

Financial Markets Daily

January 18, 2023

Main drivers for the financial markets today...

- **Stock markets and crude oil to the upside, government bond yields and USD with losses following the Bank of Japan's decision to maintain its accommodative stance. In addition, investors will be watching for signals from members of the Fed today and the performance of corporate reports**
- **The Bank of Japan, against market expectations, kept its monetary stance unchanged, with its target interest rate at -0.1% and reaffirming its commitment to yield curve control. After this, the Yen depreciates. At the WEF, Bank of France Governor, Francois Villeroy, said that it is too soon to talk about the next ECB hike. However, he clarified that the 50bps announced by Lagarde, last December, are still valid. He reiterated that the peak of the hiking cycle should be reached by the summer**
- **On economic data, the agenda is focused on US figures for December. We highlight retail sales –expecting -1.0% m/m–, industrial production –anticipating a contraction of 0.1%– and producer prices, with market consensus pointing to a slight deflation. Finally, attention on Fedspeakers Bostic (Atlanta), Harker (Philadelphia) and Logan (Dallas). In the UK, headline inflation eased further in December; however, the core accelerated marginally. Given this, doubts about upcoming actions by the BoE persist**
- **In other news, Ukraine's Interior Minister died in a helicopter crash east of Kyiv. At least 18 people died, while the cause of the accident has not yet been determined**

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forecasters for Mexico in 2021, granted by
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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|---|-------|---------|--------|----------|
| <i>United States</i> | | | | | |
| 8:30 | Advance retail sales* - Dec | % m/m | -0.1 | -0.9 | -0.6 |
| 8:30 | Ex autos & gas* - Dec | % m/m | -- | 0.0 | -0.2 |
| 8:30 | Control group* - Dec | % m/m | -0.5 | -0.3 | -0.2 |
| 8:30 | Producer prices* - Dec | % m/m | -- | -0.1 | 0.3 |
| 8:30 | Ex. food & energy* - Dec | % m/m | -- | 0.1 | 0.4 |
| 9:00 | Fed's Bostic Makes Welcoming Remarks at Academic Conference | | | | |
| 9:15 | Industrial production* - Dec | % m/m | -0.1 | -0.1 | -0.2 |
| 9:15 | Manufacturing production* - Dec | % m/m | -0.2 | -0.2 | -0.6 |
| 14:00 | Fed's Harker discusses the economic outlook | | | | |
| 14:00 | Beige Book | | | | |
| 17:00 | Fed's Logan Gives Speech in Austin | | | | |

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 | 4,020.75 | 0.3% |
| Euro Stoxx 50 | 4,185.44 | 0.3% |
| Nikkei 225 | 26,791.12 | 2.5% |
| Shanghai Composite | 3,224.41 | 0.0% |
| <i>Currencies</i> | | |
| USD/MXN | 18.63 | -0.1% |
| EUR/USD | 1.08 | 0.4% |
| DXY | 102.14 | -0.2% |
| <i>Commodities</i> | | |
| WTI | 81.73 | 1.9% |
| Brent | 87.23 | 1.5% |
| Gold | 1,915.01 | 0.3% |
| Copper | 430.05 | 1.8% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 3.48 | -7pb |

Source: Bloomberg

Equities

- **Stock markets are mixed, with a positive bias, as investors continue to evaluate corporate reports. They are also expecting any signals which will determine the monetary policy direction and its impact on global economic growth**
- **Futures in the US anticipate an unchanged opening with the S&P500 trading 0.3% above its theoretical value, continuing with the cautious sentiment. Moderna is up more than 6.5% on pre-market after reporting that its vaccine against respiratory syncytial virus infections met its targets. Europe posted slight gains, with the Eurostoxx up 0.3%, despite significant declines in the real estate and communications sectors. Asia closed mostly higher, the Nikkei increased 2.5% and the Hang Seng rose 0.5%**
- **On the corporate front, in the US, out of the 6 S&P500 companies releasing their results today, only 2 have released their figures below expectations**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. European assets post gains of up to 5bps while the Treasuries yield curve trades with gains of 6bps on average. Yesterday, the Mbonos' curve closed with losses of 8bps on average and the 10-year benchmark ended at 8.69% (+11bps)**
- **The dollar weakens (DXY -0.3%) while developed currencies trade in positive territory, except JPY (-0.6%) and emerging currencies show mixed variations. In the first group SEK (+1.0%) is the strongest and in the second THB (+0.8%) leads gains. The MXN extends yesterday's gains by trading at 18.63 per dollar, representing an appreciation of 0.1% and its best level since February 2020**
- **Crude-oil futures gain 1.8% on average despite the IEA saying that supply will exceed demand by 1MMbbl/d this quarter but that demand will increase in 2H23 due to greater dynamism in China. In metals, the bias is positive and nickel stands out printing a 4.4% gain**

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 33,910.85 | -1.1% |
| S&P 500 | 3,990.97 | -0.2% |
| Nasdaq | 11,095.11 | 0.1% |
| IPC | 53,128.97 | -0.9% |
| Ibovespa | 111,439.12 | 2.0% |
| Euro Stoxx 50 | 4,174.33 | 0.4% |
| FTSE 100 | 7,851.03 | -0.1% |
| CAC 40 | 7,077.16 | 0.5% |
| DAX | 15,187.07 | 0.4% |
| Nikkei 225 | 26,138.68 | 1.2% |
| Hang Seng | 21,577.64 | -0.8% |
| Shanghai Composite | 3,224.25 | -0.1% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 4.20 | -3pb |
| 10-year Treasuries | 3.55 | 4pb |
| 28-day Cetes | 10.70 | 13pb |
| 28-day TIIE | 10.78 | 0pb |
| 2-year Mbono | 10.18 | 9pb |
| 10-year Mbono | 8.59 | 9pb |
| <i>Currencies</i> | | |
| USD/MXN | 18.66 | -0.6% |
| EUR/USD | 1.08 | -0.3% |
| GBP/USD | 1.23 | 0.8% |
| DXY | 102.39 | 0.2% |
| <i>Commodities</i> | | |
| WTI | 80.18 | 0.4% |
| Brent | 85.92 | 1.7% |
| Mexican mix | 69.71 | 1.1% |
| Gold | 1,908.69 | -0.4% |
| Copper | 422.30 | 0.2% |

Source: Bloomberg

Corporate Debt

- **Mexarrend informed that it does not expect to make the next payments of its ST issuances and its preferred notes in order to manage its financial situation and maintain its liquidity. The company will increase reserves regarding its past-due portfolio during 4Q22 for an approximate amount of MXN 100 million, and will write off assets for an approximate amount of MXN 300 million**
- **Also, as a result of an ongoing review regarding Mexarrend's portfolio and other assets, management discovered errors in its financial assets records. To correct these errors, the company expects to write off financial assets for an approximate value of MXN 655 million**
- **Finally, the company will seek to initiate a dialogue with the bondholders and preferred notes representatives in order to reach a comprehensive solution to its liquidity restrictions**

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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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| | Reference |
|-------------|--|
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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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