

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets mixed, government bond yields and the USD higher, with some caution amid an escalation of geopolitical tensions in the Middle East, while China considers a package of stimulus measures of US\$278 billion to stabilize the slumping stock market, while the BoJ keep the door open for a rate hike
- In China, authorities are considering new measures to stimulate the economy. Now, they are weighing a US\$278 billion package to stabilize the stock market, seeking to stop the sell-off seen in recent days
- In the US Republican primary elections will be held in New Hampshire. Donald Trump has called on voters to unify behind his candidacy, while Nikki Haley declared that the country cannot 'survive' four more years of chaos
- The economic agenda is scarce, just highlighting January's Eurozone consumer confidence index
- On the monetary policy front, expectations that the BoJ will raise its interest rates in April keep increasing. The yen strengthened and JGB futures fell after Governor Kazuo Ueda said that certainty for the outlook is gradually rising
- In the Eurozone, credit demand could be reactivating after its year-long downward trend. As such, lenders expect a slight increase in 1Q24, the first since early 2022
- In other news, the US and UK launched more airstrikes against the Houthis in Yemen, as fears of escalation are growing, with the latter group vowing that their assaults to vessels will continue until Israel leaves Gaza. In this context, reports indicate that at least 2,300 commercial ships have avoided the Red Sea route since the conflict began

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
10:00	Consumer confidence* - Jan (P)	index	--	-14.4	-15.0
Mexico					
10:00	International reserves - Jan 19	US\$bn	--	--	212.7
12:30	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes, 10-year Mbono (Nov'34), 3-year Udibono (Dec'26) and 2-, and 5-year Bondes F				

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	4,885.75	0.1%
Euro Stoxx 50	4,470.37	-0.2%
Nikkei 225	36,517.57	-0.1%
Shanghai Composite	2,770.98	0.5%
Currencies		
USD/MXN	17.25	0.4%
EUR/USD	1.09	-0.1%
DX	103.40	0.1%
Commodities		
WTI	74.03	-1.5%
Brent	79.29	-1.0%
Gold	2,026.72	0.2%
Copper	379.25	0.8%
Sovereign bonds		
10-year Treasury	4.12	2pb

Source: Bloomberg

Equities

- Mixed movements in equity markets as investors focus their attention on corporate results that show a positive bias, albeit with mixed signals in outlook
- In Asia most markets closed positive, highlighting the 2.6% rise of the Hang Seng in view of the possible stimulus package by the Chinese authorities to stabilize the country's stock markets. In Europe stocks decline, the Eurostoxx sheds 0.3%. In turn, in the US the futures of main indices are mixed and show little changes, following yesterday's rally that pushed the Dow and the S&P500 to new all-time highs
- Out of the 17 S&P500 companies scheduled to report today, 10 have already updated investors with most outperforming estimates, including 3M, General Electric, Johnson & Johnson, and Verizon Communications. Netflix will publish its figures after the market close

Sovereign fixed income, currencies and commodities

- Modest losses in sovereign bonds. European 10-year rates rise 2bps, on average. In the US, the Treasuries' curve shows a slight steepening bias with losses of 3bps at the long-end. Yesterday, Mbonos recorded few changes, with the May'33 node closing at 9.26% (-2bps)
- Dollar advances amid mixed performance of developed currencies with AUD (+0.1%) and EUR (-0.2%) at the extremes. In EM, the Mexican peso is trading at 17.24 per dollar, equivalent to a depreciation of 0.4%, after reaching up to 17.32 (-0.7%) earlier
- Crude-oil futures fall as ample supply offsets rising tensions in the Middle East after the US and UK launched more airstrikes against Houthi rebels in Yemen. Widespread gains in metals

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	38,001.81	0.4%
S&P 500	4,850.43	0.2%
Nasdaq	15,360.29	0.3%
IPC	54,723.06	-1.3%
Ibovespa	126,601.55	-0.8%
Euro Stoxx 50	4,480.32	0.7%
FTSE 100	7,487.71	0.3%
CAC 40	7,413.25	0.6%
DAX	16,683.36	0.8%
Nikkei 225	36,546.95	1.6%
Hang Seng	14,961.18	-2.3%
Shanghai Composite	2,756.34	-2.7%
Sovereign bonds		
2-year Treasuries	4.39	1pb
10-year Treasuries	4.11	-2pb
28-day Cetes	11.21	-3pb
28-day TIIE	11.50	0pb
2-year Mbono	9.98	1pb
10-year Mbono	9.26	-3pb
Currencies		
USD/MXN	17.18	0.6%
EUR/USD	1.09	-0.1%
GBP/USD	1.27	0.0%
DX	103.33	0.0%
Commodities		
WTI	75.19	2.4%
Brent	80.06	1.9%
Mexican mix	70.32	2.1%
Gold	2,021.70	-0.4%
Copper	376.35	-0.6%

Source: Bloomberg

Corporate Debt

- Fitch Ratings downgraded Total Play's Issuer default rating (IDR) to 'B-' from 'B+'. The ratings remained on CreditWatch Negative. According to the agency, the downgrade reflects Total Play's elevated credit risk due to its inability to materially address its refinancing needs since it was placed on CreditWatch Negative (July 2023). Fitch believes that the company currently has limited access to capital to meet its bond maturity in 2025
- Total Play currently has one unsecured issue in the market, TPLAY 22, with an outstanding amount of MXN 1.59 billion and maturing in 2025; and one structured bond, TPLAYCB 20, backed by the company's collection rights, with an outstanding amount of MXN 1.81 billion and maturing in 2025

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