

Financial Markets Daily

May 4, 2022

Main drivers for the financial markets today...

- **Negative stock markets, S&P Futures up, mixed government bond yields and stable USD with investors awaiting the Fed's monetary policy decision**
- **We expect the FOMC to announce a 50bp hike. In addition, we estimate the start of the balance sheet reduction to be announced and we will be attentive to Powell's conference where we expect a *hawkish* tone**
- **Brazil's Central Bank will also announce its monetary policy decision, where we estimate a 100bp hike in the *Selic* rate. After this increase we think that the end of the hiking cycle is very close. Meanwhile, other central banks show a more *hawkish* tone, one ECB member said it is time to take action against inflation, Iceland made its biggest hike since 2008 and India surprised with a 40bps hike in an off-schedule decision**
- **Regarding economic figures, in the US. the ADP private employment report for April will be published, where we estimate a creation of 380k jobs, below the 455k observed in March**
- **In Mexico, INEGI released April's consumer confidence, which increased by 0.4pts to 44.3pts. Inside, we highlight the 1.5pts rebound in the country's future conditions, as well as the +0.6pts in the same component but regarding the current situation.**
- **Attention on the announcement by President Lopez Obrador on the program agreed with the private sector to face the problem of the sharp increase in inflation**

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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>United States</i>					
8:15	ADP employment* - Apr	thousands	380	400	455
8:30	Trade balance* - Mar	US\$bn	--	-107.0	-89.2
10:00	ISM services* - Apr	index	58.5	58.5	58.3
14:00	FOMC Rate Decision (Upper Bound)	%	1.00	1.00	0.50
14:00	FOMC Rate Decision (Lower Bound)	%	0.75	0.75	0.25
14:00	Interest Rate on Excess Reserves (IOER)	%	0.90	0.90	0.40
14:30	Fed Chair Powell Holds Press Conference Following FOMC Meeting				
<i>Brazil</i>					
17:30	Monetary policy decision (Central bank of Braz	%	12.8	12.75	11.75
<i>China</i>					
21:45	Services PMI (Caixin)* - Apr	index	--	41.1	42.0
21:45	Composite PMI (Caixin)* - Apr	index	--	--	43.9

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	4,189.50	0.5%
Euro Stoxx 50	3,749.59	-0.3%
Nikkei 225	26,818.53	0.0%
Shanghai Composite	3,047.06	0.0%
<i>Currencies</i>		
USD/MXN	20.25	-0.2%
EUR/USD	1.05	0.1%
DXY	103.37	-0.1%
<i>Commodities</i>		
WTI	106.50	4.0%
Brent	109.01	3.8%
Gold	1,868.28	0.0%
Copper	429.60	0.6%
<i>Sovereign bonds</i>		
10-year Treasury	2.96	-1pb

Source: Bloomberg

Equities

- **Stock markets mixed, with negative bias, while investors remain focus on the Fed's monetary policy decision, as well as to more restrictive measures that may be considered to contain inflation. In addition, the market continues to assess the global economic impact of Russia's war**
- **Futures in the US anticipate a slightly higher opening with the S&P500 trading 0.5% above its theoretical value. Else, Europe trades with drops, the Eurostoxx loses 0.3%, with the largest declines in the consumer staples and real estate sectors. Asia closed mixed, highlighting the increase in the Shanghai of 2.4% and the fall of the Hang Seng of 1.1%, after resuming operations for the holiday**
- **On the corporate front, 41 companies from the S&P500 will report today, standing out Booking Holdings and MetLife, after the market close. In Mexico we will be attentive to Liverpool's Investor Day, particularly to growth strategies and operational efficiencies**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds, European assets lose 1bps while the US Treasury curve gains up to 2bps. Yesterday the Mbonos' curve recorded a slight steepening with 1bp gains in the short- and mid-end and 1bp pressures in long-term tenors, the 10-year benchmark closed at 9.12% (+1bps)**
- **The dollar trades with few changes on the DXY while G-10 and emerging market currencies trade with mixed variations. In developed currencies, AUD (+0.5%) leads the gains and CHF (-0.3%) is at the opposite end of the spectrum while in EM the positive bias prevails with RUB (+2.3%) leading the gains. Mexican peso appreciates 0.1% to 20.28**
- **Crude oil prices advance 3.8% on average on the EU's plans to gradually reduce its imports of crude oil and gasoline from Russia as part of the economic sanctions. In metals, gold trades with little change and industrials post a mixed performance**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,128.79	0.2%
S&P 500	4,175.48	0.5%
Nasdaq	12,563.76	0.2%
IPC	51,066.56	-1.6%
Ibovespa	106,528.09	-0.1%
Euro Stoxx 50	3,761.19	0.8%
FTSE 100	7,561.33	0.2%
CAC 40	6,476.18	0.8%
DAX	14,039.47	0.7%
Nikkei 225	26,818.53	0.0%
Hang Seng	21,101.89	0.1%
Shanghai Composite	3,047.06	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	2.78	5pb
10-year Treasuries	2.97	-1pb
28-day Cetes	6.85	-9pb
28-day TIIE	6.76	0pb
2-year Mbono	8.98	-1pb
10-year Mbono	9.15	1pb
<i>Currencies</i>		
USD/MXN	20.29	-0.9%
EUR/USD	1.05	0.1%
GBP/USD	1.25	0.1%
DXY	103.47	-0.3%
<i>Commodities</i>		
WTI	102.41	-2.6%
Brent	104.97	-2.4%
Mexican mix	102.02	0.0%
Gold	1,868.12	0.3%
Copper	428.30	0.4%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings affirmed Grupo Bimbo's national rating at 'AAA(mex)' and its international Issuer Default Ratings at 'BBB'. The rating outlook is Stable. Bimbo's ratings reflect its solid business position as a global leading producer of baked goods with a portfolio of prime brands, an extensive distribution network in key markets and diversified geographic operations**
- **HR Ratings affirmed the rating for issuance OPI 15U at 'HR AA+' and kept the outlook Stable. The rating is based in the stress level the underlying asset can withstand, equal to an Annualised Stress Rate of 1.12%, below the reported in the last revision of 1.30%**

Certification of Analysts.

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, Oscar Rodolfo Olivios 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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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