

Financial Markets Daily

February 2, 2021

Main drivers for the financial markets today...

- **Stock markets and government bond yields higher, with the USD declining vs. EM currencies given progress on vaccinations, additional stimulus in the US, and better-than-expected data in Europe**
- **In the US, Democratic leaders in Congress introduced a mechanism to start budget reconciliation which will allow them to pass the US\$1.9 billion stimulus package without Republican support. However, they mentioned that there is a possibility to reach a bipartisan deal**
- **On the virus, the vaccination process continues favorably in the US. In the UK they are prioritizing extending the vaccine to more people, delaying the second dose**
- **On economic data, GDP for 4Q20 in the Eurozone declined 0.7% q/q (-5.1% y/y), impacted by lockdowns at the end of the year. In the US attention on January's auto sales with speeches from Kaplan and Mester throughout the day**
- **In Mexico we have a busy schedule, with remittances, IMEF PMIs, and the quarterly call from the MoF. Yesterday, Congress ended its winter break, with attention now in some of the law proposals which will be introduced**

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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|---|-----------|---------|---------|----------|
| <i>Eurozone</i> | | | | | |
| 5:00 | Gross domestic product* - 4Q20 (P) | % q/q | -- | -5.3 | -4.3 |
| 5:00 | Gross domestic product - 4Q20 (P) | % y/y | -- | -0.9 | 12.5 |
| <i>Brazil</i> | | | | | |
| 7:00 | Industrial production - Dec | % y/y | -- | 5.8 | 2.8 |
| 7:00 | Industrial production* - Dec | % m/m | -- | 0.2 | 1.2 |
| <i>Mexico</i> | | | | | |
| 10:00 | Family remittances - Dec | US\$mn | 3,561.3 | 3,561.3 | 3,381.2 |
| 10:00 | Survey of expectations (Banxico) - Jan | | | | |
| 12:30 | Gover. weekly auction: 1-, 3-, 6- 12- month CETES; 3-y Mbono (Mar'23) and 30-y Udibono (Nov'50) | | | | |
| 13:00 | PMI manufacturing (IMEF)* - Jan | index | 50.4 | -- | 48.7 |
| 13:00 | PMI non-manufacturing (IMEF)* Jan | index | 47.6 | -- | 48.1 |
| <i>United States</i> | | | | | |
| 14:00 | Fed's Mester to Give Remarks on Labor Market | | | | |
| | Total vehicle sales** - Jan | thousands | -- | 16.1 | 16.3 |
| <i>China</i> | | | | | |
| 20:45 | Services PMI (Caixin)* - Jan | index | -- | 55.5 | 56.3 |
| 20:45 | Composite PMI (Caixin)* - Jan | index | -- | -- | 55.8 |

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 | 3,796.25 | 0.8% |
| Euro Stoxx 50 | 3,577.37 | 1.3% |
| Nikkei 225 | 28,362.17 | 1.0% |
| Shanghai Composite | 3,533.69 | 0.8% |
| <i>Currencies</i> | | |
| USD/MXN | 20.26 | -0.6% |
| EUR/USD | 1.20 | -0.2% |
| DXY | 91.12 | 0.2% |
| <i>Commodities</i> | | |
| WTI | 54.75 | 2.2% |
| Brent | 57.64 | 2.3% |
| Gold | 1,837.27 | -1.3% |
| Copper | 352.30 | -0.6% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 1.11 | 3pb |

Source: Bloomberg

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Equities

- **Positive movements in equity markets as investors are optimistic about the possible greater stimulus in the US, progress around the global vaccination process, as well as fewer concerns regarding speculative retail-trading. In the corporate front, out of the 27 S&P 500 companies scheduled to report today, 12 have already updated investors with most outperforming estimates, including Emerson Electric, HCA Healthcare, and United Parcel Service. Pfizer's numbers were below expectations. Alphabet and Amazon will publish its figures after the market closes**
- **In Asia the markets closed positive. In Europe stocks advance, the Euro Stoxx adds 1.3%. In turn, in the US the futures of main indices point to a higher open by rising 0.8% on average**
- **In Mexico operations will resume after yesterday's holiday and the Mexbol may stand above the 43,500 pts**

Sovereign fixed income, currencies and commodities

- **Pressures in sovereign bonds with adjustments of 2-3bps in European rates, while US Treasuries resume a steepening bias with a sell-off of up to 3bps in the long-end. Last week Mbonos rallied 5bps, on average, excluding the long-end**
- **Mixed performance in G10 currencies and a positive balance in the EM group, resulting in a weak USD, although limiting lower levels in the session. In EM, USD/MXN outperforms rallying 0.8% to 20.26, extending a 0.6% gain yesterday, after a 2.9% w/w sell-off**
- **Crude oil prices trade positive supported by the economic recovery expectation and with the WTI reaching fresh 1-year highs. This week focus will be on OPEC+ monitoring meetings. Metals' balance is negative, with silver falling as much as 5%**

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 30,211.91 | 0.8% |
| S&P 500 | 3,773.86 | 1.6% |
| Nasdaq | 13,403.39 | 2.5% |
| IPC | 42,985.73 | 0.0% |
| Ibovespa | 117,517.60 | 2.1% |
| Euro Stoxx 50 | 3,530.85 | 1.4% |
| FTSE 100 | 6,466.42 | 0.9% |
| CAC 40 | 5,461.68 | 1.2% |
| DAX | 13,622.02 | 1.4% |
| Nikkei 225 | 28,091.05 | 1.5% |
| Hang Seng | 28,892.86 | 2.2% |
| Shanghai Composite | 3,505.28 | 0.6% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 0.11 | 0pb |
| 10-year Treasuries | 1.08 | 1pb |
| 28-day Cetes | 4.23 | 0pb |
| 28-day TIIE | 4.45 | 0pb |
| 2-year Mbono | 4.21 | 0pb |
| 10-year Mbono | 5.61 | 0pb |
| <i>Currencies</i> | | |
| USD/MXN | 20.39 | -0.9% |
| EUR/USD | 1.21 | -0.6% |
| GBP/USD | 1.37 | -0.3% |
| DXY | 90.98 | 0.4% |
| <i>Commodities</i> | | |
| WTI | 53.55 | 2.6% |
| Brent | 56.35 | 0.8% |
| Mexican mix | 51.18 | 0.0% |
| Gold | 1,860.78 | 0.7% |
| Copper | 354.60 | -0.3% |

Source: Bloomberg

Corporate Debt

- **HR Ratings affirmed the national scale long-term ratings for issuances CEDEVIS 11U / 11-2 and CDVITOT 12U / 12-2U at ‘HR AAA (E)’ with a Stable outlook, based on the increase shown in their collateral levels as a result of larger notional prepayments**
- **S&P Global Ratings ratified the national scale long-term ratings for Volkswagen Bank’s bank issuance VWBANK 18 and Volkswagen Leasing’s unsecured notes at ‘mxAAA’, based on the unconditional and irrevocable guarantee granted from its holding company, Volkswagen Financial Services, based in Germany**
- **HR Ratings affirmed FEFA’s ratings at ‘HR AAA’ with a Stable outlook and at ‘HR+1’ for the short-term. The ratings are based on the guarantee granted from Mexico’s Federal Government the agency holds**

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

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