

Financial Markets Daily

May 11, 2022

Main drivers for the financial markets today...

- **Positive stock markets, while government bond yields and the USD are down, as investors are slightly optimistic about the possible relaxation of measures against COVID-19 in China and awaiting the April's inflation report in the US, which will continue to gauge expectations regarding the *Fed funds* rate hike cycle**
- **On the virus, the city of Shanghai reported a 51% decrease in new cases vs. Tuesday. If this trend continues, the threshold for a relaxation of the mobility restrictions that are affecting growth could be reached**
- **For April inflation in the US, we estimate +0.3% m/m after the 1.2% rise reported in March. The strong increase observed in the third month of the year was mainly due to energy costs due to the conflict between Russia and Ukraine. However, in the fourth month, energy prices partially returned, which points to more moderate inflation. In this scenario, for the Core CPI, which excludes food and energy, we anticipate + 0.5% m/m. With this, the annual change in headline inflation would drop to 8.0% from 8.5% and core inflation would stand at 6.2%**
- **Markets are also attentive to the intervention of Raphael Bostic of Atlanta's Fed who will talk about monetary policy and the economy**
- **In other regions, Brazil will release April's CPI figures. Consensus estimates +12.03% y/y above the +11.30% annual variation observed the previous month. This reading will confirm prices' pressures continue**

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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|----------------------------------------------------|-------|---------|--------|----------|
| <i>Germany</i> | | | | | |
| 2:00 | Consumer prices - Apr (F) | % y/y | -- | 7.4 | 7.4 |
| <i>Brazil</i> | | | | | |
| 8:00 | Consumer prices - Apr | % y/y | -- | 1.00 | 1.62 |
| 8:00 | Consumer prices - Apr | % m/m | -- | 12.07 | 11.30 |
| <i>United States</i> | | | | | |
| 8:30 | Consumer prices* - Apr | % m/m | 0.3 | 0.2 | 1.2 |
| 8:30 | Ex. food & energy* - Apr | % m/m | 0.5 | 0.4 | 0.3 |
| 8:30 | Consumer prices - Apr | % y/y | 8.0 | 8.1 | 8.5 |
| 8:30 | Ex. food & energy - Apr | % y/y | 6.2 | 6.0 | 6.5 |
| 12:00 | Fed's Bostic Discusses Economy and Monetary Policy | | | | |

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 | 4,043.25 | 1.2% |
| Euro Stoxx 50 | 3,606.52 | 1.5% |
| Nikkei 225 | 26,213.64 | 0.2% |
| Shanghai Composite | 3,058.70 | 0.8% |
| <i>Currencies</i> | | |
| USD/MXN | 20.26 | -0.6% |
| EUR/USD | 1.06 | 0.2% |
| DXY | 103.57 | -0.3% |
| <i>Commodities</i> | | |
| WTI | 103.01 | 3.3% |
| Brent | 105.34 | 2.8% |
| Gold | 1,852.97 | 0.8% |
| Copper | 416.65 | 0.3% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 2.93 | -6pb |

Source: Bloomberg

Equities

- **Stock markets mostly positive, as investors focus on the US inflation data release and the potential implication for the Fed's monetary policy. In addition, China reported easing Covid-19 cases. On the corporate front, today only the figures of Steris PLC and Walt Disney Co are expected after the markets close**
- **Futures in the US anticipate a higher opening with the SP500 trading 1.2% above its theoretical value. In the same way, Europe trades with a rise of 1.3% on average, driven by the real estate and consumer discretionary sectors. In turn, Asia closed mixed, although the 1.0% increase of the Hang Seng stands out**
- **In Mexico, the Mexbol Index may stay above the 49,500pts, following international peer's behavior**

Sovereign fixed income, currencies and commodities

- **Widespread gains in sovereign bonds, with European assets adjusting up to -8bps while the US Treasury curve posted gains of up to 6bps in the mid-end. Yesterday, the Mbonos' curve closed with gains of 8bps on average and the 10-year benchmark closed at 9.03% (-11bps)**
- **The dollar weakens (DXY -0.3%) as developed currencies trade with positive bias and emerging currencies show mixed performance. In the first group AUD (+1.0%) is the strongest while in the second group trading is capped by RUB (+2.2%) and CZK (-1.5%). Mexican peso appreciates 0.7% to 20.26 per dollar**
- **Crude oil prices advance 3.6% on the back of a larger-than-expected decline in the flow of natural gas sent by Gazprom through Ukraine and the news regarding the virus in China. Metals prices are predominantly positive, except for Nickel, which falls 2.1%**

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 32,160.74 | -0.3% |
| S&P 500 | 4,001.05 | 0.2% |
| Nasdaq | 11,737.67 | 1.0% |
| IPC | 49,115.86 | 0.1% |
| Ibovespa | 103,109.94 | -0.1% |
| Euro Stoxx 50 | 3,554.80 | 0.8% |
| FTSE 100 | 7,243.22 | 0.4% |
| CAC 40 | 6,116.91 | 0.5% |
| DAX | 13,534.74 | 1.2% |
| Nikkei 225 | 26,167.10 | -0.6% |
| Hang Seng | 19,633.69 | -1.8% |
| Shanghai Composite | 3,035.84 | 1.1% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 2.61 | 2pb |
| 10-year Treasuries | 2.99 | -4pb |
| 28-day Cetes | 6.97 | -12pb |
| 28-day TIE | 6.80 | 2pb |
| 2-year Mbono | 8.79 | -9pb |
| 10-year Mbono | 9.05 | -12pb |
| <i>Currencies</i> | | |
| USD/MXN | 20.39 | 0.0% |
| EUR/USD | 1.05 | -0.3% |
| GBP/USD | 1.23 | -0.1% |
| DXY | 103.92 | 0.3% |
| <i>Commodities</i> | | |
| WTI | 99.76 | -3.2% |
| Brent | 102.46 | -3.3% |
| Mexican mix | 97.26 | -3.5% |
| Gold | 1,838.27 | -0.9% |
| Copper | 415.45 | -0.9% |

Source: Bloomberg

Corporate Debt

- **For today, the auction issued by Arrendadora Actinver, ARREACT 22, is expected for a target amount of MXN 600 million (max. MXN 1 billion) and a 3.5-year term. The issuance is rated 'AA-(mex)/AA-/M' by Fitch Ratings and PCR Verum**
- **Also, the auction of Operadora de Servicios Mega's sustainable issuance, GFMEGA 22X, is expected for up to MXN 3 billion, with a 5 year-term, rated 'A' by Moody's and Verum**
- **HR Ratings upgraded Grupo GICSA's and its current issuances' ratings to 'HR B-' from 'HR C', maintaining the Review in Process. According to the agency, the upgrade revision is based on the new debt profile that the company achieved through the restructuring of its current bonds**

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, José De Jesús Ramírez Martínez, 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> |
| SELL | <i>When the share expected performance is lower than the MEXBOL estimated performance.</i> |

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