

Financial Markets Daily

May 25, 2022

Main drivers for the financial markets today...

- **Mixed stock markets, S&P Futures slightly down, government bond yields with negative bias and USD up amid a latent risk-off sentiment with investors concerned about an economic growth slowdown considering tighter monetary conditions, the war in Ukraine, and China's lockdowns**
- **Attention on the FOMC's minutes and Brainard's speech. Powell's clarity in the press conference that accompanied the FOMC decision, in addition to the recent interventions –both by the president of the central bank and other members– have made it clear what the actions will be in the short term. Thus, we expect little additional information in the minutes. Focus will also be on the OECD's Economic Outlook Report**
- **In Mexico, INEGI published 1Q22 final GDP, coming in at 1.0% q/q (preliminary: 0.9%). In annual terms (nsa) activity stood at 1.8% (preliminary: 1.6%). INEGI also released March's GDP-proxy IGAE, climbing 0.3% m/m (+0.4% y/y).**
- **April's trade balance was also published, posting a US\$1,884.1 million deficit. Exports rose 0.9% m/m (16.0% y/y) while imports rose 5.2% m/m (25.7% y/y)**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted by
Refinitiv



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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|---------------|--|--------|---------|--------|----------|
| | OECD Publishes Economic Outlook | | | | |
| Germany | | | | | |
| 2:00 | Gross domestic product* - 1Q22 (F) | % q/q | -- | 0.2 | 0.2 |
| Mexico | | | | | |
| 7:00 | Gross domestic product - 1Q22 (F) | % y/y | 1.7 | 1.7 | 1.6 |
| 7:00 | Gross domestic product* - 1Q22 (F) | % q/q | 0.9 | 1.0 | 0.9 |
| 7:00 | Global economic activity indicator (IGAE) - Mar | % y/y | 0.3 | 0.9 | 2.5 |
| 7:00 | Global economic activity indicator (IGAE)* - Mar | % m/m | 0.3 | 0.4 | 0.0 |
| 7:00 | Trade balance - A pr | US\$m | -257.5 | 539.5 | 198.7 |
| 10:00 | Current account - 1Q22 | US\$bn | -9.9 | -2.2 | 3.0 |
| United States | | | | | |
| 8:30 | Durable goods orders* - Apr (P) | % m/m | -- | 0.6 | 1.1 |
| 8:30 | Ex transportation* - Apr (P) | % m/m | -- | 0.5 | 1.4 |
| 12:15 | Fed's Brainard delivers commencement address | | | | |
| 14:00 | FOMC Meeting Minutes | | | | |
| South Korea | | | | | |
| | Monetary policy decision (C. bank of S. Korea) | % | -- | 1.75 | 1.50 |

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 | 3,923.50 | -0.4% |
| Euro Stoxx 50 | 3,649.65 | 0.1% |
| Nikkei 225 | 26,677.80 | -0.3% |
| Shanghai Composite | 3,107.46 | 1.2% |
| <i>Currencies</i> | | |
| USD/MXN | 19.92 | 0.4% |
| EUR/USD | 1.07 | -0.8% |
| DX | 102.38 | 0.5% |
| <i>Commodities</i> | | |
| WTI | 111.06 | 1.2% |
| Brent | 114.71 | 1.0% |
| Gold | 1,856.44 | -0.5% |
| Copper | 432.55 | 0.0% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 2.71 | -4pb |

Source: Bloomberg

Equities

- **Stock markets mixed, with a negative bias, while investors await the Fed's minutes and possible prospects of the pace of adjustment in monetary policy. However, concerns of lower global economic dynamism remain following Li Keqiang's comments regarding a more challenging environment than expected in China**
- **Futures in the US anticipate a negative opening with the average of the three indices trading 0.4% below their theoretical value. Nordstrom rose more than 9.0% on pre-market after raising its profit and revenue forecast for next year, expecting a good performance from the affluent shoppers despite high inflation. In the same sense, Europe trades cautiously, the Eurostoxx decreases 0.1%, the largest correction in the technology sector. Asia closed mostly positive, with the Shanghai up 1.4%**
- **In Mexico, the Mexbol Index may consolidate around the 51,000pts**

Sovereign fixed income, currencies and commodities

- **Positive bias in sovereign bonds, with European assets adjusting -6bps, on average, while the US Treasury curve trades with modest gains of 4bps in the long-end and pressures of 2bps in the short-end. Yesterday, the Mbonos' curve closed with gains of 4bps on average**
- **The dollar rises against all developed currencies with SEK (-1.1%) limiting losses. In emerging markets, the bias is also negative with RUB (-2.9%) as the weakest. The Mexican peso appreciates 0.4% to 19.92, completely wiping out yesterday's gains (+0.2%)**
- **Energy prices gain ground with WTI increasing 1.2% and gasoline rising 1.8%. For the latter, inventories decreased ahead of the start of the summer driving season. On the other hand, the balance of metals is negative, with Aluminum adjusting -2.0%**

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 31,928.62 | 0.2% |
| S&P 500 | 3,941.48 | -0.8% |
| Nasdaq | 11,264.45 | -2.3% |
| IPC | 51,304.04 | -0.1% |
| Ibovespa | 110,580.79 | 0.2% |
| Euro Stoxx 50 | 3,647.56 | -1.6% |
| FTSE 100 | 7,484.35 | -0.4% |
| CAC 40 | 6,253.14 | -1.7% |
| DAX | 13,919.75 | -1.8% |
| Nikkei 225 | 26,748.14 | -0.9% |
| Hang Seng | 20,112.10 | -1.7% |
| Shanghai Composite | 3,070.93 | -2.4% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 2.48 | -14pb |
| 10-year Treasuries | 2.75 | -10pb |
| 28-day Cetes | 7.00 | -5pb |
| 28-day TIIE | 7.22 | 1pb |
| 2-year Mbono | 8.84 | -6pb |
| 10-year Mbono | 8.66 | -3pb |
| <i>Currencies</i> | | |
| USD/MXN | 19.84 | -0.2% |
| EUR/USD | 1.07 | 0.4% |
| GBP/USD | 1.25 | -0.4% |
| DX-Y | 101.86 | -0.2% |
| <i>Commodities</i> | | |
| WTI | 109.77 | -0.5% |
| Brent | 113.56 | 0.1% |
| Mexican mix | 107.59 | -0.5% |
| Gold | 1,866.45 | 0.7% |
| Copper | 430.50 | -0.9% |

Source: Bloomberg

Corporate Debt

- **S&P Global Ratings ratified Infonavit's credit rating on a global scale at 'BBB/A-2' with a Negative outlook and on a national scale at 'mxAAA/mxA-1+' with a Stable outlook. According to the agency, the ratings reflect its expectation that Infonavit will continue to play an important role in the development of the housing sector in Mexico amid challenging economic conditions**
- **Fitch Ratings ratified Inmobiliaria Ruba's rating and its RUBA 17 issuance at 'AA-(mex)'; the outlook is Stable. According to the agency, Ruba's ratings incorporate the company's flexibility to adjust its sales mix based on market conditions, which has allowed it to have constant growth**

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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, 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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|-------------|--|
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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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