

Financial Markets Daily

January 17, 2023

Main drivers for the financial markets today...

- **Stock markets negative, government bond yields up, crude-oil higher and USD with few changes, after a 3-day break in the US and with investors looking for clues over the next moves by central banks**
- **Regarding economic data, 4Q22 GDP in China surprised to the upside by standing at 2.9% y/y (0.0% q/q), with more promising signs in the last month of the year. With this, GDP grew 3.0% in the year. In Germany, the ZEW index of expectations improved to 16.9pts, albeit with current conditions more stable. In the UK, the unemployment rate was unchanged at 3.7%. Lastly, attention in the US will be on the Empire Manufacturing index**
- **Regarding monetary policy, attention will center on the BoJ's decision, in which despite no changes in the rate are expected, analysts do forecast a more hawkish tone. Moreover, in the US we will have comments from John Williams from the NY Fed. In this context, for February, the market expects +25bps by the Fed and +50bps by the ECB. In Mexico, attention will center in the hearing for Omar Mejía Castelazo before Congress as part of his confirmation process to become Banxico's Deputy Governor**
- **In other news, China's population showed a reduction for the first time in 61 years, with a decline of around 850 thousand persons. In the US, President Biden will meet with Netherlands PM, Mark Rutte, where the agenda is expected to center once again in halting China's access to advanced chips**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted by
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany and UK</i>					
2:00	UK Unemployment rate* - Nov	%	--	3.7	3.7
2:00	GER Consumer prices - Dec (F)	% y/y	--	8.6	9.6
5:00	ZEW Survey (Expectations) - Jan	index	--	-15.0	-23.3
<i>United States</i>					
8:30	Empire manufacturing* - Jan	index	-6.0	-8.7	-11.2
15:00	Fed's Williams Gives Welcoming Remarks				
<i>Mexico</i>					
10:00	International reserves - Jan 13	US\$bn	--	--	199.7
12:30	Government weekly auction: 1-, 3-, 6-, and 24- month CETES; 5-year Mbono (Mar'27); 10-year Udibono (Nov'31) and 1-, 3-, and 7-year Bondes F				
<i>Japan</i>					
	Monetary policy decision (BoJ)	%	--	--	-0.10

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	4,009.00	-0.2%
Euro Stoxx 50	4,154.42	-0.1%
Nikkei 225	26,138.68	1.2%
Shanghai Composite	3,224.25	-0.1%
<i>Currencies</i>		
USD/MXN	18.80	0.1%
EUR/USD	1.08	0.1%
DXY	102.18	0.0%
<i>Commodities</i>		
WTI	80.47	0.8%
Brent	85.81	1.6%
Gold	1,908.29	-0.4%
Copper	415.60	-1.4%
<i>Sovereign bonds</i>		
10-year Treasury	3.56	6pb

Source: Bloomberg

Equities

- **Negative movements in equity markets as investors reflect concerns about the evolution of the global economy, while focusing on the corporate earnings season. Out of the 5 S&P500 companies scheduled to report today, 4 have already updated investors with mixed numbers, including Goldman Sachs, which disappointed in revenue and earnings, while Morgan Stanley exceeded expectations in both areas**
- **In Asia the markets closed mixed. In Europe stocks drop, the Eurostoxx sheds 0.1%. In turn, in the US operations will resume after yesterday's holiday and the futures of main indices point to a negative open by falling 0.2% on average**
- **In Mexico, Gap announced its guidance for 2023 which confirms the expectation of sustained growth, in line with our estimates**

Sovereign fixed income, currencies and commodities

- **Widespread losses in sovereign bonds. European assets adjust +3bps, in average, while Treasuries' curve print losses of up to 6bps in the long-end. Locally, the Mbonos' curve began the week with a 4bps sell-off. The 10-year reference, May'33, closed at 8.58% (+4bps)**
- **Dollar trades with few changes amid a mixed performance in the G10 currencies, with CHF (+0.6%) and NOK (-0.3%) at the extremes. In EM, the bias is negative with IDR (-0.8%) as the weakest. Meanwhile, MXN trades at 18.80 per dollar (-0.1%), with the next short-term resistances at 18.70 and 18.50**
- **Crude-oil advances supported by the reopening of the Chinese economy. In this sense, Brent returned to levels of 85 \$/bbl, rallying 12% from its weakest point during 2022. Widespread losses in metals, excluding copper which gains 0.3%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,302.61	0.0%
S&P 500	3,999.09	0.0%
Nasdaq	11,079.16	0.0%
IPC	53,631.89	0.1%
Ibovespa	109,212.66	-1.5%
Euro Stoxx 50	4,157.00	0.1%
FTSE 100	7,860.07	0.2%
CAC 40	7,043.31	0.3%
DAX	15,134.04	0.3%
Nikkei 225	25,822.32	-1.1%
Hang Seng	21,746.72	0.0%
Shanghai Composite	3,227.59	1.0%
<i>Sovereign bonds</i>		
2-year Treasuries	4.23	0pb
10-year Treasuries	3.50	0pb
28-day Cetes	10.57	6pb
28-day TIIE	10.78	2pb
2-year Mbono	10.09	4pb
10-year Mbono	8.50	3pb
<i>Currencies</i>		
USD/MXN	18.78	0.1%
EUR/USD	1.08	-0.1%
GBP/USD	1.22	-0.3%
DXY	102.20	0.0%
<i>Commodities</i>		
WTI	79.86	0.0%
Brent	84.46	-1.0%
Mexican mix	68.94	0.0%
Gold	1,916.02	-0.2%
Copper	421.60	0.0%

Source: Bloomberg

Corporate Debt

- **S&P Global Ratings downgraded Demex 1 debt issuance, DMXI 15, to 'mxCC' from 'mxCCC-'; keeps it in CreditWatch negative. According to the agency, a failure to pay principal in the next coupon payment would result in a default on the project's debt obligations under the current issuance title**
- **It is important to remember that on December 13, 2022, a bondholders meeting of the DMXI 15 was held, where the restructuring of the issuance of the project was approved, which would take effect from the date of the meeting, despite the fact that the exchange has not been formalized and there is no visibility of the date of formalization and the exchange of the bond**
- **S&P Global Ratings has assigned 'mxAAA' ratings to GM Financial de México's GMFIN 23 and GMFIN 23-2 senior notes; confirmed ratings of existing issuances**

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, 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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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