

Financial Markets Daily

May 6, 2022

Main drivers for the financial markets today...

- **Stock markets lower, government bond yields up and USD little changed after strong volatility in recent sessions, with caution ahead of the US employment report. In addition, fears remain about the effects of a restrictive stance by the Fed and China's COVID-zero strategy**
- **Apart from payrolls, investors are looking at March's consumer credit, a bulky schedule of speeches from Fed members and corporate earnings in the US**
- **China's government reaffirmed its commitment with the COVID-zero approach, commenting that they will "exhaust all means and efforts" to eradicate the virus. This has increased nervousness about its potential effect on economic dynamism and global trade bottlenecks**
- **Francois Villeroy, member of the ECB's Governing Council, stated that interest rates may increase above 0% this year (current deposit rate: -0.5%), relatively in line with what the market discounts. Nevertheless, this comment signals a shift towards the need of acting faster in the normalization process**
- **In Mexico, February's gross fixed investment fell 3.0% m/m, dragged strongly by construction. On the other hand, private consumption accelerated 1.3% in the same month, pushed higher by imported goods**

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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 - Feb	% y/y	1.8	--	8.6
7:00	Gross fixed investment* - Feb	% m/m	-3.0	--	2.2
7:00	Private consumption - Feb	% y/y	--	--	6.9
7:00	Private consumption* - Feb	% m/m	--	--	0.3
<i>United States</i>					
8:30	Nonfarm payrolls* - Apr	thousands	400	385	431
8:30	Unemployment rate* - Apr	%	3.6	3.6	3.6
9:15	Fed's Williams Gives Opening Remarks in NY Fed Event				
15:00	Consumer credit* - Mar	US\$bn	--	25.0	41.8
15:00	Fed's Bostic Gives Commencement Address at Georgia Tech				
19:15	Fed's Bullard and Waller Speak on Hoover Institute Panel				
20:00	Fed's Daly Gives Commencement Speech in Utah Valley University				

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	4,115.75	-0.7%
Euro Stoxx 50	3,641.63	-1.5%
Nikkei 225	27,003.56	0.7%
Shanghai Composite	3,001.56	-2.2%
<i>Currencies</i>		
USD/MXN	20.22	-0.1%
EUR/USD	1.06	0.4%
DXY	103.31	-0.4%
<i>Commodities</i>		
WTI	110.41	2.0%
Brent	113.14	2.0%
Gold	1,883.20	0.3%
Copper	428.10	-0.1%
<i>Sovereign bonds</i>		
10-year Treasury	3.09	5pb

Source: Bloomberg

Equities

- **Negative movements in stock markets and high volatility with higher investor concerns about inflation and growth**
- **Futures in the US anticipate a negative opening, with the S&P500 trading 0.7% below its theoretical value, ahead of the non-farm payrolls to be released, and even after the significant declines seen yesterday. Asia closed with widespread declines, being the exception Japan's Nikkei, which rose 0.7%. Europe trades with average falls of more than 1%, heading for the worst weekly decline in two months**
- **In the final stage of earnings season in the US we have ~86% of the results of companies in the S&P500 and a rise of 7.9% in profits vs 5.7% e has been achieved. The positive surprises rate stands at 78.8%. Today we expect results from Cigna Corp, DISH Network, NRG Energy and Under Armour. In Mexico, Asur's April passengers traffic continued to reflect the sector's biggest gains (+61.4% y/y)**

Sovereign fixed income, currencies and commodities

- **Widespread pressures on sovereign rates. European rates adjust +3bps, on average, while US Treasuries' curve prints a sell-off of up to 5bps in the 10-year reference (3.09%). In Mexico, the Mbonos' yield curve closed yesterday with a steepening bias with adjustments of +/-8bps at the extremes**
- **Dollar trades virtually unchanged amid a positive performance in G10 currencies with NOK as the strongest (+0.7%). In EM, the bias is negative with RUB (-2.9%) leading losses followed by INR (-0.8%). Moreover, MXN trades at 20.23 per dollar (+0.1%)**
- **Crude-oil heads a week of gains as the Europe Union threatens to gradually ban imports of Russian crude. Widespread losses in metals of 2%, excluding gold which gains 0.3% to 1,883 \$/oz t**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,997.97	-3.1%
S&P 500	4,146.87	-3.6%
Nasdaq	12,317.69	-5.0%
IPC	50,529.95	-1.8%
Ibovespa	105,304.19	-2.8%
Euro Stoxx 50	3,696.63	-0.8%
FTSE 100	7,503.27	0.1%
CAC 40	6,368.40	-0.4%
DAX	13,902.52	-0.5%
Nikkei 225	26,818.53	0.0%
Hang Seng	20,793.40	-0.4%
Shanghai Composite	3,067.76	0.7%
<i>Sovereign bonds</i>		
2-year Treasuries	2.70	6pb
10-year Treasuries	3.04	10pb
28-day Cetes	6.96	8pb
28-day TIE	6.77	0pb
2-year Mbono	8.89	-4pb
10-year Mbono	9.16	4pb
<i>Currencies</i>		
USD/MXN	20.24	1.1%
EUR/USD	1.05	-0.8%
GBP/USD	1.24	-2.1%
DX	103.75	1.1%
<i>Commodities</i>		
WTI	108.26	0.4%
Brent	110.90	0.7%
Mexican mix	104.18	0.0%
Gold	1,877.18	-0.2%
Copper	429.15	-1.1%

Source: Bloomberg

Corporate Debt

- **Grupo Lala announced its intention to prepay the full principal amount of its unsecured notes LALA 18-2 and LALA 20-2 on May 13th, 2022.**
- **The bonds currently have an outstanding amount of MXN 5.37 billion; according to the prospectus, the issuer has no obligation to pay any premium for prepayment**
- **The ratings for Financiera Bepensa's short-term placement programme were assigned. The assigned ratings were 'HR1' by HR Ratings and '1+/M' by PCR Verum. The ratings are based on the solid chance that the company could receive support from its holding company, Grupo Bepensa**

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