

# Financial Markets Daily

May 19, 2022

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

- **Negative stock markets, USD and government bond yields down, amid investors' concerns that high inflation is cutting into corporate performance and consumer spending, while Fed officials reaffirmed that a tighter monetary policy lies ahead**
- **Attention on the ECB's last meeting minutes where members widely expressed concerns over high inflation. However, the document does not reflect the current position of the central bank, pointing to high probabilities of a rate hike in July. In other regions, South Africa's central bank will announce its monetary policy decision**
- **Regarding economic figures, in the US, the Philly Fed regional manufacturing indicator, existing housing figures and jobless claims will be released. On the other hand, the agenda of interventions by Fed members includes the participation of Kashkari speaking about inflation**
- **In Mexico, INEGI published its Timely Indicator of Economic Activity for April, with a 0.4% m/m increase (1.8% y/y sa) in activity. By sectors, they expect industry at +0.5% m/m, gaining some dynamism, and with services at +0.4%, still strong**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	Current account* - Mar	EURbn	--	--	20.8
7:30	ECB Minutes				
<i>Mexico</i>					
7:00	Timely indicator of economic activity* - Apr	% y/y	--	--	0.4
<i>United States</i>					
8:30	Initial jobless claims* - May 14	thousands	200	200	203
8:30	Philadelphia Fed* - May	index	17.5	16.0	17.6
10:00	Existing home sales** - Apr	thousands	--	5.6	5.8
<i>China</i>					
21:15	Rate decision 1-year Loan Prime Rate	%	--	3.65	3.70
21:15	Rate decision 5-year Loan Prime Rate	%	--	4.60	4.60
<i>South African</i>					
	Monetary policy decision (S. African Reserve Bank)	%	--	4.75	4.25

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	3,893.00	-0.8%
Euro Stoxx 50	3,621.37	-1.9%
Nikkei 225	26,402.84	-1.9%
Shanghai Composite	3,096.97	0.4%
<i>Currencies</i>		
USD/MXN	19.95	-0.4%
EUR/USD	1.05	0.5%
DX	103.27	-0.5%
<i>Commodities</i>		
WTI	108.32	-1.2%
Brent	108.44	-0.6%
Gold	1,831.74	0.8%
Copper	420.10	0.5%
<i>Sovereign bonds</i>		
10-year Treasury	2.84	-5pb

Source: Bloomberg

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## Equities

- **Negative stock markets, as fears mount that higher levels of inflation and the global economic slowdown will impact corporate earnings, even already reflected in the figures and downward prospects of some US retailers**
- **Futures in the US anticipate a negative opening with the average of the three indices trading 0.8% below their theoretical value, while Cisco Systems Inc decreases more than 12.0% on pre-market after indicated a more limited expected growth due to supply chains disruptions and cost increases. In the same sense, Europe trades with losses, the Eurostoxx falls 1.9%, with the largest corrections in the technology and consumer staples sectors. In turn, Asia closed mostly lower, with the Hang Seng and the Nikkei down 2.5% and 1.9%, respectively**
- **In Mexico, the Mexbol Index may stay around the 50,000pts, following international peer's behavior**

## Sovereign fixed income, currencies and commodities

- **Positive balance in sovereign rates, with European assets gaining up to 10bps, while the US Treasury curve registers gains of 4bps, on average. In Mexico, the Mbonos' curve closed yesterday with gains of 6bps, on average, and the 10-year reference finished at 8.84% (-4bps)**
- **The dollar retreats (DXY -0.4%) enabling a positive performance in all the G10 currencies with CHF (+1.2%) as the strongest. In EM, the bias is mixed with RUB (+3.4%) and KRW (-0.8%) at the extremes. Meanwhile, MXN trades at 19.96 per dollar (+0.4%), after a 0.5% depreciation yesterday**
- **Crude-oil retreats in the face of increased COVID-19 infections in China. However, this country is negotiating the purchase of Russian crude-oil, opposed to EU actions. Industrial metals trade mixed and a positive bias prevails in precious metals, with gold gaining 0.7%**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,490.07	-3.6%
S&P 500	3,923.68	-4.0%
Nasdaq	11,418.15	-4.7%
IPC	50,394.03	-2.1%
Ibovespa	106,247.15	-2.3%
Euro Stoxx 50	3,690.74	-1.4%
FTSE 100	7,438.09	-1.1%
CAC 40	6,352.94	-1.2%
DAX	14,007.76	-1.3%
Nikkei 225	26,911.20	0.9%
Hang Seng	20,644.28	0.2%
Shanghai Composite	3,085.98	-0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	2.67	-3pb
10-year Treasuries	2.88	-10pb
28-day Cetes	6.97	-9pb
28-day TIE	7.21	0pb
2-year Mbono	8.96	-5pb
10-year Mbono	8.87	-3pb
<i>Currencies</i>		
USD/MXN	20.04	0.5%
EUR/USD	1.05	-0.8%
GBP/USD	1.23	-1.2%
DXY	103.81	0.4%
<i>Commodities</i>		
WTI	109.59	-2.5%
Brent	109.11	-2.5%
Mexican mix	105.12	-2.5%
Gold	1,816.60	0.1%
Copper	417.85	-1.4%

Source: Bloomberg

## Corporate Debt

- **Today we expect the auction of one unsecured issuance from Volkswagen Leasing, VWLEASE 22, for an amount of up to MXN 2.0 billion and a three-year term. The assigned local scale ratings were 'AAA' by S&P Global and Moody's**
- **Also, we expect the first tap issue of Molibdenos y Metales' unsecured notes, MOLYMET 21 / 21-2, for up to MXN 2.0 billion and 3.6 and 5.6-year terms. The assigned local scale ratings were 'AAA' by Fitch and HR Ratings**
- **HR Ratings assigned an 'HR A' rating to Total Play Telecomunicaciones' proposed issuances, TPLAY 22 / 22-2, for an amount of up to MXN 1.0 billion. The ratings were based on the stable Free Cash Flow generation, that closed 1Q22 at MXN 8.7 billion. The agency expects this trend to remain in future periods**

## 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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	Reference
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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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