

Financial Markets Daily

January 29, 2021

Main drivers for the financial markets today...

- **Negative stock markets, government bond yields up, with the dollar posting gains amid higher speculation on retail-trading (e.g. GameStop), a cash squeeze in China and mixed corporate earnings. In addition, the rise in COVID-19 infections, renewed lockdowns and the challenges of the vaccination process are weighing on market sentiment**
- **In the US, House Speaker Nancy Pelosi, said the Chamber will vote on the budget next week, the first step to eventually set up a fast-track process to pass parts of Biden's US\$1.9 billion stimulus proposal**
- **In Mexico, INEGI published 4Q20 preliminary GDP posting a 4.5% y/y contraction (+3.1% q/q). By sectors, primary activities rose 4.8% y/y (-2.6% q/q), with industry at -3.3% y/y (+3.3% q/q) and services at -5.1 y/y (+ 3.0% q/q). With this result, the 2020 GDP declined 8.3% y/y, strongly impacted by the COVID-19 pandemic. Inside, the most affected sectors were industry at -10.0% y/y and services at -7.7% y/y, with the primary activities more resilient at 4.0% y/y**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
2:00	GER Gross domestic product* - 4Q20 (P)	% q/q	--	0.0	8.5
4:00	EZ Monetary aggregates (M3)* - Dec	% y/y	--	11.1	11.0
<i>Mexico</i>					
7:00	Gross domestic product - 4Q20 (P)	% y/y	-5.6	-5.1	-8.6
7:00	Gross domestic product* - 4Q20 (P)	% q/q	2.1	3.1	12.1
10:00	Banking credit - Dec	% y/y	-4.5	--	-4.2
15:30	Public finances (year-to-date) - Dec	MXNmn	--	--	-678.2
<i>United States</i>					
8:30	Personal income* - Dec	% m/m	--	0.1	-1.1
8:30	Personal spending* - Dec	% m/m	--	-0.5	-0.4
8:30	Real personal spending* - Dec	% m/m	--	-0.6	-0.4
8:30	PCE Deflator* - Dec	% m/m	--	0.3	0.0
8:30	Core - Dec	% m/m	--	0.1	0.0
8:30	PCE Deflator - Dec	% y/y	--	1.2	1.1
8:30	Core - Dec	% y/y	--	1.3	1.4
10:00	U. of Michigan confidence* - Jan (F)	index	79.2	79.2	79.2
13:00	Fed's Kaplan Speaks at Energy Forum	0.0			
<i>Colombia</i>					
	Monetary policy decision (BanRep)	%	--	1.75	1.75

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	3,765.25	-0.4%
Euro Stoxx 50	3,512.33	-1.3%
Nikkei 225	27,663.39	-1.9%
Shanghai Composite	3,483.07	-0.6%
<i>Currencies</i>		
USD/MXN	20.11	-0.7%
EUR/USD	1.22	0.2%
DX	90.41	-0.1%
<i>Commodities</i>		
WTI	52.85	1.0%
Brent	56.19	1.2%
Gold	1,871.88	1.6%
Copper	361.15	0.9%
<i>Sovereign bonds</i>		
10-year Treasury	1.10	5pb

Source: Bloomberg

Document for distribution among public

Equities

- We conclude the week with widespread losses in stock markets, as investors continue worried about the rise in COVID-19 infections, while vaccination process continues facing some challenges, and increasing doubts about the speed in economic recovery
- Futures in the US anticipate a negative opening, with the S&P500 trading 0.4% below its theoretical value, with mixed corporate earnings, and while trading conflicts among Main Street and Wall Street may continue adding volatility. In Asia the session concluded negative, while Europe trades with losses
- This Friday 8 companies from the S&P500 will release its quarterly results, among which Eli Lilly, Caterpillar and Honeywell stand out. Around 34.2% of the results have been released and a 4.6% hike in earnings has been achieved vs -8.5%e, while positive surprises rate stands at 81.8%

Sovereign fixed income, currencies and commodities

- Mostly widespread pressures in sovereign bonds with European securities adjusting +2bps and up to +4bps in tenors from developed regions, while US Treasuries print +2bps on average amid a steepening bias. Yesterday the Mbonos' curve closed mixed averaging -1bp
- The USD moderates more evident strengthening movements at the beginning of the session, limiting gains mainly against EM currencies, group that registers a balance in which only BRL remains negative. USD/MXN gains 0.2% to 20.20 trading as high as 20.37 this Friday
- Crude oil trades stable and with a modest positive bias amid good economic data in Europe, although concerns about demand conditions remain given new Covid-19 variants and lockdowns. In metals, the precious space outperforms with silver and gold leading the rally

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,603.36	1.0%
S&P 500	3,787.38	1.0%
Nasdaq	13,337.16	0.5%
IPC	44,280.73	0.0%
Ibovespa	118,883.30	2.6%
Euro Stoxx 50	3,557.04	0.6%
FTSE 100	6,526.15	-0.6%
CAC 40	5,510.52	0.9%
DAX	13,665.93	0.3%
Nikkei 225	28,197.42	-1.5%
Hang Seng	28,550.77	-2.5%
Shanghai Composite	3,505.18	-1.9%
<i>Sovereign bonds</i>		
2-year Treasuries	0.12	0pb
10-year Treasuries	1.04	3pb
28-day Cetes	4.22	0pb
28-day TIIE	4.45	0pb
2-year Mbono	4.19	-2pb
10-year Mbono	5.58	-2pb
<i>Currencies</i>		
USD/MXN	20.25	-0.2%
EUR/USD	1.21	0.1%
GBP/USD	1.37	0.2%
DXY	90.46	-0.2%
<i>Commodities</i>		
WTI	52.34	-1.0%
Brent	55.53	-0.5%
Mexican mix	51.13	-1.0%
Gold	1,843.17	0.0%
Copper	357.80	0.6%

Source: Bloomberg

Corporate Debt

- Grupo Aeroméxico announced that it has reached satisfactory agreements with the pilots' and flight attendants' unions, during the restructure of their Collective Bargaining Agreements
- The results achieved during the negotiations were necessary for Aeromexico to meet certain commitments and objectives required by the DIP lenders under the Senior Debtor in Possession Credit Facility, obtained within the Company's voluntary financial restructuring process
- Petróleos Mexicanos announced the extinction of its subsidiary Pemex Fertilizantes due to its merger with its subsidiary Pemex Transformación Industrial

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