

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets mixed but with a positive bias, with government bond yields and the USD lower. Investors keep assimilating the first executive orders of Donald Trump's second presidential mandate, which for the time being have not entailed new trade tariffs
- Attention remains on the actions of the new government in the US. Among the most relevant measures are those in the trade front. Trump mentioned that he may impose a 10% tariff on Chinese imports as soon as February 1st due to China's role in the flow of fentanyl to the US. Additionally, he mentioned that there are other countries that could also be considered, referring to the US\$350 billion trade deficit with the EU
- Regarding immigration policy, the President said that he will allow agents to raid churches and schools, sites that had traditionally been protected from them
- On foreign policy, Trump said that it is likely that he will impose more sanctions on Russia if President Putin does not come to the table to negotiate with Ukraine. In Japan, the Foreign Minister announced that he agreed with US Secretary of State Marco Rubio to take their countries' ties to new heights during their first meeting
- German Chancellor Olaf Scholz meets French President Emmanuel Macron in Paris today to discuss a united approach to Trump's policies
- At Davos, ECB President Christine Lagarde explained that the central bank is not lowering rates too slowly and that a measured approach to easing will be maintained. Dutch central bank President Klaas Knot, meanwhile, said bets for rate cuts in January and March are reasonable
- Historic winter storms threaten Texas gas exports –with the major LNG complex shutting down due to intermittent power outages. More than 50 cold temperature records are expected to be broken on Thursday, mainly on the Gulf Coast, up to the Appalachian Mountains and in the Ohio Valley

The most relevant economic data...

Event/Period	Unit	Banorte	Survey	Previous
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No relevant economic data will be released today

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 award as the best economic forecasters in Mexico by LSEG in 2023



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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	6,112.50	0.5%
Euro Stoxx 50	5,221.29	1.1%
Nikkei 225	39,646.25	1.6%
Shanghai Composite	3,213.62	-0.9%
Currencies		
USD/MXN	20.55	-0.4%
EUR/USD	1.04	0.1%
DX	107.98	-0.1%
Commodities		
WTI	75.73	-0.2%
Brent	79.23	-0.1%
Gold	2,756.70	0.4%
Copper	431.00	-0.7%
Sovereign bonds		
10-year Treasury	4.57	0pb

Source: Bloomberg

Equities

- Advances in major indices driven by positive corporate reports and optimism following Trump's announcement of a major investment in AI infrastructure
- US futures show a positive tone. The Nasdaq rises 0.9% driven by the performance of some technology companies: Oracle (+9%), Nvidia (+3%) and Broadcom (+2%). Europe trades with gains. The Eurostoxx rises 1.1% and is poised to close at a new all-time high, supported by industrial and technology stocks. Asia closed mixed
- In corporate news, Netflix (+15% pre-market) reported yesterday the highest quarterly subscriber growth in its history, more than doubling market expectations. In addition, the company announced that this will be the last time it will publish this data in an attempt to allow investors to prioritize financial metrics

Sovereign fixed income, currencies and commodities

- Sovereign bonds with small changes, stabilizing after gains over the past two days as tariff risk premia eased following the initial days of Trump's presidency. European yields tightened by 1bps in some cases, while USTs traded within a ± 1 bps range
- The breather in FX extended, with the USD declining for a third consecutive session. EM currencies outperforms G10, although movements in the latter remain within tight ranges. The MXN appreciates by 0.4% to 20.55 per dollar
- Energy commodities depict a slightly positive bias, with oil stabilizing after recent declines, with latest price action factoring potential sanctions on Russia and tariffs on China. Most metals fall, except for gold, that reaches its highest level since October

Corporate Debt

- Moody's Local Mexico downgraded Internacional de Inversiones' green bond, IDEI 23+V, to 'CCC.mx' from 'BB+.mx' and kept the Negative outlook. The downgrade reflects the significant deterioration of its issuer, whose leverage (Total Debt/EBITDA 12M) increased notably, reaching 59.2x as of 3Q24
- HR Ratings affirmed the rating of Fovissste's mortgage-backed securities, TFOVIS 14U / 14-2U and TFOVICB 15U, at 'HR AAA (E)' with Stable outlook. The ratification was based on the level observed in the capacity of each issue, which increased in the last twelve months due to prepayments

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	44,025.81	1.2%
S&P 500	6,049.24	0.9%
Nasdaq	19,756.78	0.6%
IPC	50,450.26	0.5%
Ibovespa	123,338.34	0.4%
Euro Stoxx 50	5,165.96	0.0%
FTSE 100	8,548.29	0.3%
CAC 40	7,770.95	0.5%
DAX	21,042.00	0.2%
Nikkei 225	39,027.98	0.3%
Hang Seng	20,106.55	0.9%
Shanghai Composite	3,242.62	-0.1%
Sovereign bonds		
2-year Treasuries	4.27	-1pb
10-year Treasuries	4.58	-5pb
28-day Cetes	9.75	-20pb
28-day TIIE	10.28	1pb
2-year Mbono	9.64	-10pb
10-year Mbono	10.16	-20pb
Currencies		
USD/MXN	20.63	0.6%
EUR/USD	1.04	0.1%
GBP/USD	1.24	0.2%
DX	108.06	-1.2%
Commodities		
WTI	75.89	-2.6%
Brent	79.29	-1.1%
Mexican mix	71.39	-2.2%
Gold	2,744.81	1.4%
Copper	434.10	-0.6%

Source: Bloomberg

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