

Financial Markets Daily

January 22, 2021

Main drivers for the financial markets today...

- **Stock markets and government bond yields down while the dollar posts gains, as rising COVID-19 infections, stricter lockdown measures and travelling restrictions globally keep investors worried, despite prospects for additional stimulus**
- **Regarding the development of the pandemic, UK Prime Minister Boris Johnson noted that current restrictions could last until the summer, while German Chancellor, Angela Merkel, said it would be until the end of September. Meanwhile, in the US, President Biden signed several executive orders to deal with COVID-19**
- **In the US, PMI figures will be released. While a drop is expected, they are estimated to continue above 50pts, confirming expansion of the service and manufacturing sectors. PMIs were also published in the Eurozone and the United Kingdom, where the services sector continued to contract**
- **In Mexico, INEGI published 1H-January's inflation, advancing 0.51% 2w/2w. Meanwhile, the core came in at 0.24% 2w/2w. With these results, annual inflation increased to 3.33% from 3.15% in the previous month, with the core at 3.83% (previous: 3.80%)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone and UK</i>					
3:30	GER Manufacturing PMI (Markit)* - Jan (P)	index	--	57.4	58.3
3:30	GER Services PMI (Markit)* - Jan (P)	index	--	45.0	47.0
3:30	GER Composite PMI (Markit)* - Jan (P)	index	--	50.0	52.0
4:00	EZ Manufacturing PMI (Markit)* - Jan (P)	index	--	54.5	55.2
4:00	EZ Services PMI (Markit)* - Jan (P)	index	--	45.0	46.4
4:00	EZ Composite PMI (Markit)* - Jan (P)	index	--	47.6	49.1
4:30	UK Manufacturing PMI* - Jan (P)	index	--	53.0	57.5
4:30	UK Services PMI* - Jan (P)	index	--	45.0	49.4
<i>Mexico</i>					
7:00	Consumer prices - Jan 15	% 2w/2w	0.43	0.40	0.19
7:00	Core - Jan 15	% 2w/2w	0.20	0.15	0.08
7:00	Consumer prices - Jan 15	% y/y	3.25	3.22	3.08
<i>United States</i>					
9:45	Manufacturing PMI (Markit)* - Jan (P)	index	56.0	56.5	57.1
9:45	Services PMI (Markit)* - Jan (P)	index	--	53.6	54.8
9:45	Composite PMI (Markit)* - Jan (P)	index	--	--	55.3
10:00	Existing home sales** - Dec	millions	--	6.6	6.7

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	3,819.75	-0.7%
Euro Stoxx 50	3,587.93	-0.8%
Nikkei 225	28,631.45	-0.4%
Shanghai Composite	3,606.75	-0.4%
<i>Currencies</i>		
USD/MXN	19.91	0.9%
EUR/USD	1.22	0.0%
DX	90.24	0.1%
<i>Commodities</i>		
WTI	51.70	-2.7%
Brent	54.70	-2.5%
Gold	1,843.22	-1.4%
Copper	357.25	-2.1%
<i>Sovereign bonds</i>		
10-year Treasury	1.09	-2pb

Source: Bloomberg

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Equities

- We concluded the week with negative movements in the main stock indexes, as investors continued to be concerned about the increase in infections and stricter containment measures
- Thus, US futures anticipate a negative opening, with the S&P500 trading 0.7% below its theoretical value, showing profit taking after the record highs reached, and the focus placed on corporate reports. In Asia, the session closed mixed, although with a negative bias. Europe registers generalized declines following the weak PMI figures published
- In the meantime, only 4 reports from S&P500 companies are expected today. We already have about 13% of the results and the recorded dip in earnings is -8.1% vs -8.5%, with an 85.5% positive surprise rate

Sovereign fixed income, currencies and commodities

- Positive movements in global rates with European bonds adjusting -2bps, while the US Treasuries print a 3bps rally in the long-end of the yield curve. In local terms, the Mbonos' curve closed yesterday with a 3bps rally in longer-term securities
- The USD trades positive (BBDXY +0.3%) amid a negative performance in G10 currencies. In EM, bias is also negative with RUB as the weakest (-1.4%), while MXN trades at 19.92 per dollar (-1.0%), after a 0.7% depreciation yesterday
- Oil prints a 2.5% negative adjustment affected by concerns about demand recovery due to new pandemic restrictions in China. In metals, gold trades at 1,848 \$/oz t (-1.2%) and industrials record a negative balance

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,176.01	0.0%
S&P 500	3,853.07	0.0%
Nasdaq	13,530.92	0.5%
IPC	44,810.21	-0.7%
Ibovespa	118,329.00	-1.1%
Euro Stoxx 50	3,618.35	-0.2%
FTSE 100	6,715.42	-0.4%
CAC 40	5,590.79	-0.7%
DAX	13,906.67	-0.1%
Nikkei 225	28,756.86	0.8%
Hang Seng	29,927.76	-0.1%
Shanghai Composite	3,621.26	1.1%
<i>Sovereign bonds</i>		
2-year Treasuries	0.12	-1pb
10-year Treasuries	1.11	3pb
28-day Cetes	4.22	1pb
28-day TIE	4.46	0pb
2-year Mbono	4.25	2pb
10-year Mbono	5.57	2pb
<i>Currencies</i>		
USD/MXN	19.73	0.6%
EUR/USD	1.22	0.5%
GBP/USD	1.37	0.6%
DXY	90.13	-0.4%
<i>Commodities</i>		
WTI	53.13	-0.2%
Brent	56.10	0.0%
Mexican mix	51.73	-0.5%
Gold	1,870.02	-0.1%
Copper	364.75	0.2%

Source: Bloomberg

Corporate Debt

- Notice of partial early amortization of FIRMACB 18 issuance (Firma Car ABS) on January 28th for MXN 7.27 million. It currently has a MXN 30 million outstanding amount and is due on July 2022
- HR Ratings ratified TFOVIS 14U / 14-2U and TFOVICB 15U ratings at 'HR AAA (E)' with a stable outlook. According to the agency, the action is based on the observed increase in its over-collateral, which was driven by early repayments, with which the over-collaterals were above than the registered at placement
- Grounds for non-compliance continue for issuances BRHCCB 07-2U / 07-3U / 08U / 08-2U / 08-3U / 08-4U / 08-5U (Su Caita RMBS), as resources obtained in the trust under "interest payment" are not enough to cover such payout

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