BANORTE

Economic and Financial Markets Research

Economic Research and Market Strategy

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Main drivers for the financial markets today…

- **Stock markets positive –although with S&P500 futures down–, government bond yields mixed, and the USD strengthening, with investors assimilating confusing signals of progress in the trade negotiations between China and the US, also weighing comments from Fed members about possible rate cuts sooner than expected, and earnings from some technology companies**

- **On trade issues, China could suspend its 125% tariff on certain US imports to mitigate the costs of the trade war, including goods such as medical equipment and ethane. However, Chinese officials indicated that there have been no talks with the US on trade issues, contrasting with comments made by President Trump yesterday**

- **Continuing with China, the Politburo promised emergency plans to deal with external shocks as well as new tools to boost consumption and trade. Similarly, the governor of the PBoC, Pan Gongsheng, indicated that monetary policy will remain 'moderately loose'**

- **Regarding economic data, in the US, we will be watching the final sentiment data from the University of Michigan. Meanwhile, in the UK, retail sales surprised to the upside in March by +0.5% m/m. Inflation in April in Brazil was higher than expected, taking the annual comparison to 5.49%. In Mexico, February's GDP-proxy IGAE was better than expected at +1.0% m/m (-0.7% y/y), driven by gains in all three sectors**

- **On the war in Ukraine, Trump's envoy, Steve Witkoff, met with Vladimir Putin and other Russian officials as part of discussions to end the war. However, details on what happened are currently lacking**

The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Brazil					
8:00	Consumer prices - Apr	% m/m	--	0.43	0.64
8:00	Consumer prices - Apr	% y/y	--	5.50	5.26
Mexico					
8:00	Economic activity indicator (IGAE) - Feb	% y/y	-1.3	-1.1	-0.1
8:00	Economic activity indicator (IGAE)* - Feb	% m/m	0.7	0.5	-0.2
United States					
10:00	U. of Michigan Confidence* - Apr (F)	index	--	50.8	50.8

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,498.25	-0.2%
Euro Stoxx 50	5,141.11	0.5%
Nikkei 225	35,705.74	1.9%
Shanghai Composite	3,295.06	-0.1%
Currencies		
USD/MXN	19.63	0.2%
EUR/USD	1.14	-0.3%
DXY	99.62	0.2%
Commodities		
WTI	61.88	-1.4%
Brent	65.63	-1.4%
Gold	3,292.79	-1.7%
Copper	479.00	-1.4%
Sovereign bonds		
10-year Treasury	4.28	-3pb

Source: Bloomberg

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Equities

- **Widespread positive movements in main stock índices, as advances in trade negotiations and corporate earnings continue to be assimilated. Reporting season is moving on; with 34% of the figures of companies in the S&P 500, an increase in earnings per share of 19.1% vs. 6.5%e is accumulated**

- **Futures in the US anticipate a negative opening, with the S&P500 trading 0.2% below its theoretical value, after the rise of the last few days, and with mixed figures from technology companies. Alphabet surprised positively with higher-than-expected revenue, but Intel announced weaker-than-expected outlook**

- **In Mexico yesterday, Livepol's report was a negative surprise, with resilience in revenues, but stronger than expected pressures in profitability. Today we keep an eye on the figures from Gmexico and Kof**

Sovereign fixed income, currencies and commodities

- **Mixed balance in sovereign bonds. The Treasuries' curve records a flattening bias because of higher gains at the long-end of up to 5bps. By contrast, 10-year rates in Europe are up 2bps on average. Yesterday, Mbonos in Mexico registered gains of up to 12bps in those of longer duration. The 10-year benchmark closed at 9.33% (-12bps)**

- **The dollar strengthens against all G10 currencies, with SEK (-1.0%) being the weakest. In emerging markets, the bias is also negative leading by Asia and LatAm. Meanwhile, the Mexican peso is trading at 19.64 per dollar with a depreciation of 0.3%, although outlining a weekly gain of 0.4%**

- **Losses in energy and metals amid conflicting messages on trade war that have raised uncertainty about the prospect for easing tensions between the US and China**

Corporate Debt

- **Fitch Ratings downgraded GISSA's (Grupo Industrial Saltillo) rating to 'AA-(mex)' from 'AA(mex)' and kept the Negative outlook. The downgrade reflects an expectation of lower-than-expected cash flow from operations and a leverage that exceeds negative sensitivities**

- **Fitch Ratings affirmed Fibra Danhos' rating at 'AAA(mex)' with a Stable outlook. The ratings are based on the diversification by segment, its growth strategy, the good quality of its portfolio assets and a high capacity to generate rental income**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	40,093.40	1.2%
S&P 500	5,484.77	2.0%
Nasdaq	17,166.04	2.7%
IPC	56,382.00	1.1%
Ibovespa	134,580.43	1.8%
Euro Stoxx 50	5,114.98	0.3%
FTSE 100	8,407.44	0.1%
CAC 40	7,502.78	0.3%
DAX	22,064.51	0.5%
Nikkei 225	35,039.15	0.5%
Hang Seng	21,909.76	-0.7%
Shanghai Composite	3,297.29	0.0%
Sovereign bonds		
2-year Treasuries	3.80	-7pb
10-year Treasuries	4.31	-7pb
28-day Cetes	8.77	-1pb
28-day TIIE	9.29	0pb
2-year Mbono	8.25	3pb
10-year Mbono	9.34	-14pb
Currencies		
USD/MXN	19.59	-0.2%
EUR/USD	1.14	0.7%
GBP/USD	1.33	0.7%
DXY	99.38	-0.5%
Commodities		
WTI	62.79	0.8%
Brent	66.55	0.7%
Mexican mix	60.14	0.2%
Gold	3,349.43	1.9%
Copper	491.05	0.3%

Source: Bloomberg

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Marcos Saúl García Hernandez, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, Ana Laura Zaragoza Félix, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, 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	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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