

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets down, with government bond yields and USD higher.** This reflects caution as investors wait for more information on monetary policy and corporate earnings, with speculation persisting about whether central bankers will signal a more defensive stance than anticipated
- **The Progressive Democratic Party won Taiwan's presidential election,** which was held on Saturday, albeit losing its legislative majority. This suggests more difficulties to govern effectively, with the attention now on China's response to these results
- **No further economic data today in Mexico and the US,** with markets in the latter country closed because of the Martin Luther King Jr. holiday
- **Market attention this week on the US earnings season,** with results from 23 companies of the S&P500. Moreover, economic data in various regions. Among them, we highlight 4Q23 and other December figures in China; inflation (Dec) in the United Kingdom; as well as retail sales and industrial production (Dec) in the US
- **No important monetary policy decisions.** The Fed will release the *Beige Book*, along with speeches from several members. Also comments from Lagarde and the ECB minutes. China will announce 1- and 5-year prime loan interest rates
- **There are several events.** Among them, the World Economic Forum at Davos, the Iowa 'caucus' and a presidential candidate debate among Republicans, a meeting of NATO military leaders, and on Friday is the limit date to avoid a government shutdown in the US
- **On the rest of US data,** housing starts, building permits, existing home sales (Dec), manufacturing indicators *Empire* and *Philly Fed* and U. of Michigan consumer confidence (Jan). In Mexico, the agenda is limited, only with retail sales (Nov)

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
	Markets closed for Martin Luther King Jr. Day				
Eurozone					
4:00	GER Gross domestic product - 2023	% y/y	--	-0.3	1.8
5:00	EZ Industrial production* - Nov	% m/m	--	-0.3	-0.7
5:00	EZ Trade balance* - Nov	EURbn	--	--	10.9

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

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Winners of the 2023 award for best Mexico economic, forecasters, granted by Focus Economics

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,811.50	-0.1%
Euro Stoxx 50	4,467.67	-0.3%
Nikkei 225	35,901.79	0.9%
Shanghai Composite	2,886.29	0.1%
Currencies		
USD/MXN	16.87	0.0%
EUR/USD	1.09	0.0%
DX	102.56	0.2%
Commodities		
WTI	71.90	-1.1%
Brent	77.63	-0.8%
Gold	2,053.79	0.2%
Copper	376.10	0.5%
Sovereign bonds		
10-year Treasury	3.94	0pb

Source: Bloomberg

Equities

- Caution prevails as investors evaluate the economic outlook and await further information on the earnings season. Today's volume is expected to be low due to the US holiday
- Europe trades lower, with the Eurostoxx down 0.3% dragged by healthcare. Moreover, Dassault Aviation falls more than 5.0% after reporting that aircraft orders in 2023 were lower vs the previous year. Asia closed with a negative bias, although the Nikkei continues to stand out with a 0.9% increase. Finally, we anticipate a weekly trading range for the Mexbol index between 54,800 and 56,500pts
- On the corporate front, a slight increase in the flow of results with 23 S&P500 companies this week, highlighting Goldman Sachs and Morgan Stanley. In Mexico, the season starts on Wednesday, but will extend through February 27

Sovereign fixed income, currencies and commodities

- We foresee low trading volumes today as the US market will be closed. Meanwhile, European 10-year rates average losses of 5bps. Last week, the Mbonos' curve advanced 20bps on average, with the belly rallying up to 26bps. The 10-year benchmark closed at 8.96% (-18bps)
- Dollar advances amid a negative performance in all G10, with NZD (-0.8%) leading losses. In EM, the bias is also negative, with Asian currencies as the weakest. Meanwhile, the MXN trades virtually unchanged at 16.87 per dollar after five consecutive weeks of gains
- Widespread losses in commodities. Crude-oil falls on expectations of higher supply from non-OPEC+ countries and fears of weaker demand that offset risks of a wider conflict in the Middle East conflict

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	37,592.98	-0.3%
S&P 500	4,783.83	0.1%
Nasdaq	14,972.76	0.0%
IPC	55,607.07	0.3%
Ibovespa	130,987.67	0.3%
Euro Stoxx 50	4,480.02	0.8%
FTSE 100	7,624.93	0.6%
CAC 40	7,465.14	1.0%
DAX	16,704.56	1.0%
Nikkei 225	35,577.11	1.5%
Hang Seng	16,244.58	-0.4%
Shanghai Composite	2,881.98	-0.2%
Sovereign bonds		
2-year Treasuries	4.14	-10pb
10-year Treasuries	3.94	-3pb
28-day Cetes	11.21	1pb
28-day TIIE	11.50	0pb
2-year Mbono	9.83	-16pb
10-year Mbono	8.98	-13pb
Currencies		
USD/MXN	16.87	-0.3%
EUR/USD	1.10	-0.2%
GBP/USD	1.28	-0.1%
DX	102.40	0.1%
Commodities		
WTI	72.68	0.9%
Brent	78.29	1.1%
Mexican mix	68.33	1.3%
Gold	2,049.06	1.0%
Copper	374.05	-1.0%

Source: Bloomberg

Corporate Debt

- For 1Q24, the pipeline has been filled earlier than historically observed, with renowned issuers (ex. Arca, Cemex, Megacable, Naturgy Mexico, Sigma etc.) advancing its financing needs due to various factors, among them the upcoming electoral period
- S&P Global assigned ratings on a global scale at 'A-' and on national scale at 'mxAAA' to the unsecured senior notes proposed by America Móvil (AMX 0134X). The notes will be for up to MXN 20 billion with maturity in 2034. According to the agency, America Móvil's ratings continue to incorporate their leading position in Latin America and its geographical diversification, while demand for data services will remain solid

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