Financial Markets Daily

Main drivers for the financial markets today…

- **Stock markets positive, albeit with S&P500 futures lower, government bond yields mixed and the USD stable. Investors are assimilating the expectation of less aggressive rate hikes and with attention to the start of the corporate earnings season in the US, highlighting results from big banks and clues over the economic performance**

- **Today, President Biden will meet Japan's Prime Minister, Fumio Kishida, expecting the conversation to center on discussions to limit China's access to advanced semiconductors. The US Attorney General, Merrick Garland, announced the designation of a special counsel to look into classified documents found in houses and offices of President Biden**

- **Regarding the war in Ukraine, the Russian offensive has taken force, with reports of the capture of the city of Soledar, in the east of the country. Meanwhile, pressure grows for the US to expel Brazil's former President, Jair Bolsonaro, after his supporters attacked headquarters of the three powers in Brasilia**

- **In the US, attention will center on comments from Fed speakers, particularly considering a less hawkish tone from some participants. Today we will have speeches from Kashkari and Harker. Regarding data we highlight consumer sentiment from the University of Michigan**

- **On the economic agenda, November's IP in the UK surprised lower at -0.2% m/m, although with positive results from services indicators. On the contrary, industry in the Eurozone was better by climbing 1.0%. Meanwhile, Brazil's economic activity for the same month contracted 0.6% m/m. Lastly, China's trade balance for December kept giving signs of weakness, albeit with smaller-than-expected declines in exports and imports**

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	3,987.00	-0.4%
Euro Stoxx 50	4,143.71	0.4%
Nikkei 225	26,119.52	-1.2%
Shanghai Composite	3,195.31	1.0%
Currencies		
USD/MXN	18.87	0.1%
EUR/USD	1.08	-0.4%
DXY	102.45	0.2%
Commodities		
WTI	78.93	0.7%
Brent	84.53	0.6%
Gold	1,899.97	0.2%
Copper	417.05	-0.6%
Sovereign bonds		
10-year Treasury	3.47	2pb

Source: Bloomberg

The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone and UK					
2:00	UK Industrial production* - Nov	% m/m	--	-0.3	0.0
5:00	EZ Industrial production* - Nov	% m/m	--	0.5	-2.0
5:00	EZ Trade balance* - Nov	EURbn	--	-20.0	-28.3
Brazil					
7:00	Economic activity - Nov	% y/y	--	2.1	3.7
7:00	Economic activity* - Nov	% m/m	--	-0.4	-0.1
United States					
10:00	U. of Michigan Confidence* - Jan (P)	index	69.0	60.5	59.7

Source: Bloomberg and Banorte. (P) preliminary data: (R) revised data: (F) final data: * Seasonally adjusted, ** Seasonally adjusted annualized rate.

Equities

- **Main stock indices show some positive bias, although futures anticipate a negative opening, attentive to the official kick-off from the earnings season in the US, with the figures of the main banks**

- **Futures form the S&P500 trade 0.4% below its theoretical value, while Europe is positive and Asia closed mixed, highlighting the declines in Japan**

- **Bloomberg's consensus of analysts expects a 3.1% drop in earnings for S&P500 companies. Today the reports of Bank of America, Bank of NY Mellon, BlackRock, Citigroup, JPMorgan and Wells Fargo stand out. We already have mixed numbers: at JPMorgan, lending profits soared, but it is officially anticipating a moderate recession; BofA exceeded trading revenue and Wells Fargo posted lower than expected revenues**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds. European assets are trading with gains of up to 9bps while the Treasuries yield curve is steepening with marginal gains on the short-end and 3bps losses on the long-end. Yesterday, the Mbonos' curve closed with gains of 8bps on average**

- **The dollar trades with a positive bias (DXY +0.2%) while G-10 currencies post losses and emerging currencies trade with mixed movements. In the first group, NZD (-0.5%) is the weakest and in the second, IDR (+1.2%) and ZAR (-0.9%) are at the ends of the spectrum. The MXN is trading at 18.86, representing a 0.1% depreciation**

- **Crude oil futures are up 0.7% on expectations that China's consumption will reach a record high this year. Industrial metals prices are mixed, although with limited changes**

Corporate Debt

- **Comisión Federal de Electricidad (CFE) announced that it concluded the renewal of its Revolving Syndicated loan for a total amount of US$1.54 billion, which represent a 22.2% increase respecting its similar former loan**

- **The loan is a committed line of credit with a 3-year term, with the option for a 2-year extension, for a total term of five years. The interest rate will be SOFR plus a 115bps spread**

- **The proceeds from the loan will transition towards a 'Sustainability Linked' funding scheme, based on key performance indicators in environmental and social frameworks by the State-owned company**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,189.97	0.6%
S&P 500	3,983.17	0.3%
Nasdaq	11,001.10	0.6%
IPC	53,593.86	0.7%
Ibovespa	111,850.22	-0.6%
Euro Stoxx 50	4,126.68	0.7%
FTSE 100	7,794.04	0.9%
CAC 40	6,975.68	0.7%
DAX	15,058.30	0.7%
Nikkei 225	26,449.82	0.0%
Hang Seng	21,514.10	0.4%
Shanghai Composite	3,163.45	0.1%
Sovereign bonds		
2-year Treasuries	4.14	-7pb
10-year Treasuries	3.44	-10pb
28-day Cetes	10.52	4pb
28-day TIIE	10.77	0pb
2-year Mbono	10.02	-10pb
10-year Mbono	8.52	-4pb
Currencies		
USD/MXN	18.84	-0.5%
EUR/USD	1.09	0.9%
GBP/USD	1.22	0.5%
DXY	102.25	-0.9%
Commodities		
WTI	78.39	1.3%
Brent	84.03	1.6%
Mexican mix	67.54	2.0%
Gold	1,897.09	1.1%
Copper	419.65	0.7%

Source: Bloomberg

Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal and Daniel Sebastián Sosa Aguilar, 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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HOLD	*When the share expected performance is similar to the MEXBOL estimated performance.*
SELL	*When the share expected performance is lower than the MEXBOL estimated performance.*

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