

Financial Markets Daily

April 22, 2022

Main drivers for the financial markets today...

- **Stock markets lower, government bond yields and USD up, with investors assimilating Powell's tougher stance on inflation and expecting even more aggressive monetary policy tightening from the Fed, while PMIs in the Eurozone came above expectations**
- **Investors focused today on April's preliminary PMIs in the US and corporate reports**
- **The Russian army has the goal of extending its control over the entire south of Ukraine, including key ports at the Black Sea. In this backdrop, markets remain attentive to the potential introduction of additional sanctions on Russia, especially in energy goods**
- **April's PMIs in the Eurozone surprised higher, with the economy gaining strength at the margin due to the rebound in services after the end of new restrictions that had been imposed because of the virus. With this, the PMI composite reached a seven-month high of 55.8pts from 54.9pts previously**
- **Concerns in Chinese markets are on the rise due to losses induced by the deterioration in sentiment because of strict lockdowns to fight the rise in COVID-19 infections. In this context, investors are increasingly pressuring authorities to add stimulus**
- **In Mexico, inflation in the 1st half of April stood at 0.16% 2w/2w, above expectations and relatively high considering a benign seasonality. The core increased 0.44%, which was also elevated. With this, annual inflation reached 7.72%, with the core at 7.16%**

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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>Eurozone</i>					
4:00	Current account* - Feb	EURbn	--	--	22.6
4:00	Manufacturing PMI* - Apr (P)	index	--	--	56.5
<i>Mexico</i>					
7:00	Consumer prices - Apr 15	% y/y	7.67	7.63	7.62
7:00	Core - Apr 15	% y/y	0.11	0.07	0.59
7:00	Consumer prices - Apr 15	% m/m	7.10	7.10	6.88
7:00	Core - Apr 15	% m/m	0.38	0.37	0.40
<i>United States</i>					
9:45	Manufacturing PMI* - Apr (P)	index	58.0	--	58.8
9:45	Services PMI* - Apr (P)	index	57.8	--	58.0
9:45	Composite PMI* - Apr (P)	index	--	--	57.7

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	4,383.75	-0.2%
Euro Stoxx 50	3,859.16	-1.8%
Nikkei 225	27,105.26	-1.6%
Shanghai Composite	3,086.92	0.2%
<i>Currencies</i>		
USD/MXN	20.34	0.8%
EUR/USD	1.08	-0.1%
DX	100.84	0.3%
<i>Commodities</i>		
WTI	102.41	-1.3%
Brent	107.05	-1.2%
Gold	1,936.57	-0.8%
Copper	466.40	-0.9%
<i>Sovereign bonds</i>		
10-year Treasury	2.92	1pb

Source: Bloomberg

Equities

- We conclude the week with negative movements in main stock indices, on the expectation of more aggressive interest rate hikes by the Fed, in order to help contain inflationary pressures
- As such, futures in the US anticipate a downward opening with the S&P500 trading 0.2% below its theoretical value. In the meanwhile, Europe trades with falls of more than 1% in the face of mixed corporate earnings results and signals from the ECB of a more restrictive monetary stance. Asia also closed negative, with the exception being the stock markets in China, with the Shanghai index that rose marginally 0.2%
- Today 7 S&P500 companies will release its figures, including American Express, Verizon and Kimberly-Clark. So far, we have ~18% of the results and there has been a drop in profits of -2.8% vs +5.7%e, while the positive surprises rate stands at 80.2%

Sovereign fixed income, currencies and commodities

- Negative performance in sovereign bonds, with European assets adjusting up to +4bps, while the US Treasury curve loses 4bps on average and the 10-year benchmark trades at 2.94% (+3bps). Yesterday, the Mbonos' curve posted 3bps losses in the short-end and 3bps gains in long-term tenors
- The dollar strengthens (DXY +0.3%) while G-10 currencies trade with losses and GBP (-1.0%) is the weakest. The emerging group is dominated by a negative bias, except for RUB (+4.3%), with the Mexican peso the weakest, depreciating 0.8% to 20.34 per dollar
- Crude oil prices fall 1.4% on expectations of lower consumption in China due to confinements to control the outbreak of contagions. In metals, gold falls 0.9% to 1,934 \$/bbl and industrials trade in negative territory

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,792.76	-1.0%
S&P 500	4,393.66	-1.5%
Nasdaq	13,174.65	-2.1%
IPC	53,267.31	-1.0%
Ibovespa	114,343.78	0.0%
Euro Stoxx 50	3,928.03	0.8%
FTSE 100	7,627.95	0.0%
CAC 40	6,715.10	1.4%
DAX	14,502.41	1.0%
Nikkei 225	27,553.06	1.2%
Hang Seng	20,682.22	-1.3%
Shanghai Composite	3,079.81	-2.3%
<i>Sovereign bonds</i>		
2-year Treasuries	2.68	11pb
10-year Treasuries	2.91	8pb
28-day Cetes	6.63	22pb
28-day TIE	6.74	0pb
2-year Mbono	8.72	8pb
10-year Mbono	8.83	-2pb
<i>Currencies</i>		
USD/MXN	20.17	0.9%
EUR/USD	1.08	-0.2%
GBP/USD	1.30	-0.3%
DXY	100.58	0.2%
<i>Commodities</i>		
WTI	103.79	1.0%
Brent	108.33	1.4%
Mexican mix	101.68	1.4%
Gold	1,951.62	-0.3%
Copper	472.25	1.0%

Source: Bloomberg

Corporate Debt

- HR Ratings affirmed Mexarrend's long-term rating at 'HR A', changing the outlook to Stable from Negative, and also affirmed the short-term rating at 'HR2'. The ratings are based on an adequate solvency position and a financial situation in line with the expected on the base scenario
- Fitch Ratings affirmed the ratings for Credito Real's ABS, CREALCB 17 and CREALCB 19, at 'AAA(mex)' with a Stable outlook. The ratings are based in the stability of the credit enhancement levels, above its target level since the settlement date
- Fitch Ratings assigned an 'F2(mex)' rating to Mercader Financial's short-term placement program for a total amount of up to MXN 1.0 billion

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, 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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