

Financial Markets Daily

Main drivers for the financial markets today...

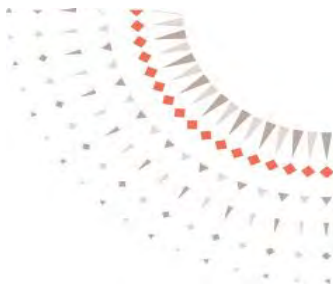
- **Mixed stock markets, predominantly higher government bond yields, while the dollar is trading at a loss. Europe trades negative amid concerns about the significant increase in COVID-19 infections, while Asia and S&P futures are positive due to the expectation of a new fiscal stimulus package in the US, after the Democrats' triumph in both legislative chambers**
- **Because Mike Pence will not agree to launch Amendment 25 to impeach President Trump, the House of Representatives is set for a vote on impeachment tomorrow**
- **In the US, the intervention of several members of the Fed speaking on different topics is expected, including Brainard, Rosengren, Kaplan, Kashkari, and George**
- **Regarding economic figures, in Brazil December inflation was released at 1.35% m/m (4.52% y/y), above the previous month and the consensus estimate, confirming a scenario of price pressures that is opening the door to a hike in the Selic rate this year**
- **In Mexico, INEGI published GFI for October, with a 14.7% y/y decline. However, in the monthly comparison it rose 2.8% (previously: -2.6%), driven by an increase in construction. Moreover, INEGI also released private consumption for the tenth month of the year, declining 10.3% y/y. In sequential terms it advanced 1.1% m/m (previous 2.2%), with strength in imported goods**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Gross fixed investment - Oct	% y/y	-13.5	--	-16.0
7:00	Gross fixed investment* - Oct	% m/m	3.8	--	-2.9
7:00	Private consumption - Oct	% y/y	--	--	-9.9
7:00	Private consumption* - Oct		--	--	2.2
10:00	International reserves - Jan 8	US\$bn	--	--	195.7
12:30	Government weekly auction: 1, 3, 6, and 12M CETES; 30-year Mbono (Nov'47) and 1, 3, and 5-year Bondes D				
	Job creation of workers affiliated to IMSS	% y/y	--	--	148.7
<i>Brazil</i>					
7:00	Consumer prices - Dec	% m/m	--	1.21	0.89
7:00	Consumer prices - Dec	% y/y	--	4.42	4.31
<i>United States</i>					
09:35	Fed's Brainard speaks at Artificial Intelligence Symposium				
11:00	Fed's Rosengren, Kaplan and Kashkari speak on racism and the economy				
13:00	Fed's George Gives Economic Outlook Speech				
13:00	Fed's Rosengren speaks on economic outlook				

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.
<i>Equity indices</i>		
S&P 500 Futures	3,801.25	0.2%
Euro Stoxx 50	3,615.63	-0.1%
Nikkei 225	28,164.34	0.1%
Shanghai Composite	3,608.34	2.2%
<i>Currencies</i>		
USD/MXN	19.97	-0.5%
EUR/USD	1.22	0.0%
DXY	90.43	0.0%
<i>Commodities</i>		
WTI	52.91	1.3%
Brent	56.46	1.4%
Gold	1,857.53	0.7%
Copper	362.05	1.6%
<i>Sovereign bonds</i>		
10-year Treasury	1.17	2pb

Source: Bloomberg

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Equities

- **Mixed movements in equity markets as investors weigh, on the one hand, the significant increase in the COVID-19 infections globally and some high valuations and, on the other hand, vaccine-related progress supporting some optimism about economic recovery, as well as the expectation of possible further stimulus**
- **In Asia most markets closed positive. In Europe stocks are mixed, with negative bias, the Euro Stoxx falls 0.1%. Shares from real state and utilities sectors superhead losses, while those from the energy and technology lead gains. In turn, in the US the futures of main indices point to a higher open by rising 0.3% on average**
- **In Mexico, the Mexbol may stand around the 46,400 pts**

Sovereign fixed income, currencies and commodities

- **The pressure bias in sovereign bonds lingers, triggered last week due to the expectation of further fiscal stimulus in the US. Yields rise ~3bps today in European securities while the US Treasuries’ curve adjusts by +2bp. Yesterday Mbonos adjusted +4bps**
- **The USD weakens amid a mostly positive performance in developed currencies, where GBP leads the rally (+0.5%). In the EM currencies balance is also positive highlighting gains in ZAR and RUB (+0.8%), followed by the MXN that strengthens 0.5% to 19.97 per dollar after starting the week on a weak note touching yesterday 20.26**
- **Positive crude oil prices (~+1.5%) and reaching February highs in the WTI extending recent upward momentum on the back of supply cuts by OPEC+ and an additional effort from Saudi Arabia. In metals, bias is mostly positive with prices also supported by a weak USD**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,008.69	-0.3%
S&P 500	3,799.61	-0.7%
Nasdaq	13,036.43	-1.3%
IPC	46,395.32	-0.7%
Ibovespa	123,255.10	-1.5%
Euro Stoxx 50	3,620.62	-0.7%
FTSE 100	6,798.48	-1.1%
CAC 40	5,662.43	-0.8%
DAX	13,936.66	-0.8%
Nikkei 225	28,139.03	0.0%
Hang Seng	27,908.22	0.1%
Shanghai Composite	3,531.50	-1.1%
<i>Sovereign bonds</i>		
2-year Treasuries	0.14	1pb
10-year Treasuries	1.15	3pb
28-day Cetes	4.24	-2pb
28-day TIIIE	4.48	0pb
2-year Mbono	4.28	3pb
10-year Mbono	5.68	5pb
<i>Currencies</i>		
USD/MXN	20.07	0.3%
EUR/USD	1.22	-0.5%
GBP/USD	1.35	-0.4%
DXY	90.47	0.4%
<i>Commodities</i>		
WTI	52.25	0.0%
Brent	55.66	-0.6%
Mexican mix	51.41	-0.2%
Gold	1,843.89	-0.3%
Copper	356.45	-3.0%

Source: Bloomberg

Corporate Debt

- **S&P Global Ratings downgraded Banco Compartamos global scale long- and short-term ratings to ‘BB+/B’ from ‘BBB-/A-3’. The national scale long-term rating was cut to ‘mxAA’ from ‘mxAA+’, while the short-term rating was affirmed at ‘mxA-1+’. The outlook is Negative**
- **According to the agency, the downgrade reflects the sharp deterioration of the bank's credit portfolio due to a deeper impact of the COVID-19 pandemic on the microcredit sector compared to other economic sectors**
- **HR Ratings ratified the long-term rating for Autlan and its issuance AUTLNCB 17 at 'HR A-' changing the outlook to Positive from Stable; the short-term ratings was affirmed at 'HR2'**

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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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