Financial Markets Daily

February 2, 2024

Main drivers for the financial markets today…

- Stock markets positive, government bond yields negative, and the USD lower, with investors assimilating solid reports and a positive outlook from big tech companies (e.g. Amazon and Meta) and awaiting employment data in the US

- Attention will center on January's job report in the US, expecting +155k jobs, with the unemployment rate at 3.8%. If a positive surprise materializes, we believe markets could bolster their expectations of a rate cut from the Fed relatively soon. Later in that country we expect December's factory orders and the final from January's consumer sentiment from the University of Michigan. In Brazil, December's industrial production climbed 1.1% m/m

- In Mexico, November's investment fell 1.3% m/m (19.2% y/y), dragged by construction. Meanwhile, private consumption for the same month rose 0.7% m/m (5.6% y/y), boosted by imported goods

- Former President Trump stated that he would not reappoint Jerome Powell as Fed Chair if he is reelected, stating that the Fed will cut rates to help Biden

- In other news, we will be looking into the Presidential election in El Salvador, where it is expected that the incumbent Predient, Nayib Bukele, will be reelected. Moreover, it is expected that the IMF approves soon a support package for Egypt

Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com

Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com

www.banorte.com/analisiseconomico
@analisis_fundam

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

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The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Brazil					
7:00	Industrial production - Dec	% y/y	--	-0.5	1.3
7:00	Industrial production* - Dec	% m/m	--	0.3	0.5
Mexico					
7:00	Gross fixed investment - Nov	% y/y	16.5	19.8	25.5
7:00	Gross fixed investment* - Nov	% m/m	-3.8	-1.8	1.9
7:00	Private consumption - Nov	% y/y	4.6	--	5.2
7:00	Private consumption* - Nov	% m/m	0.2	--	-0.3
United States					
8:30	Nonfarm payrolls* - Jan	thousands	155	185	216
8:30	Unemployment rate* - Jan	%	3.8	3.8	3.7
10:00	Factory orders* - Dec	% m/m	--	0.2	2.6
10:00	Ex transportation* - Dec	% m/m	--	0.2	0.1
10:00	Durable goods orders* - Dec (F)	% m/m	--	0.0	0.0
10:00	Ex transportation* - Dec (F)	% m/m	--	0.6	0.6
10:00	U. of Michigan confidence* - Jan (F)	index	78.8	79.0	78.8

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	4,956.50	0.6%
Euro Stoxx 50	4,672.05	0.7%
Nikkei 225	36,158.02	0.4%
Shanghai Composite	2,730.15	-1.5%
Currencies		
USD/MXN	17.05	-0.2%
EUR/USD	1.09	0.1%
DXY	102.98	-0.1%
Commodities		
WTI	74.24	0.6%
Brent	79.15	0.6%
Gold	2,056.13	0.1%
Copper	384.10	-0.3%
Sovereign bonds		
10-year Treasury	3.88	0pb

Source: Bloomberg

Equities

- Positive stock markets as the reports of the big tech companies are assimilated. Europe with widespread increases, while Asia closed mixed. In Mexico, we expect the Mexbol to consolidate after hitting a new high at 57,828pts. Futures in the US anticipate a higher open with the S&P 500 trading 0.6% above its theoretical value and the Nasdaq 1.0% above.

- In particular, Meta announced higher-than-expected sales estimates and a dividend payout for the first time in history. Amazon reported strong revenue and gave an operational outlook that exceeded expectations. On the less encouraging side, although revenue growth resumed for Apple, challenges continue in China

- Today, 13 companies in the S&P500 report, including Exxon Mobil and Chevron already with positive numbers. We have ~44% of the figures and there is a cumulative increase in profits of 7.0% vs 1.2%e. The positive surprises rate stands at 79.4% vs. 81.9% in the previous quarter

Sovereign fixed income, currencies and commodities

- Negative performance in sovereign bonds. 10-year European rates adjust up to +5bps. Meanwhile, short-duration Treasuries lose 3bps. Yesterday, Mbonos' curve registered a flattening bias with gains of 3bps at the short- and mid-end, while the long-end adjusted -9bps

- The dollar retreats, allowing the developed currencies to trade in positive domain with AUD (+0.5%) leading the gains. In EM, the bias is mixed with RUB (-0.6%) and KRW (+0.7%) at the extremes. The MXN appreciates 0.2% trading at 17.05 per dollar, after gaining 0.8% yesterday

- Crude-oil headed for the biggest weekly loss in 3 months with a drop of more than 5.0%, as negotiations advance for an agreement to pause the Israel-Hamas war. In this sense, Brent and WTI are trading at 73.8 and 78.3 $/bbl, respectively. Metals with mixed bias highlighting copper (-0.3%) and palladium (+1.2%)

Corporate Debt

- HR Ratings affirmed the ratings for FEFA (Fondo Especial para Financiamientos Agropecuarios) at 'HR AAA' with a Stable outlook. The ratification is based on the implicit support from the Federal Government since the Fund is considered a strategic agent for the execution of its agricultural sector goals

- PCR Verum affirmed Sofoplus' long- and short-term ratings at 'A+/M' and '1/M', respectively. The outlook is stable. The ratification follows the positive evolution of its financial performance, which has allowed it to maintain good equity levels

- Fitch Ratings affirmed the national long- and short-term ratings for Cetelem's certificate program and outstanding issues at 'AAA(mex)' and 'F1+(mex)'

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	38,519.84	1.0%
S&P 500	4,906.19	1.2%
Nasdaq	15,361.64	1.3%
IPC	57,828.07	0.8%
Ibovespa	128,481.02	0.6%
Euro Stoxx 50	4,638.60	-0.2%
FTSE 100	7,622.16	-0.1%
CAC 40	7,588.75	-0.9%
DAX	16,859.04	-0.3%
Nikkei 225	36,011.46	-0.8%
Hang Seng	15,566.21	0.5%
Shanghai Composite	2,770.74	-0.6%
Sovereign bonds		
2-year Treasuries	4.20	0pb
10-year Treasuries	3.88	-3pb
28-day Cetes	11.17	2pb
28-day TIIE	11.50	0pb
2-year Mbono	10.04	-2pb
10-year Mbono	9.08	-8pb
Currencies		
USD/MXN	17.08	-0.8%
EUR/USD	1.09	0.5%
GBP/USD	1.27	0.4%
DXY	103.05	-0.2%
Commodities		
WTI	73.82	-2.7%
Brent	78.70	-3.7%
Mexican mix	69.17	-3.3%
Gold	2,054.99	0.8%
Copper	385.35	-1.3%

Source: Bloomberg

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, 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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Directory
Research and Strategy

Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043

Raquel Vázquez Godinez
Assistant
raquel.vazquez@banorte.com
(55) 1670 – 2967

Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251

Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611

María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046

Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957

Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821

Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1103 - 4000

Luis Leopoldo López Salinas
Economist, Global
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707

Market Strategy

Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com
(55) 1670 - 1751

Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719

Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800

José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com
(55) 1670 - 2249

Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com
(55) 1670 - 2250

Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugoa.gomez@banorte.com
(55) 1670 - 2247

Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698

Isaías Rodríguez Sobrino
Analyst, Fixed Income, FX and Commodities
isaias.rodriguez.sobrino@banorte.com
(55) 1670 - 2144

Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248

Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Paula Lozoya Valadez
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000

Quantitative Analysis

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972

José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608

Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220

José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000

Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124

Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1103 - 4000

Andrea Muñoz Sánchez
Analyst, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1103 - 4000

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