

# Financial Markets Daily

May 16, 2022

## Main drivers for the financial markets today...

- **Stock markets skewed to the downside, government bond yields up and USD mixed, with caution after weak economic data in China on lockdowns against COVID-19 (with the government announcing limited stimulus measures), increasing recession risks in a backdrop of tighter monetary restriction and strong price increases**
- **Last night, China’s activity data for April was released, pointing to a strong impact from the virus. Industrial production fell 2.9% y/y, and retail sales plunged 11.1%. On the other hand, gross fixed investment also surprised to the downside, up 6.8% year-to-date**
- **The European Commission updated its forecasts for the region. They anticipate 2.7% GDP growth this year, lower than the 4.0% previously. For 2023, the estimate is also lower, at 2.3% from 2.7%**
- **Market focus this week on 1Q22 GDP in the Eurozone and Japan, as well as April’s inflation data in the UK. Also, speeches by several Fed members, including Powell, and the latest ECB minutes. Monetary policy decision in South Africa, while China’s PBoC will release levels for 1- and 5-year loan prime rates**
- **Other important events include the meeting of G-7 finance ministers in Germany, president Joe Biden trip to Asia, and Congressional primaries in the states of Kentucky, Oregon, North Carolina and Pennsylvania**
- **In economic data, releases in the US include retail sales, industrial production, housing starts, building permits, existing home sales (Apr) and regional surveys Empire and Philly Fed (May)**
- **In Mexico, we only have the *Timely Indicator of Economic Activity* (Apr) and the banking sector survey**

## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	European Commission economic growth forecasts				
5:00	Trade balance* - Mar	EURbn	--	-17.8	-9.4
<i>Brazil</i>					
8:00	Economic activity - Mar	% y/y	--	1.5	0.7
8:00	Economic activity* - Mar	% m/m	--	0.9	0.3
<i>United States</i>					
8:30	Empire manufacturing* - May	index	20.0	15.0	24.6
8:55	Fed's Williams Takes Part in Moderated Discussion				

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

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Winners of the award for best economic  
forecasters for Mexico in 2021, granted by  
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## A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,004.25	-0.4%
Euro Stoxx 50	3,685.96	-0.5%
Nikkei 225	26,547.05	0.5%
Shanghai Composite	3,073.75	-0.3%
<i>Currencies</i>		
USD/MXN	20.11	0.0%
EUR/USD	1.04	0.2%
DX	104.42	-0.1%
<i>Commodities</i>		
WTI	109.55	-0.9%
Brent	110.44	-1.0%
Gold	1,805.45	-0.3%
Copper	415.00	-0.7%
<i>Sovereign bonds</i>		
10-year Treasury	2.91	-1pb

Source: Bloomberg

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### Equities

- **Stock markets trade mixed, albeit with a negative bias. The main concern for investors continues being the possibility of a recession amid continuous inflationary pressures and higher interest rates**
- **In the US, futures anticipate a negative opening with the S&P500 trading 0.4% below its theoretical value. Tech stocks such as Apple, Microsoft and Netflix fell on pre-market trading, following Friday's rally, while Twitter has erased almost all gains since Elon Musk unveiled his stake in the company. Europe is trading mixed, where declines in technology and travel are mitigated by the rise in basic resources and industrial metals. In Asia, adjustments in China stood out, given economic data weakness**
- **Corporate earnings will decrease significantly this week, with only 16 companies reporting in the S&P500, including today Take-Two Interactive Software**

### Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European rates register a 5bps sell-off, on average, while the US Treasuries' curve trades with few changes. In Mexico, the Mbonos' yield curve flattened last week, adjusting +7bps at the short-end and -40bps at the long-end**
- **Dollar trades slightly negative amid a mixed performance in G10 and EM currencies. In the former, NOK (-0.4%) and EUR (+0.1%) stand at the extremes. In EM, TRY (-1.1%) leads losses, while MXN trades at 20.11 per dollar (unchanged)**
- **Crude-oil falls 1.0% as COVID-19 lockdowns strained China's economy. In metals, industrials print a positive balance, excluding nickel (-3.4%) and gold, with the latter at 1,805 \$/oz t (-0.3%). Finally, grains rebound after India prohibited wheat exports**

### Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,196.66	1.5%
S&P 500	4,023.89	2.4%
Nasdaq	11,805.00	3.8%
IPC	49,579.90	0.5%
Ibovespa	106,924.18	1.2%
Euro Stoxx 50	3,703.42	2.5%
FTSE 100	7,418.15	2.6%
CAC 40	6,362.68	2.5%
DAX	14,027.93	2.1%
Nikkei 225	26,427.65	2.6%
Hang Seng	19,898.77	2.7%
Shanghai Composite	3,084.28	1.0%
<i>Sovereign bonds</i>		
2-year Treasuries	2.58	2pb
10-year Treasuries	2.92	7pb
28-day Cetes	7.06	4pb
28-day TIIE	7.24	42pb
2-year Mbono	8.96	15pb
10-year Mbono	8.84	-2pb
<i>Currencies</i>		
USD/MXN	20.11	-0.7%
EUR/USD	1.04	0.3%
GBP/USD	1.23	0.5%
DXY	104.56	-0.3%
<i>Commodities</i>		
WTI	110.49	4.1%
Brent	111.55	3.8%
Mexican mix	106.36	4.1%
Gold	1,811.79	-0.6%
Copper	417.50	1.8%

Source: Bloomberg

### Corporate Debt

- **For the present week we expect the auction of up to MXN 9 billion in the corporate debt market with the participation of Fortaleza Materials, FEFA, Molibdenos y Metales and Volkswagen Leasing**
- **Fitch Ratings upgrade CAMSCB 13U / 19U ratings (Concesionaria Autopista Monterrey – Saltillo FF) to 'AAA(mex)vra' from 'AA+(mex)vra' and the subordinated issuance CAMSSCB 13U to 'AA+(mex) vra' from 'AA(mex)vra'. The outlook on the ratings is stable. According to the agency, the upgrade incorporates the project's solid financial performance in 2021 and the expectation that this will continue in the long-term, resulting in a financial profile consistent with the new ratings of the debt issuances**

## 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, Yazmin 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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<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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