

# Financial Markets Daily

February 9, 2021

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

- **Negative stock markets, while government bond yields and the dollar fall because investors are cautious as they assess the impact of higher inflation on risk assets with extended valuations, despite positive corporate results, M&A news and the progress of vaccination efforts**
- **Trump's impeachment begins today, with the debate on whether or not it is constitutional, followed by a vote for which a simple majority is required. If approved, tomorrow there will be 16 hours for arguments between both parties to be presented**
- **On the monetary policy front, the attention will be on the intervention of James Bullard of the St. Louis Fed, one of the most *dovish* members of the central bank, who will speak on the economy and monetary policy**
- **Regarding economic figures, in Brazil, inflation for January was released at 0.25% m/m, below the consensus estimate, due to a drop in electricity costs. The annual variation stood at 4.56%, staying above the 3.75% target for this year. While in China, inflation for January will also be published, where consensus estimates a 0.0% y/y advance, below the previous level of 0.2% y/y**
- **In Mexico, INEGI published January's inflation, advancing 0.86% m/m. Meanwhile, the core came in at 0.36% m/m. With these results, annual inflation increased to 3.54% from 3.15% in the previous month, with the core at 3.84% (previous: 3.80%)**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>Germany</b>					
2:00	Trade balance - Dec	EURbn	--	14.0	16.7
<b>Mexico</b>					
7:00	Consumer prices - Jan	% m/m	0.81	0.79	0.38
7:00	Core - Jan	% m/m	0.34	0.35	0.55
7:00	Consumer prices - Jan	% y/y	3.48	3.47	3.15
10:00	International reserves - Feb 5	US\$bn	--	--	195.9
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 20-year Mbono (Nov'38), 3-year Udibono (Nov'23) and 1, 3, and 5-year Bonds D				
<b>Brazil</b>					
7:00	Consumer prices - Jan	% m/m	--	0.32	1.35
7:00	Consumer prices - Jan	% y/y	--	4.62	4.52
<b>China</b>					
20:30	Consumer prices - Jan	% y/y	--	-0.1	0.2

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.
<b>Equity indices</b>		
S&P 500 Futures	3,904.00	-0.1%
Euro Stoxx 50	3,660.29	-0.1%
Nikkei 225	29,505.93	0.4%
Shanghai Composite	3,603.49	2.0%
<b>Currencies</b>		
USD/MXN	20.08	-0.1%
EUR/USD	1.21	0.4%
DX	90.60	-0.4%
<b>Commodities</b>		
WTI	57.99	0.0%
Brent	60.70	0.2%
Gold	1,842.43	0.6%
Copper	369.90	0.9%
<b>Sovereign bonds</b>		
10-year Treasury	1.15	-2pb

Source: Bloomberg

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## Equities

- **A negative bias predominates in equity markets taking a break after the recent rally. Investors are cautious, weighing the effect of rising inflation expectations in stocks with stretched valuations, while the flow of company earnings reports continues (generally positive) and the vaccination process continues amid a decrease in infections. In the corporate front, out of the 25 S&P 500 companies scheduled to report today, 12 have already updated investors with most outperforming estimates, including Dupont. Cisco and Twitter will publish its figures after the market closes**
- **In Asia the markets closed mixed. In Europe most stocks drop, the Euro Stoxx decreases 0.1%. In turn, in the US the futures of main indices point to a lower open by falling 0.1% on average**
- **In Mexico, Amx will release its 4Q20 earnings report after the market closes**

## Sovereign fixed income, currencies and commodities

- **Mixed balance in global rates with European bonds adjusting +1bp, while US Treasuries print a 2bps gains in the longer-term securities. In local terms, the Mbonos' curve closed yesterday with an 8bps sell-off, on average, with the 10-year benchmark closing at 5.68% (+11bps)**
- **The USD trades negative (BBDXY -0.4%) amid a positive performance in G10 currencies with CHF and JPY leading gains (+0.6%). In EM, bias is positive with ZAR as the strongest (+0.8%), while MXN trades at 20.07 per dollar (+0.2%) after a 0.1% depreciation yesterday**
- **Crude-oil prints gains scoring seven positive session in a row reaching fresh highs since January 2020, supported by production cuts and optimism about demand recovery. In metals, gold gains 0.7% and industrials print a positive performance (+1.0%)**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,385.76	0.8%
S&P 500	3,915.59	0.7%
Nasdaq	13,987.64	0.9%
IPC	44,197.51	0.1%
Ibovespa	119,696.40	-0.5%
Euro Stoxx 50	3,665.51	0.3%
FTSE 100	6,523.53	0.5%
CAC 40	5,686.03	0.5%
DAX	14,059.91	0.0%
Nikkei 225	29,388.50	2.1%
Hang Seng	29,319.47	0.1%
Shanghai Composite	3,532.45	1.0%
<i>Sovereign bonds</i>		
2-year Treasuries	0.11	1pb
10-year Treasuries	1.17	1pb
28-day Cetes	4.22	0pb
28-day TIE	4.44	0pb
2-year Mbono	4.24	4pb
10-year Mbono	5.67	8pb
<i>Currencies</i>		
USD/MXN	20.11	0.1%
EUR/USD	1.21	0.0%
GBP/USD	1.37	0.0%
DXY	90.93	-0.1%
<i>Commodities</i>		
WTI	57.97	2.0%
Brent	60.56	2.1%
Mexican mix	56.31	2.1%
Gold	1,830.81	0.9%
Copper	366.60	1.1%

Source: Bloomberg

## Corporate Debt

- **Notification of total early amortization trigger of the SCRECB 16 / 16-2 issuances (Sicrea ABS), amid that the Administration Report at the end of December 2020 shows that the existing percentage increase in the Overdue Credit Rights Adjusted Value divided by the Assigned Credit Rights is greater than 6.5% between the Scheduled Amortization Period, triggering the event**
- **Notice of total early amortization of BNTECB 07 / 07-2 (Banorte CLO) issuances for next February 15**
- **Fitch Ratings ratified MTPCB 17 (Mexico Tower Partners ABS) rating at 'AAA (mex) vra' with a Stable outlook**

## 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
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<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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