

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets negative, government bond yields higher and USD strengthens. The negative performance across asset classes extends triggered by comments from central bankers pushing against market bets on rate cuts very soon
- The US Senate voted 68-13 to advance last Saturday's temporary spending bill to prevent a partial government shutdown, a sign that the legislation is on track to be approved in time, but risks remain
- On the monetary policy front, less dovish comments from Lagarde today are in the spotlight, following to the position of Waller of the Fed yesterday. Barr, Bowman, and Williams from the Fed will speak today, and later the Beige Book will be published. Regarding the ECB, several of its members, including Lagarde again, speak in Davos
- US the retail sales report for December will be published, where we expect an increase similar to previous month. In addition, the industrial production will also be released
- In the UK, inflation was higher than expected resulting in 0.4% m/m, with the annual metric standing at 4.0%, moderating market expectations for BoE's rate cuts. In China, mixed data was released with 4Q23 GDP at 1.0% q/q below the 1.1% q/q expected by consensus, but with industrial production better than anticipated

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Consumer prices - Dec (F)	% y/y	--	2.9	2.9
5:00	Core - Dec (F)	% y/y	--	3.4	3.4
Brazil					
7:00	Retail sales - Nov	% y/y	--	2.0	0.2
7:00	Retail sales* - Nov	% m/m	--	0.1	-0.3
United States					
8:30	Advance retail sales* - Dec	% m/m	0.3	0.4	0.3
8:30	Ex autos & gas* - Dec	% m/m	--	0.3	0.6
8:30	Control group* - Dec	% m/m	0.2	0.2	0.4
9:00	Fed's Barr Speaks at Conference on Cyber Risk				
9:00	Fed's Bowman Speaks About Future of Bank Capital Reform				
9:15	Industrial production* - Dec	% m/m	-0.1	-0.1	0.2
9:15	Manufacturing production* - Dec	% m/m	-0.1	0.0	0.3
14:00	Beige Book				
15:00	Fed's Williams Speaks at NY Fed Event				

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	4,778.00	-0.4%
Euro Stoxx 50	4,399.49	-1.1%
Nikkei 225	35,477.75	-0.4%
Shanghai Composite	2,833.62	-2.1%
Currencies		
USD/MXN	17.30	0.5%
EUR/USD	1.09	0.0%
DXY	103.40	0.0%
Commodities		
WTI	70.80	-2.2%
Brent	76.94	-1.7%
Gold	2,026.73	-0.1%
Copper	375.90	-0.2%
Sovereign bonds		
10-year Treasury	4.08	2pb

Source: Bloomberg

Equities

- Negative stock markets with investors watching for clues on the direction of monetary policy as they continue to evaluate corporate reports, paying particular attention to growth guidance that will set the tone for 2024
- In the US, the futures of the main stock indexes point to a negative opening, falling 0.4% on average. In Europe, the Eurostoxx falls 1.1%, with energy and luxury goods companies posting the largest declines. Asia closed with losses, highlighting the Hang Seng's 3.7% drop as domestic demand challenges continue in China and the real estate crisis does not ease
- In the US, the report from US Bancorp was worse than expected, while Charles Schwab and Kinder Morgan's figures are expected. In Mexico, the earnings season starts today with Gfnorte and Fibrapl

Sovereign fixed income, currencies and commodities

- Following the sharp steepening in USTs yesterday, the US curve outperforms on the short end and even trades with slight gains on long-term tenors. European bonds also show a broad pressures bias, with Gilts standing out. Yesterday the Mbonos curve steepened with an adjustment of up to +10bps in the long-end
- USD holds a strengthening bias mainly against EM. KRW leads losses and MXN depreciates for the third session to 17.30 per dollar (-0.5%), accumulating a ~2.6% depreciation since Friday. In the G10, ranges are narrower and EUR and GBP trade on the positive side, with AUD as the weakest (-0.4%).
- Commodities trade negative with the energy complex leading the losses as USD strength countered concerns over escalating tensions in the Middle East

Corporate Debt

- S&P Global Ratings assigned an 'mxAA+' rating to Naturgy Mexico's proposed unsecured note, NM 24. The notes are intended to be issued for up to MXN 4.0 billion with a three-year term and will pay a floating rate
- Naturgy Mexico's rating reflects the agency's expectation that it will maintain stable operating margins, with a debt-to-EBITDA ratio of around 2.5x, even considering the new debt issuance
- CIBanco (Common Rep.) reported that the Debt Coverage Ratio of the AERMxCB 17 / 19 issuances at the end of December 2023 was 16.90x, which is within the established limits

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	37,361.12	-0.6%
S&P 500	4,765.98	-0.4%
Nasdaq	14,944.35	-0.2%
IPC	55,124.57	-0.7%
Ibovespa	129,294.04	-1.7%
Euro Stoxx 50	4,446.51	-0.2%
FTSE 100	7,558.34	-0.5%
CAC 40	7,398.00	-0.2%
DAX	16,571.68	-0.3%
Nikkei 225	35,619.18	-0.8%
Hang Seng	15,865.92	-2.2%
Shanghai Composite	2,893.99	0.3%
Sovereign bonds		
2-year Treasuries	4.22	8pb
10-year Treasuries	4.06	12pb
28-day Cetes	11.30	4pb
28-day TIIE	11.50	0pb
2-year Mbono	9.87	1pb
10-year Mbono	9.11	9pb
Currencies		
USD/MXN	17.22	2.0%
EUR/USD	1.09	-0.7%
GBP/USD	1.26	-0.7%
DX	103.36	0.9%
Commodities		
WTI	72.40	-0.4%
Brent	78.29	0.2%
Mexican mix	68.23	-0.1%
Gold	2,028.44	-1.4%
Copper	376.65	0.7%

Source: Bloomberg

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