

# Financial Markets Daily

January 20, 2021

## Main drivers for the financial markets today...

- **Stock markets up, government bond yields rising and the USD stable, with investors optimistic about Joe Biden's inauguration as US president and the prospect of higher growth supported by upcoming fiscal stimulus, as well as better than expected corporate results**
- **Investors watching monetary policy decisions in Brazil and Canada, with consensus expecting no changes in interest rates. Moreover, a series of executive orders are expected by Biden today in issues ranging from immigration, climate, and the US participation in multilateral institutions and agreements**
- **In her hearing yesterday, Treasury Secretary nominee Janet Yellen made the case for a strong stimulus package to support the US recovery. She said that interest rates are currently at historical lows and that the burden from debt payments as a share of GDP is lower than in the 2008/2009 crisis. Nevertheless, she found some early resistance from Republican legislators regarding the US\$1.9 trillion plan of the incoming administration**
- **Chancellor Angela Merkel agreed to tighten restrictions in Germany to cope with the rise in COVID-19 cases and deaths. These include closing non-essential stores and restricting mobility in hard-hit areas until February 14<sup>th</sup>, heightening risks to the fragile economic recovery in the region**
- **Year-end 2020 inflation in the UK stood at 0.6% y/y, slightly higher than expected by consensus at 0.5%, albeit significantly below the central bank's target of 2%**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone and UK</i>					
2:00	UK Consumer prices - Dec	% y/y	--	0.7	0.6
2:00	Core - Dec	% y/y	--	1.3	1.1
5:00	EZ Consumer prices - Dec (F)	% y/y	--	-0.3	-0.3
5:00	Core - Dec (F)	% y/y	--	0.2	0.2
<i>Mexico</i>					
15:30	Survey of expectations (Citibanamex)				
<i>Brazil</i>					
16:00	Monetary policy decision (C. bank of Brazil)	%	2.00	2.00	2.00
<i>Japan</i>					
	Monetary policy decision (BoJ)	%	--	--	-0.10

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	3,803.50	0.3%
Euro Stoxx 50	3,611.88	0.5%
Nikkei 225	28,523.26	-0.4%
Shanghai Composite	3,583.09	0.5%
<i>Currencies</i>		
USD/MXN	19.64	-0.2%
EUR/USD	1.21	-0.2%
DX	90.53	0.0%
<i>Commodities</i>		
WTI	53.59	1.2%
Brent	56.38	0.9%
Gold	1,846.70	0.3%
Copper	364.00	0.2%
<i>Sovereign bonds</i>		
10-year Treasury	1.10	1pb

Source: Bloomberg  
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## Equities

- **Equity markets with positive movements, as focus remains on Joe Biden's inauguration as President of the United States. In addition, positive surprises in corporate reports contribute to market optimism, accompanied by expectations of a robust economic stimulus package**
- **In the US, futures anticipate a positive opening, with the S&P500 trading at +0.3%. In Europe, the Stoxx 600 is up 0.5%, with technology stocks rising 1.9%. In Asia, the session was mostly positive, where the Hang Seng closed at +1.1%, and with Alibaba shares rising 8.5% after the reappearance of its founder**
- **On the corporate front, today 10 S&P500 companies report, of which 7 have exceeded expectations, highlighting the results of Morgan Stanley and Procter & Gamble**

## Sovereign fixed income, currencies and commodities

- **Pressures in global rates with European bonds adjusting +2bps, while the US Treasuries print a 1bps sell-off in the long-end of the yield curve. In local terms, the Mbonos' curve closed yesterday with a 3bps sell-off in longer-term securities**
- **The USD trades fairly unchanged amid a mixed performance in G10 currencies with AUD leading gains (+0.4%). In EM, bias is also mixed with TRY as the strongest (+0.3%), while MXN trades at 19.64 per dollar (+0.2%), scoring three favorable sessions**
- **Oil prints a positive adjustment (WTI +0.9% and Brent +1.2%) following optimism that stimulus policies will support global economic growth. In metals, gold trades at 1,851 \$/oz t (+0.6%) and industrials record a positive balance except for nickel (-0.5%)**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,930.52	0.4%
S&P 500	3,798.91	0.8%
Nasdaq	13,197.18	1.5%
IPC	45,495.41	-2.1%
Ibovespa	120,636.40	-0.5%
Euro Stoxx 50	3,595.42	-0.2%
FTSE 100	6,712.95	-0.1%
CAC 40	5,598.61	-0.3%
DAX	13,815.06	-0.2%
Nikkei 225	28,633.46	1.4%
Hang Seng	29,642.28	2.7%
Shanghai Composite	3,566.38	-0.8%
<i>Sovereign bonds</i>		
2-year Treasuries	0.13	0pb
10-year Treasuries	1.09	1pb
28-day Cetes	4.19	-3pb
28-day TIE	4.47	0pb
2-year Mbono	4.24	-1pb
10-year Mbono	5.59	2pb
<i>Currencies</i>		
USD/MXN	19.67	-0.1%
EUR/USD	1.21	0.4%
GBP/USD	1.36	0.3%
DXY	90.50	-0.3%
<i>Commodities</i>		
WTI	52.98	1.2%
Brent	55.90	2.1%
Mexican mix	51.67	1.2%
Gold	1,840.28	-0.1%
Copper	363.35	0.9%

Source: Bloomberg

## Corporate Debt

- **CI Banco (Common Rep.) informed that the Coverage Ratio of the AERMxCB 17/19 (Aeroméxico ABS) issuances corresponding to December 2020 was 22.39x. In the same way, it is important to point out that, in accordance with the agreements reached in the bondholders Assembly, it was waived that if the Coverage Ratio was not within the limits established in the Trust, it would not be considered a Retention Event**
- **VINTE 17 voluntary early amortization was reported for next January 27, 2021, for an amount of MXN 315 million. Premium payment will not be generated for voluntary total early amortization**
- **It was also reported the total amortization of BRHSCCB 07 (RMBS originated by Su Casita) for next January 25, 2021, for an amount of MXN 1.3 million**

## Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalia Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega, and Juan Barbier Arizmendi certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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	Reference
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<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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