

Financial Markets Daily

December 16, 2022

Main drivers for the financial markets today...

- **Stocks markets negative, government bond yields with a positive bias, and the USD with small changes. Recession fears keep growing as investors continue assessing the hawkish stance from central banks, with a restrictive cycle that will continue during 2023 and terminal rates above market expectations**
- **The US Senate approved a one-week spending extension to avoid a government shutdown this Saturday, with Democrats seeking a long-term resolution next week**
- **The US government continues to add Chinese tech companies to its blacklist (12 in this occasion). With this, it will be necessary to obtain a license to be able to provide them with US technology related to next-generation chips. This contrasts with the message from Treasury Secretary Janet Yellen and Chinese Ambassador Qin Gang, who agreed to boost economic coordination from both countries**
- **On economic data, December's PMIs in the Eurozone improved marginally, highlighting the composite indicator at 48.8pts from 47.8pts, driven by both manufacturing and services, noticing a similar behavior in Germany. In addition, Novembers' inflation in the region (final figure) was slightly higher than the preliminary print at 10.1%, with core inflation unchanged at 5.0%**
- **In the US, PMIs will also be published, in which the market anticipates a marginal improvement. In Mexico, Banxico's expectations survey will be released. Finally, we will have a monetary policy decision in Colombia, where a 100bps increase to 12.00% is expected**

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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	Trade balance* - Oct	EURbn	--	--	-37.7
5:00	Consumer prices - Nov (F)	% y/y	--	10.0	10.0
5:00	Core - Nov (F)	% y/y	--	5.0	5.0
<i>United States</i>					
9:45	Manufacturing PMI* - Dec (P)	index	47.5	47.9	47.7
9:45	Services PMI* - Dec (P)	index	--	46.5	46.2
9:45	Composite PMI* - Dec (P)	index	--	--	46.4
<i>Mexico</i>					
10:00	Survey of expectations (Banxico)				
<i>Colombia</i>					
13:00	Monetary policy decision (Banco de la República)	%	--	12.00	11.00

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	3,889.75	-1.0%
Euro Stoxx 50	3,798.58	-1.0%
Nikkei 225	27,527.12	-1.9%
Shanghai Composite	3,167.86	0.0%
<i>Currencies</i>		
USD/MXN	19.84	0.4%
EUR/USD	1.06	0.0%
DXY	104.50	-0.1%
<i>Commodities</i>		
WTI	74.58	-2.0%
Brent	79.58	-2.0%
Gold	1,782.58	0.3%
Copper	375.85	-0.1%
<i>Sovereign bonds</i>		
10-year Treasury	3.49	4pb

Source: Bloomberg

Equities

- **The week concludes with negative moves in major stock indexes, as recession fears continue to mount as central banks remain focused on containing price pressures**
- **As such, futures in the US anticipate a negative opening, with the S&P500 trading 1.0% below its theoretical value. Meanwhile, high volatility is expected as it is the last 'Triple Witching Day' of the year -major expiration of futures and options-, and the last day of high liquidity, while trading volumes could surge up to ~4x**
- **In Europe, we see widespread declines of more than 1%, with the real estate, technology and financial services sectors leading the adjustments. Asia also closed in negative territory, although the exception was the Hang Seng which rose 0.42%. In Mexico, the Mexbol Index could adjust below 49,000pts**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds amid a hawkish tone. European assets trade with losses of up to 19bps while the Treasuries yield curve trades with adjustments of+4bps on average. Yesterday, the Mbonos' curve closed with a flattening, as a result of 4bps losses on the short-end and 1bp gains on long-term tenors**
- **The dollar trades with few changes as G-10 currencies show a positive bias and emerging currencies show mixed changes. In the former group JPY (+0.6%) is the strongest and in the latter, trading is capped by CLP (+0.2%) and ZAR (-0.5%). The Mexican peso extends yesterday's losses by depreciating 0.4% to 19.84 per dollar**
- **Crude-oil futures fall 1.8% on concerns that the tightening cycle will trigger a global recession. Metals performance is mixed, with aluminum and nickel advancing more than 1.0%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,202.22	-2.2%
S&P 500	3,895.75	-2.5%
Nasdaq	10,810.53	-3.2%
IPC	49,342.34	-1.4%
Ibovespa	103,737.69	0.0%
Euro Stoxx 50	3,835.70	-3.5%
FTSE 100	7,426.17	-0.9%
CAC 40	6,522.77	-3.1%
DAX	13,986.23	-3.3%
Nikkei 225	28,051.70	-0.4%
Hang Seng	19,368.59	-1.5%
Shanghai Composite	3,168.65	-0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	4.24	3pb
10-year Treasuries	3.45	-3pb
28-day Cetes	10.37	54pb
28-day TIIE	10.37	1pb
2-year Mbono	9.89	7pb
10-year Mbono	8.80	2pb
<i>Currencies</i>		
USD/MXN	19.76	0.6%
EUR/USD	1.06	-0.5%
GBP/USD	1.22	-2.0%
DXY	104.56	0.8%
<i>Commodities</i>		
WTI	76.11	-1.5%
Brent	81.21	-1.8%
Mexican mix	65.73	-1.5%
Gold	1,776.85	-1.7%
Copper	376.30	-3.0%

Source: Bloomberg

Corporate Debt

- **Fibra Inn sold three properties that previously operated under the Wyndham Garden brand located in the cities of Silao, Celaya and Irapuato. According to the statement, Fibra Inn received a payment of MXN 100 million plus VAT, which will be used for investments in the hotels in the portfolio or in more profitable projects**
- **CIBanco (Trustee) reported Gicsa's intention to carry out a partial early payment of the unpaid balance of the notes GICSA 15 / 17 / 19, on December 22. For series 15 for an amount of MXN 18.0 million, for series 17 for MXN 28.7 million and for series 19 for MXN 83.8 million**
- **HR Ratings affirmed Fibra Shop's rating at 'HR AA-' and changed the outlook to Stable from Negative. According to the agency, the ratification is based on the expected stability in the generation of FCF**

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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, Cintia Gisela Nava Roa, 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 and Daniel Sebastián Sosa Aguilar, 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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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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