Financial Markets Daily

February 8, 2024

Main drivers for the financial markets today…

- Stock markets positive with S&P Futures down, government bond yields and USD up, with investors analyzing corporate earnings results and preparing for a sale of 30-year US Treasury bond, which will show their appetite and would give further insight into the upcoming rate cuts by the Federal Reserve

- Attention will focus on Banxico's monetary policy decision where we expect the central bank will leave the reference rate unchanged at 11.25%, signaling that cuts are just around the corner. Likewise, the central bank of Peru is going to announce its decision where the consensus anticipates a 25bp cut in its reference rate

- Markets will also focus on comments from Fed's Barkin. Treasury Secretary, Janet Yellen, will appear before the Senate Banking Committee

- Regarding economic figures, the initial jobless claims will be published in the US for the week ending February 3

- In Brazil, January inflation was 0.42% m/m above the consensus estimate (0.34% m/m). With this, the annual variation stood at 4.51% from the previous 4.62%, remaining within the central bank's tolerance range

- In Mexico, INEGI published January's inflation at 0.89% m/m, with the core at 0.40%. As such, annual inflation climbed to 4.88% (previous: 4.66%), with the core lower at 4.76% (previous: 5.09%)

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

Document for distribution among public

The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Brazil					
7:00	Consumer prices - Jan	% m/m	--	0.34	0.56
7:00	Consumer prices - Jan	% y/y	--	4.42	4.62
Mexico					
7:00	Consumer prices - Jan	% m/m	0.93	0.88	0.71
7:00	Core - Jan	% m/m	0.38	0.36	0.44
7:00	Consumer prices - Jan	% y/y	4.92	4.88	4.66
7:00	Core - Jan	% y/y	4.73	4.72	5.09
14:00	Monetary policy decision (Banxico)	%	11.25	11.25	11.25
United States					
8:30	Initial jobless claims* - Feb 3	thousands	215	220	224
Peru					
18:00	Monetary policy decision (BCRP)	%	--	6.25	6.50

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	5,008.25	-0.1%
Euro Stoxx 50	4,709.63	0.7%
Nikkei 225	36,863.28	2.1%
Shanghai Composite	2,865.90	1.3%
Currencies		
USD/MXN	17.08	0.2%
EUR/USD	1.08	-0.1%
DXY	104.31	0.2%
Commodities		
WTI	74.76	1.2%
Brent	80.25	1.3%
Gold	2,024.77	-0.5%
Copper	373.25	-0.1%
Sovereign bonds		
10-year Treasury	4.14	2pb

Source: Bloomberg

Equities

- **Mixed performances in the stock markets as investors weigh the latest corporate reports. US futures anticipate a slight decline with the S&P500 and Nasdaq trading 0.1% below their theoretical value. Awaiting Ac's results in Mexico**

- **Disney (+7.7% in pre-market) reported yesterday better-than-expected earnings guidance and a 50% increase in the dividend. Arm (+26.1%) also surprised positively with optimistic earnings guidance. Today, 31 S&P500 companies are expected to report results, including Philip Morris and Expedia**

- **In Mexico, Cemex reported EBITDA growth of 17.9% y/y, slightly below expectations. Details standing out include that cash flow doubled, leverage improved and will propose a dividend payout program (yield ~1.0%). Guidance on EBITDA 2024e anticipates low to mid-single digit advance, which should be neutral for the stock**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. 10-year European rates adjust up to +4bps. Meanwhile, Treasuries' curve loses 2bps. Yesterday, Mbonos' curve registered a steepening bias with gains of 4bps at the short- and mid-end, while the long-end adjusted +3bps**

- **The dollar advances, causing the developed currencies to trade in negative domain with JPY (-0.7%) leading the losses. In EM, the bias is also negative with THB (-0.6%) as the weakest. The MXN depreciates 0.2% trading at 17.08 per dollar, after losing 0.1% yesterday**

- **Crude-oil futures gain 1.0%, while their implied volatility is at its lowest level since October. In this regard, futures have traded in a range of 10 $/bbl due to a lack of direction. Metals trade with negative bias highlighting palladium (-2.2%) and gold (-0.5%)**

Corporate Debt

- **HR Ratings affirmed SICREA's ratings at 'HR A-' with Stable Outlook and 'HR2'. According to the agency, the ratification is based on the Company's high solvency position, which showed a capitalization ratio of 77.9% as of 3Q23 (vs. 69.4% as of 3Q22 and 65.0% in the baseline scenario). The strengthening of the solvency profile is attributed to both a lower portfolio origination and the strengthening of its stockholders' equity through earnings**

- **S&P Global Ratings assigned 'mxAAA' ratings to FEFA's proposed notes, FEFA 24 / 24S, for up to MXN 6 billion. According to the agency, the ratings reflect its expectation that the fund will continue to be the government's main arm for developing the agricultural sector and a high probability of extraordinary government support**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	38,677.36	0.4%
S&P 500	4,995.06	0.8%
Nasdaq	15,756.64	0.9%
IPC	58,711.87	0.1%
Ibovespa	129,949.90	-0.4%
Euro Stoxx 50	4,678.85	-0.3%
FTSE 100	7,628.75	-0.7%
CAC 40	7,611.26	-0.4%
DAX	16,921.96	-0.7%
Nikkei 225	36,119.92	-0.1%
Hang Seng	16,081.89	-0.3%
Shanghai Composite	2,829.70	1.4%
Sovereign bonds		
2-year Treasuries	4.43	3pb
10-year Treasuries	4.12	2pb
28-day Cetes	11.25	12pb
28-day TIIE	11.50	0pb
2-year Mbono	10.14	-5pb
10-year Mbono	9.29	-3pb
Currencies		
USD/MXN	17.05	0.1%
EUR/USD	1.08	0.2%
GBP/USD	1.26	0.2%
DXY	104.06	-0.1%
Commodities		
WTI	73.86	0.8%
Brent	79.21	0.8%
Mexican mix	69.26	0.8%
Gold	2,035.36	0.0%
Copper	373.55	-1.2%

Source: Bloomberg

Analyst Certification.

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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	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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