Financial Markets Daily

Main drivers for the financial markets today…

- Stock markets positive –but with S&P futures negative–, government bond yields mixed, USD with small changes and oil climbing, with geopolitical tensions in the Middle East still rising following airstrikes vs Yemen. Investors remain confident that rates will start to decline this year after US inflation figures

- Regarding economic data, attention in the US will focus on PPI for December. Consensus estimates an acceleration to 1.3% y/y. On the monetary front, Kashkari (Minneapolis) will discuss regional economic conditions at the beginning of the day

- GDP in the UK grew 0.3% m/m in November, above expectations. However, doubts remain on whether performance in December will be strong enough to avoid a technical recession

- In China, the consumer price index achieved its longest streak of declines since 2009, standing at -0.3% y/y. This deflation could translate into a need for larger economic recovery measures by the government. Another relevant figure for China was the first decline in its exports since 2016 (-4.6% y/y), with external demand also not being a current support for this economy either

- The US and UK launched airstrikes against Houthi targets in Yemen, after a string of attacks on merchant vessels in the Red Sea. President Biden has left the door open to more actions, while the Houthis vowed to continue their attacks. This is the main catalyst behind the increase in oil prices

- In the UK, Prime Minister Sunak, in a visit to Kyiv, mentioned that the government will continue to provide economic support to Ukraine. Military funds could be increased by about US$254 million to reach US$3.2 billion. For his part, President Biden commented that military aid to Ukraine has been stopped due to the lack of an agreement in Congress

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,801.00	-0.3%
Euro Stoxx 50	4,471.52	0.7%
Nikkei 225	35,577.11	1.5%
Shanghai Composite	2,881.98	-0.2%
Currencies		
USD/MXN	16.91	0.0%
EUR/USD	1.10	-0.2%
DXY	102.49	0.2%
Commodities		
WTI	75.11	4.3%
Brent	80.62	4.1%
Gold	2,044.95	0.8%
Copper	378.80	0.3%
Sovereign bonds		
10-year Treasury	3.99	3pb

Source: Bloomberg

The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
UK					
2:00	Industrial production* - Nov	% m/m	--	0.3	-0.8
United States					
8:30	Producer prices* - Dec	% m/m	--	0.1	0.0
8:30	Ex. food & energy* - Dec	% m/m	--	0.2	0.0
10:00	Fed's Kashkari Speaks at Regional Economic Conditions Conference				

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

Equities

- Stock markets with positive bias, although futures in the US anticipate a negative opening, with the S&P 500 trading 0.3% below its theoretical value, reacting to reports from major banks with mixed signals

- Investors digest the official kick-off of the US earnings season today, with figures from Bank of America, Blackrock, Citigroup, JP Morgan and Wells Fargo. While positive numbers prevail, there are signs that cast doubt on how sustainable they are going forward

- Yesterday, Volaris published its 2024 Guidance, which is mixed. It contemplates a greater reduction than expected in capacity due to the stoppage for maintenance on the NEO engines, but with greater profitability in the face of the agreed compensation. A weak 1Q24 is anticipated, but at least this news removes some of the uncertainty. We suggest caution

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds. European 10-year rates post gains of 2bps on average. The Treasuries yield curve trades with 3bps losses after the steepening observed in the previous session. Yesterday, the Mbonos curve gained 2bps and the 10-year benchmark closed at 9.13% (-1bp)

- The dollar trades little changed (BBDXY +0.1%). In G10 currencies, CAD (+0.1%) leads rallies and GBP (-0.3%) is the weakest. In EM, trading is capped by RUB (+0.5%) and PLN (-0.5%). MXN reverses early gains and trades little changed at 16.91 per dollar

- Crude-oil futures are up 3.6% on airstrikes against Houthis in Yemen by the US and UK in response to attacks on shipping. In metals, gold and silver stand out printing gains of 1.0% and 1.2%, in the same order

Corporate Debt

- Fitch Ratings and Moody's Local assigned ratings of 'AAA(mex)' and 'AAA.mx', respectively, to Arca Continental's proposed issuances AC 24 / 24-2. The AC 24 issue will be a floating-rate issue with a 3-year term, while the AC 24-2 issue will be a fixed-rate issue with a 10-year term. The proceeds will be used to refinance the company's liabilities

- According to the agencies, Arca Continental's ratings are supported by the solid business position in the beverage area of AC Bebidas, one of the largest Coca-Cola bottlers in the world in terms of volume, with geographically diversified operations in Latin America and the southwestern United States

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	37,711.02	0.0%
S&P 500	4,780.24	-0.1%
Nasdaq	14,970.18	0.0%
IPC	55,438.75	0.2%
Ibovespa	130,648.75	-0.1%
Euro Stoxx 50	4,442.28	-0.6%
FTSE 100	7,576.59	-1.0%
CAC 40	7,387.62	-0.5%
DAX	16,547.03	-0.9%
Nikkei 225	35,049.86	1.8%
Hang Seng	16,302.04	1.3%
Shanghai Composite	2,886.65	0.3%
Sovereign bonds		
2-year Treasuries	4.25	-11pb
10-year Treasuries	3.97	-6pb
28-day Cetes	11.20	-9pb
28-day TIIE	11.50	0pb
2-year Mbono	9.99	-2pb
10-year Mbono	9.11	-3pb
Currencies		
USD/MXN	16.91	-0.4%
EUR/USD	1.10	0.0%
GBP/USD	1.28	0.1%
DXY	102.29	-0.1%
Commodities		
WTI	72.02	0.9%
Brent	77.41	0.8%
Mexican mix	67.46	0.9%
Gold	2,028.91	0.2%
Copper	377.65	-0.1%

Source: Bloomberg

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, 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, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Paula Lozoya Valadez, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora and Andrea Muñoz Sánchez, 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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