Economic and Financial Markets Research
Economic Research and Market Strategy

Financial Markets Daily

Main drivers for the financial markets today…

- Stock markets mixed, pressures in sovereign bond yields, and USD slightly negative. Investors wait for more corporate earnings and acknowledging latest Fedspeak, insisting that more progress on inflation will be needed for rate cuts, although these could come later in the year

- In China, in a context where new stimulus measures are expected, the replacement of the head of its securities regulator was a surprise move. Meanwhile, Treasury Secretary Janet Yellen, has expressed plans to visit that country this year

- On economic figures, we will be looking into the trade balance and consumer credit data in December in the US. In Mexico, INEGI released January's consumer confidence at 47.1pts, improving at the margin vs. December (+0.3pts). Lastly, in Brazil, December's retail sales surprised on the downside (1.3% y/y)

- Speeches from Fed members include Kugler, Collins and Barkin. Regarding the ECB, Schnabel said it is necessary to be patient before cutting rates, arguing that there are still inflationary pressures in services and a resilient labor market

- Regarding the Israel and Hamas war, the House of Representatives in the US rejected an aid package for Israel ($17.6 billion), which President Biden had threatened to veto. Meanwhile, Secretary of State Blinken will hold a meeting today with Benjamin Netanyahu, this in a context where Hamas has proposed a 135-day truce

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The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Brazil					
7:00	Retail sales - Dec	% y/y	--	2.5	2.2
7:00	Retail sales* - Dec	% m/m	--	-0.3	0.1
Mexico					
7:00	Consumer confidence* - Jan	index	47.0	--	46.8
10:00	International reserves - Feb 2	US$bn	--	--	212.9
United States					
8:30	Trade balance* - Dec	US$bn	--	-62.2	-63.2
11:00	Fed´s Kugler Speaks at Brookings Event				
11:30	Fed's Collins Speaks at Boston Economic Club				
12:30	Fed´s Barkin Speaks on Outlook, Regional Economy				
15:00	Consumer credit* - Dec	USDbn	--	15.8	23.8
China					
20:30	Consumer prices - Jan	% y/y	--	-0.5	-0.3

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	4,983.50	0.2%
Euro Stoxx 50	4,688.64	0.0%
Nikkei 225	36,119.92	-0.1%
Shanghai Composite	2,829.70	1.4%
Currencies		
USD/MXN	17.06	0.1%
EUR/USD	1.08	0.2%
DXY	104.05	-0.2%
Commodities		
WTI	73.81	0.7%
Brent	79.10	0.6%
Gold	2,033.19	-0.1%
Copper	378.30	0.1%
Sovereign bonds		
10-year Treasury	4.12	2pb

Source: Bloomberg

Equities

- **Cautious sentiment is accentuated after some disappointing corporate earnings, while the monetary outlook is being assessed**

- **Futures in the US anticipate a slightly negative opening with the Dow declining 0.1%. Ford is higher in pre-market after beating estimates and CVS is marginally lower after cutting its guidance. Europe trades lower, with the Eurostoxx unchanged. Asia closed mixed**

- **Of the 24 companies in the S&P500 that will publish their results today, 8 have released their figures, most of them better than expected. In Mexico, yesterday Asur reported moderate increases in passengers in January due to weakness in Colombia and a slower pace of growth in Mexico; while Gap published a slight decrease in the month due to the impact of the NEO aircraft outage. At market close, we have the figures from PayPal and Walt Disney**

Sovereign fixed income, currencies and commodities

- **Modest pressures in sovereign bonds with the UST curve adjusting upwards by ~3bps and European securities also reverting gains from the previous session. Eyes today in the 10Y UST auction. In Mexico, after Monday's holiday, Mbonos closed yesterday with a 4bps sell off, on average**

- **The USD trades slightly negative with a mixed balance against G10 and EM currencies. In the former ranges are relatively narrow and in the latter RUB (-0.5%) and IDR (+0.6%) mark the limits. The MXN weakens 0.1% to 17.06**

- **Crude oil positive ahead of DOE's inventories today with the API forecasting increases, while tension in the Middle East still supports prices. Metals trade broadly mixed**

Previous closing levels		
	Last	**Daily chg.**
Equity indices		
Dow Jones	38,521.36	0.4%
S&P 500	4,954.23	0.2%
Nasdaq	15,609.00	0.1%
IPC	58,679.57	0.8%
Ibovespa	130,416.31	2.2%
Euro Stoxx 50	4,690.87	0.8%
FTSE 100	7,681.01	0.9%
CAC 40	7,638.97	0.6%
DAX	17,033.24	0.8%
Nikkei 225	36,160.66	-0.5%
Hang Seng	16,136.87	4.0%
Shanghai Composite	2,789.49	3.2%
Sovereign bonds		
2-year Treasuries	4.40	-7pb
10-year Treasuries	4.10	-6pb
28-day Cetes	11.13	-2pb
28-day TIIE	11.50	0pb
2-year Mbono	10.19	1pb
10-year Mbono	9.33	3pb
Currencies		
USD/MXN	17.04	-0.5%
EUR/USD	1.08	0.1%
GBP/USD	1.26	0.5%
DXY	104.21	-0.2%
Commodities		
WTI	73.31	0.7%
Brent	78.59	0.8%
Mexican mix	68.70	0.8%
Gold	2,036.14	0.5%
Copper	378.10	0.3%

Source: Bloomberg

Corporate Debt

- **S&P Global Ratings and Moody's Local Mexico assigned ratings to Volkswagen Leasing's proposed issuances, VWLEASE 24 / 24-2, of 'mxAAA' and 'AAA.mx', respectively. According to the agencies, the ratings on VW Leasing's debt issuances are based on the unconditional and irrevocable guarantee provided by its German-based holding company, Volkswagen Financial Services AG (VW FS; 'BBB+/Stable/A-2'). The bonds will be for up to MXN 4 billion in aggregate, in where the series 24 will have a 2.5-year term and will be referenced to a floating rate, while the series 24-2 will have a 5-year term and will be pegged to a fixed rate**

- **Fitch Ratings assigned a rating of 'AAA(mex)' to Navistar Financial's proposed issuances, NAVIST 24 / 24-2. According to the agency, the ratings derive from the potential support from its shareholder, Traton SE (Traton; 'BBB/Stable/A-2')**

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