Banorte Research and Strategy

Financial Markets Daily

Main drivers for the financial markets today…

- Stock markets higher, government bond yields up and USD losing after China's Politburo promised to boost stimulus and support growth. Elsewhere, the Eurozone's CPI remained at an all-time high of 7.5% y/y, strengthening expectations of a rate hike by the ECB in July

- Investors watching the PCE deflator and personal income and spending in the US. In Mexico, releases include banking credit and the public finance report, also watching the virtual meeting between presidents Biden and López-Obrador. In addition, monetary policy decision in Colombia and PMI indicators in China

- Russia's central bank cut its reference rate from 17% to 14%, more than expected, indicating that it could be lowered even more. The institution sees an economic contraction from 8% to 10% this year, focusing on growth after the ruble has stabilized, shielded by capital controls

- In the Eurozone, 1Q22 GDP advanced 0.2% q/q, in line with expectations. Italy contracted, France stagnated, and Germany grew very modestly

- Mexico's preliminary 1Q22 GDP stood at 0.9% q/q (1.6% y/y). Primary activities fell 1.9%, while both industry and services grew 1.1%

Alejandro Padilla
Chief Economist and
Head of Research
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research
and Financial Markets Strategy
juan.alderete.macal@banorte.com

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com

Manuel Jiménez Zaldivar
Director of Market Strategy
manuel.jimenez@banorte.com

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
Eurozone					
5:00	Consumer prices - Apr	% y/y	--	7.5	7.5
5:00	Core - Apr (P)	% y/y	--	3.2	2.9
5:00	Gross domestic product - 1Q22 (P)	% y/y	--	5.1	4.6
5:00	Gross domestic product* - 1Q22 (P)	% q/q	--	0.3	0.3
Mexico					
7:00	Gross domestic product - 1Q22 (P)	% y/y	1.9	1.4	1.1
7:00	Gross domestic product* - 1Q22 (P)	% q/q	1.1	1.1	0.0
10:00	Banking credit - Mar	% y/y	0.2	--	-1.7
United States					
8:30	Personal income* - Mar	% m/m	--	0.4	0.5
8:30	Real personal spending* - Mar	% m/m	-0.1	0.0	-0.4
8:30	PCE Deflator* - Mar	% m/m	--	0.9	0.6
8:30	Core* - Mar	% m/m	--	0.3	0.4
Colombia					
14:00	Monetary policy decision (BanRep)	%	--	6.00	5.00

Source: Bloomberg and Banorte. (P) preliminary data: (R) revised data: (F) final data: * Seasonally adjusted, ** Seasonally adjusted annualized rate.

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,241.00	-1.0%
Euro Stoxx 50	3,801.04	0.6%
Nikkei 225	26,847.90	0.0%
Shanghai Composite	3,047.06	2.4%
Currencies		
USD/MXN	20.37	-0.4%
EUR/USD	1.06	0.6%
DXY	103.00	-0.6%
Commodities		
WTI	106.32	0.9%
Brent	109.42	1.7%
Gold	1,915.56	1.1%
Copper	445.40	0.9%
Sovereign bonds		
10-year Treasury	2.86	4pb

Source: Bloomberg

Equities

- **Positive movements in stock markets, supported by the expectation of greater stimulus from China to combat the effects of the rise in infections. Japan is closed for a Holiday**

- **However, futures in the US anticipate a negative opening, with the S&P500 trading 1.0% below its theoretical value. This, after disappointing expectations from Apple and Amazon, where the former, despite reaching record sales, commented on the impact that supply disruptions from China will have on revenues, while the results of the second disappointed as well as its sales expectations.**

- **As of today, ~50% from the companies in the S&P500 have reported a fall in profits of 1.4% (vs +5.7%e). The positive surprises rate stands at 81.7%. 13 companies will release its results, including Exxon and Chevron. In Mexico we await the reports of AC, Liverpool and probably Gmexico**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds, with European assets pressured up to 5bps and the US Treasury curve losing 4bps on average. Yesterday, the Mbonos' curve closed with pressures of 8bps on average and the Mbono May'31 closed at 9.08% (+8bps)**

