

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets positive, government bond yields down, and USD up awaiting the Fed's monetary policy decision and Powell's comments that could throw cold water on market's policy easing expectations for 2024 after a slow inflation deceleration and a strong labor market
- We expect the Federal Reserve to keep the rate unchanged at 5.25%-5.50%. We believe that the question now centers on when they will start to lower it. In our opinion, a key point will be the chart of the central bank members' estimates for the trajectory of the reference rate, known as dot plot. We expect the 2024 median to be revised to 4.875%, which would mean accumulated cuts of only 50bps in that year (possibly two adjustments of -25bps). Rates will probably remain high for long contrasting with market expectations of cuts between -100bps and -125bps, starting in May. In the afternoon, Brazil will also announce its monetary policy decision, where we estimate that they will continue with the pace of cuts of -50bps, taking their Selic rate to 11.75%
- Regarding economic figures, in US producer prices for November will be published. Consensus estimates that the moderation will continue with the general index at 1.0% y/y and the core at 2.2%
- In other latitudes, China's top leaders will make industrial policy the top priority for 2024, disappointing investors who had been waiting for more stimulus, while Argentina will introduce crawling peg that weakens 2% per month and massive spending cuts

The most relevant economic data...

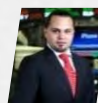
	Event/Period	Unit	Banorte	Survey	Previous
Eurozone and UK					
2:00	UK Industrial production* - Oct	% m/m	--	-0.1	0.0
5:00	EZ Industrial production* - Oct	% m/m	--	-0.3	-1.1
United States					
8:30	Producer prices* - Nov	% m/m	--	0.1	-0.5
8:30	Ex. food & energy* - Nov	% m/m	--	0.2	0.0
14:00	FOMC Rate 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 Holds Press Conference Following FOMC Meeting				
Mexico					
10:00	International reserves - Dec 8	US\$bn	--	--	207.1
Brazil					
16:30	Monetary policy decision (Central bank of Brazil)	%	11.75	11.75	12.25

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 2023 award for best Mexico economic, forecasters, granted by Focus Economics

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,704.00	0.1%
Euro Stoxx 50	4,547.93	0.2%
Nikkei 225	32,926.35	0.3%
Shanghai Composite	2,968.76	-1.2%
Currencies		
USD/MXN	17.32	0.1%
EUR/USD	1.08	-0.1%
DXY	103.94	0.1%
Commodities		
WTI	68.82	0.3%
Brent	73.44	0.3%
Gold	1,981.53	0.1%
Copper	375.50	-0.8%
Sovereign bonds		
10-year Treasury	4.18	-2pb

Source: Bloomberg

Equities

- Equity markets with few changes but positive, with investors showing some caution ahead of the Fed's latest monetary policy meeting. This in an environment of lower volatility, with the VIX nears 4-year low
- US futures of the main stock indexes point to a positive opening by increasing 0.2% on average. Tesla falls 1.2% prior to the market opening after reporting that it will recall 2 million vehicles to fix autopilot flaws. Europe trades with gains, the Eurostoxx rises 0.2% supported by shares from the materials and technology sector
- In Asia, markets closed mixed, with a 0.9% drop in the Hang Seng. In Mexico, trading will resume after yesterday's holiday and the Mexbol Index could trade around 54,500pts

Sovereign fixed income, currencies and commodities

- Slightly positive balance in sovereign bonds. 10-year European rates decline 5bps, on average, while Treasuries' curve record a flattening bias with gains of 3bps at the long-end. The trading resumes in Mexico after yesterday's holiday and a beginning of the week with a strong sell-off in long-term Mbonos of up to 15bps
- Dollar edge higher against all G10 currencies with NZD (-0.6%) as the weakest. In EM, the only in positive domain are RUB (+0.5%), BRL (0.3%), HUF (+0.2%), and CLP (+0.1%), while MXN trades at 17.32 per dollar (-0.1%) after a 0.4% appreciation yesterday
- Crude-oil futures trade near 6-month low amid persistent signals that supply is eclipsing consumption. Industrial metals decline as China avoided signaling more stimulus at a major gathering

Corporate Debt

- Today, Banco Santander Mexico will hold the last expected auction of the year in the banking market, BSMX 23-3, for a target amount of MXN 3.0 billion (max. MXN 6.0 billion). The BSMX 23-3 issue will have a term of approximately two years and will pay a floating rate pegged to the Overnight TIIE. The assigned national scale ratings were 'AAA.mx' by Moody's Local México and 'AAA(mex)' by Fitch Ratings
- Invex Controladora informed that it closed the sale of its stake in the solar energy portfolio "Jaguar Solar" after having met the closing conditions and received regulatory approvals. With this transaction, Invex Grupo Infraestructura sold to SPIC-Zuma Energía its 25.7% stake in six photovoltaic parks located in the state of Chihuahua, Mexico

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	36,577.94	0.5%
S&P 500	4,643.70	0.5%
Nasdaq	14,533.40	0.7%
IPC	54,439.13	0.0%
Ibovespa	126,403.03	-0.4%
Euro Stoxx 50	4,536.61	-0.1%
FTSE 100	7,542.77	0.0%
CAC 40	7,543.55	-0.1%
DAX	16,791.74	0.0%
Nikkei 225	32,843.70	0.2%
Hang Seng	16,374.50	1.1%
Shanghai Composite	3,003.44	0.4%
Sovereign bonds		
2-year Treasuries	4.73	2pb
10-year Treasuries	4.20	-3pb
28-day Cetes	11.25	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.37	0pb
10-year Mbono	9.41	0pb
Currencies		
USD/MXN	17.31	-0.4%
EUR/USD	1.08	0.3%
GBP/USD	1.26	0.1%
DX	103.87	-0.2%
Commodities		
WTI	68.61	-3.8%
Brent	73.24	-3.7%
Mexican mix	64.33	-3.6%
Gold	1,979.54	-0.1%
Copper	378.75	0.2%

Source: Bloomberg

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