

# Financial Markets Daily

May 18, 2022

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

- **Mixed stock markets, government bond yields rise and USD positive with investors digesting Powell's comments on monetary policy, as well as the latest CPI reports in UK and the Eurozone, affected by disruptions in the supply chains and the war in Ukraine**
- **Sweden and Finland submitted formal application for NATO membership, however, the admission process will be opposed by Turkey, which alleges that the countries have supported Kurdish militias against the government**
- **Regarding economic figures, in the US housing starts and building permits will be released. As for interventions by Fed members, Harker will speak on the economic outlook. This after Powell showed a very *hawkish* tone at a *Wall Street Journal* event yesterday, explaining that the central bank will keep raising rates until there is clear and convincing evidence that inflation is going down**
- **In the Eurozone, the final figure for inflation in April was 7.4% y/y, below the 7.5% y/y estimated by the consensus, but the same as the preliminary report. While in the United Kingdom, inflation for the fourth month of the year stood at 9.0% y/y, above the 7.0% y/y observed in March**

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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>Eurozone and UK</i>					
2:00	UK Consumer prices - Apr	% y/y	--	7.9	6.2
2:00	Core - Apr	% y/y	--	6.2	5.7
5:00	EZ Consumer prices - Apr (F)	% y/y	--	7.5	7.4
5:00	Core - Apr (F)	% y/y	--	3.5	3.5
<i>United States</i>					
8:30	Housing starts** - Apr	thousands	--	1,760	1,793
8:30	Building permits** - Apr	thousands	--	1,820	1,870
16:00	Fed's Harker Discusses the Economic Outlook				

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	4,055.75	-0.7%
Euro Stoxx 50	3,726.67	-0.4%
Nikkei 225	26,911.20	0.9%
Shanghai Composite	3,085.98	-0.2%
<i>Currencies</i>		
USD/MXN	19.92	-0.1%
EUR/USD	1.05	-0.4%
DX	103.62	0.2%
<i>Commodities</i>		
WTI	114.23	1.6%
Brent	113.43	1.3%
Gold	1,812.33	-0.2%
Copper	420.00	-0.9%
<i>Sovereign bonds</i>		
10-year Treasury	2.99	1pb

Source: Bloomberg

## Equities

- **Stock markets mixed, with a negative bias, where investors evaluate the possibility of a tighter Fed's monetary policy following comments from Jerome Powell, while assimilating economic data affected by disruptions in supply chains in Europe and continuing concerns of high inflation**
- **Futures in the US anticipate a negative opening with the SP500 trading 0.7% below its theoretical value. In the same sense, the Eurostoxx falls 0.4%, mainly dragged by the technology sector. In contrast, Asia closed mostly higher, highlighting the Nikkei's rise with 0.9% on dip-buying**
- **On the corporate front, 8 companies from the S&P500 published their results today, highlighting Target Corp that falls more than 18% on pre-market affected by cost pressures and after cutting its earnings expectations. In Mexico, Orbia Day was positive amid its value strategy for the next 5 years, growth objectives and business strength**

## Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds, with European assets adjusting up to +3bps while the US Treasury curve shed 1bp on average. Yesterday the Mbonos' curve recorded a steepening, with losses of up to 20bps on the long-end and the 10-year benchmark closing at 8.89% (+7bps)**
- **The dollar strengthens (DXY +0.2%) while most G-10 currencies trade in negative territory and emerging currencies with mixed variations. In developed currencies GBP (-0.7%) leads the declines while in the second group TRY (-0.8%) is the weakest. The Mexican peso continues its appreciation to 19.91 (+0.2%)**
- **Oil prices advance 1.2% on average, driven by an expected recovery in China's demand due to the easing of the lockdown measures. In metals, the negative bias prevails, except for aluminum (+0.5%)**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,654.59	1.3%
S&P 500	4,088.85	2.0%
Nasdaq	11,984.52	2.8%
IPC	51,464.03	1.8%
Ibovespa	108,789.33	0.5%
Euro Stoxx 50	3,741.51	1.5%
FTSE 100	7,518.35	0.7%
CAC 40	6,430.19	1.3%
DAX	14,185.94	1.6%
Nikkei 225	26,659.75	0.4%
Hang Seng	20,602.52	3.3%
Shanghai Composite	3,093.70	0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	2.70	13pb
10-year Treasuries	2.99	10pb
28-day Cetes	7.06	2pb
28-day TIE	7.21	-1pb
2-year Mbono	9.01	6pb
10-year Mbono	8.89	7pb
<i>Currencies</i>		
USD/MXN	19.94	-0.4%
EUR/USD	1.06	1.1%
GBP/USD	1.25	1.4%
DXY	103.36	-0.8%
<i>Commodities</i>		
WTI	112.40	-1.6%
Brent	111.93	-2.0%
Mexican mix	107.80	1.4%
Gold	1,815.16	-0.5%
Copper	423.90	1.1%

Source: Bloomberg

## Corporate Debt

- **Today we expect the auction of two unsecured bonds from FEFA, FEFA 22-3 / 22S, the last one classified as Sustainable, for a target amount of MXN 3.0 billion, and up to MXN 6.0 billion. The bonds will have 1.5 and 3-year terms, paying a floating rate pegged to the Overnight TIE, with local scale ratings of 'AAA' by S&P Global and HR Ratings**
- **Fitch Ratings assigned the 'AAA(mex)' rating to Cetelem's proposed unsecured issuance, CETELEM 22-2. The rating was based exclusively on the irrevocable and unconditional guarantee granted by the bank BNP Paribas**

## 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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## Guide for investment recommendations.

	Reference
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<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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