bps at the long-end and the 10-year note hits highs since the end of 2018 at 2.89% (+3bps). In Mexico, the Mbonos' curve closed yesterday with pressures of 4bps on average
- The dollar rises modestly amid mostly negative performance in G10 currencies with JPY (-1.1%) as the weakest. In EM, the bias is also negative, except for RUB (+2.3%). Meanwhile, MXN trades at 19.90 per dollar (-0.4%), after a 0.7% appreciation yesterday
- Crude-oil slips after Bullard's hawkish comments yesterday despite China's promise to repair economic damage caused by the lockdowns. Meanwhile, widespread gains in industrial metals with nickel up 1.5%, while gold trades at 1,966 \$/oz t (-0.6%)

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	34,411.69	-0.1%
S&P 500	4,391.69	0.0%
Nasdaq	13,332.36	-0.1%
IPC	54,139.69	-0.1%
Ibovespa	115,687.25	-0.4%
Euro Stoxx 50	3,848.68	0.0%
FTSE 100	7,616.38	0.0%
CAC 40	6,589.35	0.0%
DAX	14,163.85	0.0%
Nikkei 225	26,799.71	-1.1%
Hang Seng	21,518.08	0.0%
Shanghai Composite	3,195.52	-0.5%
<b>Sovereign bonds</b>		
2-year Treasuries	2.45	-1pb
10-year Treasuries	2.85	3pb
28-day Cetes	6.56	-4pb
28-day TIE	6.74	0pb
2-year Mbono	8.55	3pb
10-year Mbono	8.89	4pb
<b>Currencies</b>		
USD/MXN	19.83	-0.7%
EUR/USD	1.08	-0.3%
GBP/USD	1.30	-0.3%
DX	100.78	0.3%
<b>Commodities</b>		
WTI	108.21	1.2%
Brent	113.16	1.3%
Mexican mix	105.50	1.4%
Gold	1,978.91	0.0%
Copper	482.15	1.7%

Source: Bloomberg

## Corporate Debt

- S&P Global Ratings upgraded Grupo Aeroméxico's global scale rating to 'B-' from 'D' after the company's bankruptcy emergence. The developing outlook reflects the agency's view that Aeroméxico could experience a slower-than-expected cash flow recovery if oil prices continue increasing
- Fitch Ratings affirmed Fibra Shop's long and short-term ratings at 'A+(mex)' and 'F1+(mex)', respectively, and changed the long-term rating's outlook to Stable from Negative. The ratings reflect the portfolio's good quality, the tenant diversification and the net leverage ratio expected to remain below 6.0x in the medium-term

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, David Alejandro Arenas Sánchez, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal and Daniel Sebastián Sosa Aguilar 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
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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