

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets mixed, government bond yields down, and USD up, with all eyes today on the Federal Reserve decision. We don't expect any policy changes, with the Fed Funds range holding at 5.25%-5.50%
- Focus will be at the Summary of Economic Projections and particularly the dot plot which could see 2024 median at 4.875%, meaning two 25bps rate cuts this year, below the three projected in December. Despite this, our base scenario remains of three 25bp cuts starting in June, followed by September and December. Also, attention on Powell's conference after the decision
- In other fronts, Lagarde said the ECB can't commit to further rate cuts after a likely first move in June. Separately, inflation in the UK slowed more than expected in February with the annual metric at 3.4% (previous: 4.0%) and the core at 4.5% (previous: 5.1%). This has increased speculation that the central bank could start cutting rates soon
- The monetary policy decision of the Central Bank of Brazil is also expected, where we estimate a 50bps cut, but with the statement showing a less dovish tone in the face of possible upward risks for inflation
- Today's agenda will also include in Mexico the banking sector expectations survey. Meanwhile, in the Eurozone consumer confidence for March will be published

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone and UK					
3:00	UK Consumer prices - Feb	% y/y	--	3.5	4.0
3:00	Core - Feb	% y/y	--	4.6	5.1
11:00	EZ Consumer confidence* - Mar (P)	index	--	-15.0	-15.5
Mexico					
11:00	International reserves - Mar 15	US\$bn	--	--	216.8
16:30	Banamex Survey of Economists				
United States					
14:00	FOMC Rate Decision (Upper Bound)	%	5.50	5.50	5.50
14:00	FOMC Rate Decision (Lower Bound)	%	5.25	5.25	5.25
14:00	Interest Rate on Excess Reserves (IOER)	%	5.40	5.40	5.40
14:30	Fed Chair Powell Holds Post-Meeting Press Conference				
Brazil					
17:30	Monetary policy decision (Central bank of Brazil)	%	10.75	10.75	11.25

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	5,236.50	-0.1%
Euro Stoxx 50	5,002.47	-0.1%
Nikkei 225	40,003.60	0.0%
Shanghai Composite	3,079.69	0.6%
Currencies		
USD/MXN	16.84	0.2%
EUR/USD	1.08	-0.2%
DXY	104.12	0.3%
Commodities		
WTI	82.00	-1.8%
Brent	86.09	-1.5%
Gold	2,153.00	-0.2%
Copper	403.65	-0.9%
Sovereign bonds		
10-year Treasury	4.28	-1pb

Source: Bloomberg

Equities

- Caution in risk assets after a new high reached by the S&P500 yesterday, with investors awaiting the Fed's monetary policy decision. In this regard, US futures are little changed
- Intel's stock rises 3.7% pre-market after the announcement of a government incentive package to finance the expansion of its semiconductor factories. On the other hand, Chipotle (+5.6%) reported the approval of a 50-to-1 common stock split. In Europe, stock markets trade mixed and the Eurostoxx falls, driven by luxury shares that decline due to a weak sales outlook in China. Asia closed positive
- On the domestic corporate front, attention will be on Cemex's investor day today. Additionally, yesterday Amx announced a shareholder retribution proposal for up to 4.6% yield

Sovereign fixed income, currencies and commodities

- Positive bias in sovereign bonds with Europe leading and averaging gains of ~3bps. The UK outperforms as February's inflation strengthened bets for rate cuts from the BoE. UTSs gain ~2bps with the short-end outperforming. Mixed close for Mbonos and TIIEs yesterday amid movements of $\pm 2b$
- The USD rises for the fifth session. All of the G10 trades downwards with JPY (-0.5%) being the weakest. A similar balance is seen in EM with CLP (-0.8%) at the extreme. The MXN depreciates -0.2% to 16.84
- Crude oil falls modestly after reaching new highs yesterday. Focus today is on DOE's inventories with the API estimating a new draw. Bias is also negative in metals, although amid narrow ranges

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	39,110.76	0.8%
S&P 500	5,178.51	0.6%
Nasdaq	16,166.79	0.4%
IPC	55,548.07	-1.2%
Ibovespa	127,528.85	0.5%
Euro Stoxx 50	5,007.92	0.5%
FTSE 100	7,738.30	0.2%
CAC 40	8,201.05	0.6%
DAX	17,987.49	0.3%
Nikkei 225	40,003.60	0.7%
Hang Seng	16,529.48	-1.2%
Shanghai Composite	3,062.76	-0.7%
Sovereign bonds		
2-year Treasuries	4.68	-5pb
10-year Treasuries	4.29	-3pb
28-day Cetes	10.99	-25pb
28-day TIIE	11.48	0pb
2-year Mbono	10.14	2pb
10-year Mbono	9.35	-1pb
Currencies		
USD/MXN	16.81	-0.1%
EUR/USD	1.09	-0.1%
GBP/USD	1.27	-0.1%
DX	103.82	0.2%
Commodities		
WTI	83.47	0.9%
Brent	87.38	0.6%
Mexican mix	77.87	0.7%
Gold	2,157.59	-0.1%
Copper	407.45	-1.3%

Source: Bloomberg

Corporate Debt

- Fitch affirmed Navistar Financial's rating at 'AAA(mex)' with a Stable outlook, reflecting the agency's view on the ability and propensity of the shareholder, Traton SE (Traton) to support the Mexican subsidiary, if required
- Fitch ratified NR Finance Mexico's ratings at 'AA+(mex) / F1+(mex)' with a Stable outlook, based on support from its ultimate parent company, Nissan Motor Co. Ltd
- HR Ratings upgraded its ratings from 'HR AA+ (E)' to 'HR AAA (E)' with Stable outlook for VRTCB 23 and VANRTCB 21 (Vanrenta's ABS). According to the agency, the revisions were based on the strengthening of Vanrenta's management capacity, as well as improved financial indicators

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