

Financial Markets Daily

May 31, 2022

Main drivers for the financial markets today...

- **Stock markets skewed to the downside, while government bond yields, USD, and crude-oil prices are up, after a 3-day break in the US with investors assimilating a negative surprise in the Eurozone's inflation report and EU plans to pursue a partial ban on Russian oil**
- **All eyes on the meeting between president Biden and Jerome Powell. Regarding recent comments from Fed members, we highlight Governor Waller saying he wants to keep raising interest rates in half-percentage-point steps until inflation is easing back towards the 2.0% target. As for economic figures, the agenda includes the Conference Board consumer confidence indicator for May**
- **In the Eurozone, inflation for the fifth month of the year was released at 8.1% y/y from the previous 7.4%, reaching all-time highs. The table is set for a first hike in interest rates in July and although a 25bps hike is most likely, speculation of a 50bps hike has increased**
- **In Mexico, INEGI released April's employment report. The unemployment rate rose to 3.03%, with 1.0 million new jobs. With seasonally adjusted figures we saw a sharp decline to 3.09% (-29bps), a new historical low. Later, banking credit figures will also be released**

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forecasters for Mexico in 2021, granted by
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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|--|--------|---------|--------|----------|
| <i>Eurozone</i> | | | | | |
| 5:00 | Consumer prices - May (P) | % y/y | -- | 7.8 | 7.5 |
| 5:00 | Core - May (P) | % y/y | -- | 3.6 | 3.5 |
| <i>Mexico</i> | | | | | |
| 7:00 | Unemployment rate - Apr | % | 3.27 | 3.35 | 2.97 |
| 10:00 | International reserves - May 27 | US\$bn | -- | -- | 199.2 |
| 10:00 | Banking credit - Apr | % y/y | 1.6 | -- | -0.6 |
| 12:30 | Government weekly auction: 1-, 3-, 6- 12- month CETES; 20-year Mbono (Nov'42); 3-year Udibono (Dec'26) and 1-, 2-, and 3-year Bondes F | | | | |
| <i>United States</i> | | | | | |
| 9:00 | S&P/CoreLogic housing prices - Mar | % y/y | -- | 20.0 | 20.2 |
| 10:00 | Consumer confidence* - May | index | 105.0 | 103.5 | 107.3 |
| <i>China</i> | | | | | |
| 21:45 | Manufacturing PMI (Caixin)*-May | index | -- | 49.5 | 46.0 |

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 | 4,140.75 | -0.4% |
| Euro Stoxx 50 | 3,810.64 | -0.8% |
| Nikkei 225 | 27,279.80 | -0.3% |
| Shanghai Composite | 3,186.43 | 1.2% |
| <i>Currencies</i> | | |
| USD/MXN | 19.58 | 0.2% |
| EUR/USD | 1.07 | -0.7% |
| DXY | 101.92 | 0.2% |
| <i>Commodities</i> | | |
| WTI | 118.63 | 3.1% |
| Brent | 123.31 | 1.3% |
| Gold | 1,847.50 | -0.4% |
| Copper | 433.15 | 0.6% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 2.82 | 8pb |

Source: Bloomberg

Equities

- **Mixed movements, with a negative bias, in equity markets amid growing concerns about the pace of monetary tightening from central banks and its impact on economic growth, after Eurozone inflation hit a record high and following the agreement of the European Union to ban most crude imports from Russia by the end of 2022**
- **In Asia the markets closed mixed. In Europe stocks drop, the Euro Stoxx sheds 0.8%. Shares from technology and industrial sectors lead losses, while those from energy show gains. In turn, in the US operations will resume after yesterday's holiday and the futures of main indices point to a negative open by falling 0.4% on average**
- **In Mexico, the Mexbol may stand around the 52,000 pts**

Sovereign fixed income, currencies and commodities

- **Widespread pressures in sovereign bonds, with European rates adjusting +4bps, on average, while the US Treasury curve print a 8bps sell-off in the belly. Yesterday, the Mbonos' curve closed with mixed adjustments and the 10-year reference concluded at 8.48% (-1bp)**
- **The dollar rises against all developed currencies with EUR (-0.7%) limiting losses. In emerging markets, the bias is also negative with HUF (-1.1%) as the weakest. The Mexican peso depreciates 0.2% to 19.58, completely wiping out yesterday's gains (+0.2%)**
- **Crude-oil headed for a month of gains as EU plans to pursue a partial ban on imports of Russian oil and China eased lockdowns, aiding demand. In metals, the balance is negative with nickel adjusting -2.0% and gold trading at 1,848 \$/oz t (-0.4%)**

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 33,212.96 | 0.0% |
| S&P 500 | 4,158.24 | 0.0% |
| Nasdaq | 12,131.13 | 0.0% |
| IPC | 52,162.08 | -0.6% |
| Ibovespa | 111,032.11 | -0.8% |
| Euro Stoxx 50 | 3,841.62 | 0.9% |
| FTSE 100 | 7,600.06 | 0.2% |
| CAC 40 | 6,562.39 | 0.7% |
| DAX | 14,575.98 | 0.8% |
| Nikkei 225 | 27,369.43 | 2.2% |
| Hang Seng | 21,123.93 | 2.1% |
| Shanghai Composite | 3,149.06 | 0.6% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 2.48 | 0pb |
| 10-year Treasuries | 2.74 | 0pb |
| 28-day Cetes | 7.09 | 1pb |
| 28-day TIIE | 7.22 | 1pb |
| 2-year Mbono | 8.98 | 1pb |
| 10-year Mbono | 8.51 | -2pb |
| <i>Currencies</i> | | |
| USD/MXN | 19.54 | -0.2% |
| EUR/USD | 1.08 | 0.4% |
| GBP/USD | 1.27 | 0.2% |
| DX-Y | 101.67 | 0.0% |
| <i>Commodities</i> | | |
| WTI | 115.07 | 0.0% |
| Brent | 121.67 | 1.9% |
| Mexican mix | 112.20 | 0.0% |
| Gold | 1,855.23 | 0.1% |
| Copper | 430.65 | 0.0% |

Source: Bloomberg

Corporate Debt

- **S&P Global Ratings assigned 'mxAA' ratings to Grupo Herdez' proposed sustainability-linked bonds, HERDEZ 22L / 22-2L, for up to MXN 3.0 billion. The ratings incorporate Herdez' leading share in the Mexican market, a product portfolio resilient to economic cycles, a strong brand recognition and solid joint ventures**
- **Today, a partial principal amortization will take place for Grupo Axo's unsecured issuances, AXO 16-2 / 19-2 for MXN 131 million, corresponding to the bonds' capitalized interest payments**

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, 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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|-------------|--|
| BUY | <i>When the share expected performance is greater than the MEXBOL estimated performance.</i> |
| 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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