

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets negative, government bond yields lower, and the USD rebounding slightly in the context of recession fears rising, as a trade war intensifies. In this regard, China retaliated against the US by imposing 34% tariffs on all imports from the country, starting on April 10th**
- **China's retaliation matches the level of reciprocal tariffs imposed by the US. In addition, the country announced other measures, including: (1) immediately restricting exports of seven types of 'rare earths'; (2) add eleven US defense companies to an unreliable entity list; and (3) impose export controls on 16 US firms**
- **Japanese Prime Minister Shigeru Ishiba will meet with the opposition leaders today to discuss responses to the US tariffs, which he called a 'national crisis'. Bank of Japan Governor Kazuo Ueda said the move will weigh on growth**
- **On the economic agenda, US labor market figures for March stand out on the economic agenda. Nonfarm payrolls advanced by 228 thousand positions, higher than expectations (+140k). The unemployment rate increased to 4.2%. In Germany, factory orders remained unchanged in February (0.0% m/m), lower than anticipated. This was more encouraging in France and Spain, where production increased by 0.7% respectively. On the monetary front, we will be watching Fed Chair Jerome Powell's speech on the economic outlook.**
- **Republicans are considering a new tax bracket for those earning \$1 million. A new top rate of 39% or 40% would represent a shift from decades of Republican opposition to tax increases**
- **Chinese and US defense officials held their first known formal contact during Trump's new term. A consultation on maritime safety was held this week in Shanghai**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Consumer confidence* - Mar	index	45.9	46.0	46.3
United States					
8:30	Nonfarm payrolls* - Mar	thousands	130	140	151
8:30	Unemployment rate* - Mar	%	4.1	4.1	4.1
11:25	Fed's Powell Gives Keynote Remarks				
12:00	Fed's Barr Speaks on AI and Banking				
12:45	Fed's Waller Speaks on Payments				

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,260.50	-3.2%
Euro Stoxx 50	4,868.67	-4.8%
Nikkei 225	33,780.58	-2.8%
Shanghai Composite	3,342.01	0.0%
Currencies		
USD/MXN	20.36	2.1%
EUR/USD	1.11	0.0%
DX	101.95	-0.1%
Commodities		
WTI	61.03	-8.8%
Brent	64.40	-8.2%
Gold	3,110.36	-0.2%
Copper	452.70	-6.2%
Sovereign bonds		
10-year Treasury	3.91	-12pb

Source: Bloomberg

Equities

- Clearly negative bias in the main stock indices, with significant widespread declines as trade tensions intensify, now with China reacting by imposing heavy tariff measures on the US. Volatility increases, with the VIX at its highest since August as it reaches levels above 45pts
- Futures anticipate another day of sharp declines, with the S&P 500 trading 3.2% below its theoretical value, after yesterday being the worst day since 2020. In Europe, the falls exceed 4%. Meanwhile, in Asia, the Nikkei fell 2.75%, and China remains closed for a holiday
- In Mexico, the Mexbol was resilient by closing above 54,000pts; however, we remain cautious as the risks of slowdown are latent and could cause a lot of volatility in the Mexican market, affected by uncertainty

Sovereign fixed income, currencies and commodities

- Broad gains in sovereign bonds. 10-year rates in Europe decline by 12bps on average. Meanwhile, the Treasuries curve marks an appreciation of up to 17bps in the belly. Yesterday, the Mbonos curve averaged gains of 20bps. The 10-year benchmark closed at 9.01% (-20bps)
- The dollar weakens, while CHF (+0.9%) and JPY (+0.5%) advance. In emerging markets, the bias is negative with CLP (-2.2%) leading the losses. Meanwhile, the Mexican peso is the second weakest, trading at 20.35 per dollar with a depreciation of 2.0%, after gaining 1.3% yesterday. The currency is shaping up for a weekly gain of 0.3%
- Crude-oil prices fall to four-year lows, following a surprise increase in production by OPEC+ and a rapidly escalating trade war. Widespread losses in metals and grains

Corporate Debt

- Orbia Advance Corporation announced that on April 11, 2025, it will make the total prepayment of its sustainability-linked bond, ORBIA 22L. The issue has an outstanding amount of MXN 4.4 billion
- Fitch Ratings affirmed the rating of issue ICVCB 23U (Instituto de Control Vehicular de Nuevo León's Future Flow) at 'AAA(mex)vra'. The rating is five notches above the institute's rating, due to the credit enhancements in the structure of the issue

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	40,545.93	-4.0%
S&P 500	5,396.52	-4.8%
Nasdaq	16,550.61	-6.0%
IPC	54,089.28	0.5%
Ibovespa	131,140.65	0.0%
Euro Stoxx 50	5,113.28	-3.6%
FTSE 100	8,474.74	-1.6%
CAC 40	7,598.98	-3.3%
DAX	21,717.39	-3.0%
Nikkei 225	34,735.93	-2.8%
Hang Seng	22,849.81	-1.5%
Shanghai Composite	3,342.01	-0.2%
Sovereign bonds		
2-year Treasuries	3.68	-18pb
10-year Treasuries	4.03	-10pb
28-day Cetes	9.02	0pb
28-day TIIE	9.27	-5pb
2-year Mbono	8.30	-16pb
10-year Mbono	9.04	-18pb
Currencies		
USD/MXN	19.94	-1.3%
EUR/USD	1.11	1.8%
GBP/USD	1.31	0.7%
DX	102.07	-1.7%
Commodities		
WTI	66.95	-6.6%
Brent	70.14	-6.4%
Mexican mix	64.27	-6.3%
Gold	3,115.34	-0.6%
Copper	482.85	-4.2%

Source: Bloomberg

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