

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets lower, government bond yields mixed, and USD down against EM. Investors are waiting more economic data and central bank guidance, with some optimism prevailing in the tech sector. Meanwhile, oil slips after OPEC and allies extended production cuts
- The rest of the day includes only comments from Harker of the Fed. Later, China's February Caixin PMIs (services and composite)
- Market attention this week returns to monetary policy, highlighting: (1) The ECB decision, with expectations that interest rates will stay unchanged; and (2) Powell's testimony before Congress, looking for additional signals about the central bank's next actions. Also, the decisions in Canada, Poland, Malaysia, and Peru. Moreover, public speeches by several Fed members and the release of the *Beige Book*
- In economic figures, February's nonfarm payrolls in the US. We estimate 205 thousand new jobs, with the unemployment rate standing at 3.8% from 3.7% in the previous month. On the other hand, inflation for the same period in Mexico and China
- There will be several events in the political front. In the US, the 'Super Tuesday' in the election process, while Biden will deliver 'State of the Union' Address. In China, the National's People's Congress, which is key for the path of the country's economic policies
- US releases include factory orders, JOLTS job openings, trade balance, consumer credit (Jan), ADP employment, and ISM services (Feb)
- Lastly, Mexico's GFI stood at 0.0% m/m, while consumption in the same month grew 0.2%. Other data includes wage negotiations, consumer confidence (Feb), and the banking sector survey

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
7:00	Gross fixed investment - Dec	% y/y	13.0	18.3	19.2
7:00	Gross fixed investment* - Dec	% m/m	-0.4	-0.4	-1.3
7:00	Private consumption - Dec	% y/y	4.2	--	5.6
7:00	Private consumption* - Dec	% m/m	0.2	--	0.7
United States					
11:00	Fed's Harker Remarks on Economic Impact of Higher Education				
China					
20:45	Services PMI (Caixin)* - Feb	index	--	52.9	52.7
20:45	Composite PMI (Caixin)* - Feb	index	--	--	52.5

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 awards as the best economic forecasters in Mexico by LSEG and Focus Economics in 2023



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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,139.75	-0.1%
Euro Stoxx 50	4,909.64	0.3%
Nikkei 225	40,109.23	0.5%
Shanghai Composite	3,039.31	0.4%
Currencies		
USD/MXN	17.02	0.0%
EUR/USD	1.09	0.1%
DX	103.84	0.0%
Commodities		
WTI	79.39	-0.7%
Brent	83.09	-0.6%
Gold	2,083.16	0.0%
Copper	386.25	0.2%
Sovereign bonds		
10-year Treasury	4.20	2pb

Source: Bloomberg

Equities

- Negative bias after new all-time highs in the US (S&P500 and Nasdaq) in the previous session. On the corporate front, being the results from only 8 S&P500 companies this week, highlighting Costco Wholesale, Oracle, and Target
- Most Asian markets closed positive. In Europe, declines predominated, although the Eurostoxx adds 0.3%. Shares from technology and financial sectors lead, while those from consumer discretionary superhead losses. US futures of main indices point to a slightly negative opening (-0.1% on average)
- In Mexico, the return to the sample of Livepol was announced in the next rebalancing of the IPC, as well as the exit of Aguilas and Volar. This will add volatility to the price of these stocks. For this week, we expect a range for the index between 54,800 and 56,500pts

Sovereign fixed income, currencies and commodities

- Mixed balance in sovereign bonds. European 10-year rates adjust -3bps, while the Treasuries' curve records slight losses. Last week, the Mbonos' curve flattened on few changes at the short- and mid-ends, while the long-end gained 11bps
- Dollar with few changes, with a negative bias in most G10 currencies. EM mixed, bounded by MYR (+0.5%) and TRY (-0.5%). The MXN trades virtually unchanged at 17.02 per dollar, after ending February with a 0.9% gain, the strongest in this complex
- Crude-oil begins the week with losses after trading near its highest this year after OPEC+'s decision to extend the cut of 2 Mbbl/d in production to mid-year in a bid to avert a global surplus and shore up prices

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	39,087.38	0.2%
S&P 500	5,137.08	0.8%
Nasdaq	16,274.94	1.1%
IPC	55,536.32	0.2%
Ibovespa	129,180.37	0.1%
Euro Stoxx 50	4,894.86	0.4%
FTSE 100	7,682.50	0.7%
CAC 40	7,934.17	0.1%
DAX	17,735.07	0.3%
Nikkei 225	39,910.82	1.9%
Hang Seng	16,589.44	0.5%
Shanghai Composite	3,027.02	0.4%
Sovereign bonds		
2-year Treasuries	4.53	-9pb
10-year Treasuries	4.18	-7pb
28-day Cetes	11.24	3pb
28-day TIIE	11.49	-1pb
2-year Mbono	9.95	-2pb
10-year Mbono	9.19	2pb
Currencies		
USD/MXN	17.02	-0.2%
EUR/USD	1.08	0.3%
GBP/USD	1.27	0.2%
DX	103.86	-0.3%
Commodities		
WTI	79.97	2.2%
Brent	83.55	-0.1%
Mexican mix	74.17	1.0%
Gold	2,082.92	1.9%
Copper	386.15	0.4%

Source: Bloomberg

Corporate Debt

- This week we expect long-term bond auctions of up to MXN 11.4 billion by FEFA, Corporación Actinver and Sigma Alimentos. The latter returns to the local market since its last maturity in 2018
- In the banking market, activity is also expected, with the auction of two social bonds from Bancomext for a target amount of MXN 7.5 billion (maximum MXN 15 billion)
- Fitch Ratings affirmed the ratings of Ford Credit de México ('AAA(mex)'), Toyota Financial Services México ('AAA(mex)') and GM Financial México's issues ('AAA(mex)') based on Fitch's assessment of the capacity and propensity to support by their holding companies

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