

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets and government bond yields mixed, USD down, with investors assimilating President Trump's call on softening his approach towards tariffs on China, but still warning on levies against Canada and Mexico. Elsewhere, corporate earnings show mixed signals
- Markets attention is focused on January's preliminary services, manufacturing and composite PMI indicators, December's existing home sales, January's final University of Michigan confidence index in the US, aside of corporate earnings
- On monetary policy decisions, the Bank of Japan raised by 25bp its reference rate to 0.50%, the highest in 17 years, while boosting inflation forecasts and strengthening the yen
- Elsewhere, investors assimilate comments from ECB's Lagarde who spoke in Davos. The president of the European Central Bank said that Europe faces an existential threat that could be exacerbated by Trump's stance
- Trump said he would prefer not to put tariffs on China. The comments were seen as very positive, strengthening the yuan
- In Mexico, INEGI announced November's GDP-proxy IGAE at 0.4% m/m (0.5% y/y). By sectors, services climbed 0.5% m/m, with industry at +0.1% and with primary activities at -1.4%

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
7:00	Economic activity indicator (IGAE) - Nov	% y/y	0.9	0.7	0.7
7:00	Economic activity indicator (IGAE)* - Nov	% m/m	0.6	0.3	-0.7
Brazil					
7:00	Consumer prices - Jan	% m/m	--	-0.03	0.34
7:00	Consumer prices - Jan	% y/y	--	4.34	4.71
United States					
9:45	Manufacturing PMI* - Jan (P)	index	49.5	49.9	49.4
9:45	Services PMI* - Jan (P)	index	56.7	56.5	56.8
9:45	Composite PMI* - Jan (P)	index	--	--	55.4
10:00	Existing home sales** - Dec	millions	--	4.2	4.2
10:00	U. of Michigan confidence* - Jan (F)	index	73.2	73.2	73.2

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	6,145.25	-0.1%
Euro Stoxx 50	5,246.11	0.5%
Nikkei 225	39,931.98	-0.1%
Shanghai Composite	3,252.63	0.7%
Currencies		
USD/MXN	20.24	-0.7%
EUR/USD	1.05	0.7%
DX	107.57	-0.4%
Commodities		
WTI	74.93	0.4%
Brent	78.63	0.4%
Gold	2,776.29	0.8%
Copper	436.20	0.8%
Sovereign bonds		
10-year Treasury	4.64	0pb

Source: Bloomberg

Equities

- Mixed returns in main stock indices, although Trump's comments have led the indices globally to record highs throughout the week that concludes. The Eurostoxx rises 0.5% and in Asia the surge of the Hang Seng stands out, closing at +1.9%
- Futures in the US anticipate a slightly negative opening, with the S&P500 trading 0.1% below its theoretical value, after yesterday's all-time high, and with mixed signals in corporate earnings. Boeing released preliminary figures with higher-than-expected losses, disappointing investors, ahead of its report next week
- We have ~15% of the figures of companies in the S&P500 and there is an accumulated increase in earnings of 17.9% vs 7.5%e, with the positive surprise rate at 82.4%. Results from American Express, Verizon and Nextera Energy stand out today

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds. Ten-year rates in Europe are up +2bps on average. Meanwhile, the US Treasury curve prints gains of 1bp to 2bps. Yesterday, Mbonos averaged gains of 2bps. The 10-year benchmark Nov'34 closed at 9.99% (-3bp)
- USD negative against most G10 currencies, with SEK (+0.8%) leading the gains. In EM, the bias is also positive, with Asia leading. The MXN appreciates 0.6% to 20.26 per dollar, marking its third consecutive day of gains
- Crude-oil futures are on track for their first weekly drop of the year. Following Trump's comments, mentioning that he would require OPEC+ to reduce its prices. In addition to a tariff threat that is still latent. Metals are up. Copper and gold rise 1.0% and 0.8%, respectively

Corporate Debt

- Fitch Ratings affirmed and withdrew Grupo Elektra's long- and short-term ratings of 'A(mex)' and 'F1+(mex)'. The ratings reflect Elektra's long track record and market position as one of Mexico's leading department store chains, as well as its ability to adapt quickly to adverse economic cycles
- PCR Verum assigned a '1/M' rating to the short-term portion of Autlán's certificates program. The rating reflects the refinancing of the issuer's debt, which improved its maturity profile to a longer term, relieving liquidity pressures

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	44,565.07	0.9%
S&P 500	6,118.71	0.5%
Nasdaq	20,053.68	0.2%
IPC	51,054.91	0.2%
Ibovespa	122,483.32	-0.4%
Euro Stoxx 50	5,217.50	0.2%
FTSE 100	8,565.20	0.2%
CAC 40	7,892.61	0.7%
DAX	21,411.53	0.7%
Nikkei 225	39,958.87	0.8%
Hang Seng	19,700.56	-0.4%
Shanghai Composite	3,230.16	0.5%
Sovereign bonds		
2-year Treasuries	4.29	-1pb
10-year Treasuries	4.64	3pb
28-day Cetes	9.74	1pb
28-day TIIE	10.28	-1pb
2-year Mbono	9.48	-3pb
10-year Mbono	10.02	-3pb
Currencies		
USD/MXN	20.39	-0.5%
EUR/USD	1.04	0.1%
GBP/USD	1.24	0.3%
DX	108.05	-0.1%
Commodities		
WTI	74.62	-1.1%
Brent	78.29	-0.9%
Mexican mix	70.57	-0.8%
Gold	2,754.87	-0.1%
Copper	432.85	0.6%

Source: Bloomberg

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