

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets mixed, government bond yields negative and the USD lower, with investors cautious ahead of the Fed's decision today and digesting mixed reports from the tech sector. Moreover, further signals of weakness from China with the manufacturing PMI in contraction territory**
- **Focus on the Fed's monetary policy decision. It is widely expected that the FOMC will leave the interest rate unchanged in a 5.25%-5.50% range. Powell's conference will be quite relevant, expecting that he will give more signals on when the easing cycle will begin**
- **Also on the monetary front, we expect Brazil (-50bps), Colombia (-50bps), and Chile (-100bps) to continue with their easing cycles as inflation continues to improve**
- **In China, official PMIs for January were published. Manufacturing activity contracted again, standing at 49.2pts, with domestic producers and investors awaiting more measures to support the economy. Services rose slightly to 50.7pts from 50.4pts. Tonight we wait for the same indicator, but from Caixin, with expectations of a slight improvement**
- **Finally, in Mexico, Banxico will publish December's banking credit figures. We anticipate a slight moderation, although with consumer loans remaining as the main driver**

January 31, 2024



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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
10:00	Banking credit - Dec	% y/y	5.9	--	6.0
United States					
8:15	ADP employment* - Jan	thousands	145	145	164
14:00	FOMC Rate Decision (Upper Bound)	%	5.50	5.50	5.50
14:00	FOMC Rate Decision (Lower Bound)	%	5.25	5.25	5.25
14:00	Interest Rate on Excess Reserves (IOER)	%	5.40	5.40	5.40
14:30	Fed Chair Holds Press Conference Following FOMC Meeting				
Colombia					
14:00	Monetary policy decision (BanRep)	%	--	12.63	13.00
Chile					
16:00	Monetary policy decision (BCCh)	%	--	7.25	8.25
Brazil					
16:30	Monetary policy decision (C. bank of Brazil)	%	--	11.25	11.75
China					
20:45	Manufacturing PMI (Caixin)* - Jan	index	--	50.9	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	4,928.00	-0.5%
Euro Stoxx 50	4,660.01	-0.1%
Nikkei 225	36,286.71	0.6%
Shanghai Composite	2,788.55	-1.5%
Currencies		
USD/MXN	17.15	0.0%
EUR/USD	1.08	-0.1%
DXY	103.50	0.1%
Commodities		
WTI	76.99	-1.1%
Brent	82.03	-1.0%
Gold	2,038.55	0.1%
Copper	389.95	-0.3%
Sovereign bonds		
10-year Treasury	4.02	-1pb

Source: Bloomberg

Equities

- Mixed stock market returns, with investors continuing to digest a greater flow of corporate reports with diverse signals. This, ahead of the Fed's monetary policy meeting
- US futures anticipate a negative opening with the Nasdaq trading 1.0% below its theoretical value. In pre-market, Alphabet (-5.7%) and Microsoft (-1.0%) share prices are down following the release of their results yesterday. Although both companies beat earnings estimates, Google's advertising revenue disappointed, and Microsoft's guidance was lower than expected
- Out of the 25 S&P500 companies reporting today, 12 have released results, most of them better than expected, including Thermo Fisher Scientific and Nasdaq. In Mexico, Gcc reported solid growth and higher profitability, as well as positive 2024 guidance

Sovereign fixed income, currencies and commodities

- Good performance in sovereign bonds, with Europe leading the appreciation by ~4bps amid regional inflation data supporting expectations for rate cuts from the ECB. Treasuries strengthen 1-2bps in the short-end. Yesterday Mbonos adjusted +2bps, on average
- USD positive and with stronger performance mainly against G10 currencies, marking its first advance after three modestly negative sessions, although heading for its strongest month since September. The MXN trades with few changes at 17.15 per dollar
- Crude oil modestly negative yet heading a gain of close to 7.5% for the WTI on the back of mounting tensions in the Red Sea. Meanwhile, Saudi Aramco is reviving a follow-on sale as soon as in February. Metals trade mostly up

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	38,467.31	0.3%
S&P 500	4,924.97	-0.1%
Nasdaq	15,509.90	-0.8%
IPC	57,537.14	0.6%
Ibovespa	127,401.81	-0.9%
Euro Stoxx 50	4,662.70	0.5%
FTSE 100	7,666.31	0.4%
CAC 40	7,677.47	0.5%
DAX	16,972.34	0.2%
Nikkei 225	36,065.86	0.1%
Hang Seng	15,703.45	-2.3%
Shanghai Composite	2,830.53	-1.8%
Sovereign bonds		
2-year Treasuries	4.33	2pb
10-year Treasuries	4.03	-4pb
28-day Cetes	11.15	-16pb
28-day TIIE	11.50	0pb
2-year Mbono	10.11	3pb
10-year Mbono	9.31	0pb
Currencies		
USD/MXN	17.15	-0.4%
EUR/USD	1.08	0.1%
GBP/USD	1.27	-0.1%
DX	103.40	-0.2%
Commodities		
WTI	77.82	1.4%
Brent	82.87	0.6%
Mexican mix	72.93	0.8%
Gold	2,037.01	0.2%
Copper	391.10	0.8%

Source: Bloomberg

Corporate Debt

- PCR Verum affirmed Total Play's long-term rating at 'A/M' and its short-term rating at '1/M', and placed all ratings on Negative Watch. The Negative Watch follows the refinancing risk faced by the issuer mainly due to the maturity of the US\$575 million International Notes in November 2025
- S&P Global Ratings assigned an 'mxAAA' rating to the proposed bonds from Banco Latinoamericano de Comercio Exterior, BLADEX 24. The agency considers that the bank's bottom line will continue to benefit from high margins, operational improvements, and expansion of its customer base over the next 12 months

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