

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets positive, government bond yields mixed, and the USD negative, with investors assimilating dovish signs from central banks, while awaiting labor market figures from the US, looking for evidence that may support cuts from the Fed later in the year
- Thus, focus will be on the February's employment report in the US. Consensus expects 200k new jobs (Banorte: 205k). In addition, we expect the unemployment rate to increase 10bps to 3.8%. However, we will also be paying attention to wages, which may also be relevant to the Fed's decisions
- On other economic data, Germany's industrial production for January climbed 1.0% m/m, its first advance since April. Later, February's inflation in China will be released, with consensus expecting +0.2% y/y
- On the monetary front we will be focused on Williams' (New York) remarks. Following the ECB's decision yesterday, several members of the institution –including Christine Lagarde– have endorsed the idea that they will have more information in June, suggesting that this may be the time for the start of cuts. However, other participants, such as Villeroy, argue that the April is still an option
- In his State of the Union speech, President Biden mentioned that his reelection platform includes raising taxes on corporations, as well as a new tax credit proposal for new homeowners, among others. Meanwhile, China is readying more than US\$27 billion for its largest chip fund, working to accelerate the development of cutting-edge technologies and fighting US sanctions

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
2:00	GER Industrial production* - Jan	% m/m	--	0.6	-1.6
5:00	EZ Gross domestic product - 4Q23 (F)	% q/q	--	0.1	0.1
5:00	EZ Gross domestic product* - 4Q23 (F)	% y/y	--	0.0	0.0
United States					
7:00	Fed's Williams Participates in Moderated Discussion				
8:30	Nonfarm payrolls* - Feb	thousands	205	200	353
8:30	Unemployment rate* - Feb	%	3.8	3.7	3.7
China					
20:30	Consumer prices - Feb	% y/y	--	0.2	-0.8
Mexico					
	Wage negotiations - Feb	% y/y	--	--	9.3

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	5,159.25	0.0%
Euro Stoxx 50	4,972.98	0.0%
Nikkei 225	39,688.94	0.2%
Shanghai Composite	3,046.02	0.6%
Currencies		
USD/MXN	16.86	-0.1%
EUR/USD	1.09	-0.2%
DXY	102.79	0.0%
Commodities		
WTI	78.38	-0.7%
Brent	82.44	-0.6%
Gold	2,167.07	0.3%
Copper	392.40	0.1%
Sovereign bonds		
10-year Treasury	4.07	-1pb

Source: Bloomberg

Equities

- Optimism continues in equity markets, underpinned by expectations of monetary easing. Nonetheless, futures in the US show small changes. This after the S&P500 reached another fresh high, supported by the appetite for technology companies. Chip-related stocks advance, with Nvidia up around 4%
- In Europe, we observe widespread gains, also approaching to highs. The Eurostoxx is already very close to accumulating 7 consecutive weeks of gains. Meanwhile, in Asia, the main indexes closed in positive territory, with the Hang Seng advancing 0.8% and the Shanghai Index 0.6%. China is raising more than \$27 billion for its largest chip fund, seeking to counter US probes
- In Mexico, we expect the Mexbol Index to continue consolidating close to 55,000pts

Sovereign fixed income, currencies and commodities

- European rates rally led by Bunds (-4bps), also with US Treasuries strengthening by 1-2bps and with the belly outperforming ahead of the NFP in the US. Yesterday, the Mbonos curve sold-off 4bps excluding the extremes
- The USD trades modestly weaker with JPY extending yesterday's appreciation and with most G10 currencies also stronger. In EM, balance is mixed with CLP 1.5% stronger after Chile's CPI came above expectations. The MXN trades at 16.85 per dollar (+0.1%)
- Energy commodities negative and in tight ranges, while crude oil heads for a drop of about 2% after gains of a similar magnitude the previous week, in a context in which the market discusses potential short-term supply deficits. Metals bias today is mostly positive with gold hovering at all-time highs

Corporate Debt

- Moody's Local Mexico downgraded IDEI 23+V to 'A-mx' from 'AA-mx'. Additionally, it assigned a Negative outlook. According to the agency, the downgrade reflects the deterioration of the credit profile of its issuer Internacional de Inversiones. The decrease in the company's liquidity has generated delays in the construction and sale of several projects, as well as a drop in profitability
- The IDEI 23+V green bond has an outstanding amount of MXN 500 million and is scheduled to mature in June 2026. The issue is backed by a 50% guarantee from the International Finance Corporation (IFC). In addition to the Moody's Local rating, the bond is rated 'HR AA' by HR Ratings and 'AA/M' by PCR Verum

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	38,791.35	0.3%
S&P 500	5,157.36	1.0%
Nasdaq	16,273.38	1.5%
IPC	55,049.49	-0.4%
Ibovespa	128,339.76	-0.4%
Euro Stoxx 50	4,974.22	1.2%
FTSE 100	7,692.46	0.2%
CAC 40	8,016.22	0.8%
DAX	17,842.85	0.7%
Nikkei 225	39,598.71	-1.2%
Hang Seng	16,229.78	-1.3%
Shanghai Composite	3,027.40	-0.4%
Sovereign bonds		
2-year Treasuries	4.50	-5pb
10-year Treasuries	4.08	-2pb
28-day Cetes	11.19	6pb
28-day TIIE	11.49	0pb
2-year Mbono	9.97	7pb
10-year Mbono	9.18	2pb
Currencies		
USD/MXN	16.88	0.0%
EUR/USD	1.09	0.4%
GBP/USD	1.28	0.6%
DX	102.82	-0.5%
Commodities		
WTI	78.93	-0.3%
Brent	82.96	0.0%
Mexican mix	73.55	-0.1%
Gold	2,159.98	0.5%
Copper	392.60	1.3%

Source: Bloomberg

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