- **The dollar weakens (DXY -0.6%) as G-10 currencies trade with gains and NOK (+1.6%) is the strongest. Positive bias prevails in the EM group, with RUB (+1.9%) and KRW (+1.3%) leading the gains. The Mexican peso appreciates 0.4% to 20.36 per dollar, trading between the 50- and 100-day MA**

- **Oil prices advance 1.6% on average on the back of lower production in Russia and the promise of economic stimulus in China. In industrial metals, copper rises 1.4%, also being boosted by the news from China**

Corporate Debt

- **HR Ratings ratified Mexico's sovereign debt rating at HR BBB+ (G) and HR3 (G), changing the Outlook from Negative to Stable. According to the agency, the ratification is a reflection of the fiscal prudence maintained by the Federal Government in 2021, which HR Ratings estimates will continue for the coming years**

- **The change in the Outlook from Negative to Stable is based on the evolution of the sovereign debt metric, which HR Ratings estimates will be below the expectations in the previous review for the coming years and is due to the proper management of the fiscal metrics**

- **HR Ratings ratified DOIHICB 13 (FF for Development and Operation of Hospital Infrastructure of Ixtapaluca) rating at 'HR AAA (E)' with a stable outlook. According to the agency, the ratification of the rating responds to a**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,916.39	1.8%
S&P 500	4,287.50	2.5%
Nasdaq	12,871.53	3.1%
IPC	52,614.17	0.5%
Ibovespa	109,918.97	0.5%
Euro Stoxx 50	3,777.02	1.1%
FTSE 100	7,509.19	1.1%
CAC 40	6,508.14	1.0%
DAX	13,979.84	1.3%
Nikkei 225	26,847.90	1.7%
Hang Seng	20,276.17	1.7%
Shanghai Composite	2,975.49	0.6%
Sovereign bonds		
2-year Treasuries	2.62	3pb
10-year Treasuries	2.82	-1pb
28-day Cetes	6.87	15pb
28-day TIIE	6.75	1pb
2-year Mbono	8.87	3pb
10-year Mbono	9.08	7pb
Currencies		
USD/MXN	20.45	0.2%
EUR/USD	1.05	-0.5%
GBP/USD	1.25	-0.7%
DXY	103.62	0.6%
Commodities		
WTI	105.36	3.3%
Brent	107.59	2.2%
Mexican mix	101.16	2.3%
Gold	1,894.45	0.4%
Copper	443.35	-0.9%

Source: Bloomberg

Certification of Analysts.

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, Oscar Rodolfo Olivos Ortiz, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia 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	*When the share expected performance is similar to the MEXBOL estimated performance.*
SELL	*When the share expected performance is lower than the MEXBOL estimated performance.*

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy

Name	Title	Email	Phone
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godinez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Economic Research

Name	Title	Email	Phone
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707

Market Strategy

Name	Title	Email	Phone
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671

Fixed income and FX Strategy

Name	Title	Email	Phone
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144

Equity Strategy

Name	Title	Email	Phone
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 – 2250
David Alejandro Arenas Sánchez	Senior Strategist, Equity	david.arenas.sanchez@banorte.com	(55) 1103 - 4000 x 2755
Víctor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Oscar Rodolfo Olivos Ortiz	Analyst	oscar.olivos@banorte.com	(55) 1103 - 4000

Corporate Debt

Name	Title	Email	Phone
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Quantitative Analysis

Name	Title	Email	Phone
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suarez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
Miguel Alejandro Calvo Domiguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Salvador Austria Valencia	Analyst, Quantitative Analysis	salvador.austria.valencia@banorte.com	(55) 1103 - 4000

Wholesale Banking

Name	Title	Email	Phone
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.ceballos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.cor	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 1670 - 1899