

Financial Markets Daily

January 19, 2023

Main drivers for the financial markets today...

- **Negative stock markets, USD down and government bond yields up amid concerns of investors about some signs of slowdown that have recently shown economic reports and some corporate results in the US, overshadowing the optimism about the reopening of China**
- **Chinese President Xi Jinping said that the rebound in the number of COVID-19 infections has been fierce and the country faces strong challenges. This ahead of the Lunar New Year holidays, which are feared to generate more infections**
- **In Davos, ECB's president Christine Lagarde said inflation remains very high and they shall stay the course until they have moved into restrictive territory for long enough to bring inflation back to 2.0%**
- **Attention on Fed members' comments: Brainard, Collins and Williams looking for signals on the magnitude of the hike at the FOMC meeting in early February**
- **Regarding economic figures in the US, the regional manufacturing indicator Philly Fed for January will be published, housing starts and building permits for December and jobless claims. In China, 1 and 5-year prime loan rates will be released**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted
by Refinitiv



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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:30	ECB's Lagarde Speaks at WEF				
<i>Turkey</i>					
6:00	Monetary policy decision (Central Bank of Turkey)	%	--	9.00	9.00
<i>United States</i>					
8:30	Housing starts** - Dec	thousands	--	1,355	1,427
8:30	Building permits** - Dec	thousands	--	1,351	1,342
8:30	Philadelphia Fed* - Jan	index	-11.0	11.0	-13.7
8:30	Initial Jobless Claims* - Jan 14	thousands	210	214	205
9:00	Fed's Collins Speaks at Housing Conference				
13:15	Fed's Brainard discusses the economic outlook				
18:35	Fed's Williams Speaks at Event in New York				
<i>China</i>					
20:30	Rate decision 1-year Loan Prime Rate	%	--	3.65	3.65
20:30	Rate decision 5-year Loan Prime Rate	%	--	4.28	4.30

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	3,914.50	-0.8%
Euro Stoxx 50	4,098.75	-1.8%
Nikkei 225	26,405.23	-1.4%
Shanghai Composite	3,240.28	0.5%
<i>Currencies</i>		
USD/MXN	19.01	0.6%
EUR/USD	1.08	0.2%
DX	102.19	-0.2%
<i>Commodities</i>		
WTI	78.94	-0.7%
Brent	84.50	-0.6%
Gold	1,909.05	0.3%
Copper	419.35	-1.0%
<i>Sovereign bonds</i>		
10-year Treasury	3.40	3pb

Source: Bloomberg

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Equities

- Equity markets with negative sentiment as concerns increase of a possible economic recession, while outlook and valuations of risk assets are weighed against the recent rally earlier this year
- In the US, S&P 500 futures are trading 0.8% below their theoretical value after the index had its worst decline since December yesterday with a 1.7% drop. While Europe is trading with widespread losses, the Eurostoxx falling 1.8%. Asia closed negative, with the Nikkei down 1.4%.
- On the domestic corporate front, FibraPL reported in line with expectations, supported by inorganic growth and a good portfolio performance, with Monterrey and border markets standing out. At market close, figures from Gfnorte and Kimber will be published. Meanwhile, in the US, P&G's results were in line with estimates, and Netflix earnings release is expected at market close

Sovereign fixed income, currencies and commodities

- Negative performance in sovereign bonds. European assets lose up to 7bps. The Treasuries' curve registers a slight steepening with a 2bps sell-off at the long-end, while the short-end records marginal gains. Yesterday, the Mbonos' curve posted gains of 6bps, on average, and the 10-year benchmark, May'33, closed at 8.60% (-9bps)
- The dollar retreats, DXY (-0.2%), while developed currencies trade with mixed returns with SEK (+0.4%) and NZD (-1.0%) at the extremes. In EM, the bias is negative with ZAR (-0.9%) leading the gains. Meanwhile, MXN depreciates 0.6% to 19.00 per dollar, after falling 1.2% yesterday
- Crude-oil futures fall close to 1.0% on growth concerns following weak U.S. economic data, as well as an increase in U.S. crude inventories. Metals register negative performances with copper losing 1.3%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,296.96	-1.8%
S&P 500	3,928.86	-1.6%
Nasdaq	10,957.01	-1.2%
IPC	53,218.84	0.2%
Ibovespa	112,228.39	0.7%
Euro Stoxx 50	4,174.34	0.0%
FTSE 100	7,830.70	-0.3%
CAC 40	7,083.39	0.1%
DAX	15,181.80	0.0%
Nikkei 225	26,791.12	2.5%
Hang Seng	21,678.00	0.5%
Shanghai Composite	3,224.41	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	4.08	-12pb
10-year Treasuries	3.37	-18pb
28-day Cetes	10.57	-13pb
28-day TIE	10.79	1pb
2-year Mbono	10.19	1pb
10-year Mbono	8.57	-2pb
<i>Currencies</i>		
USD/MXN	18.89	1.2%
EUR/USD	1.08	0.1%
GBP/USD	1.23	0.5%
DXY	102.36	0.0%
<i>Commodities</i>		
WTI	79.48	-0.9%
Brent	84.98	-1.1%
Mexican mix	69.16	-0.8%
Gold	1,904.11	-0.2%
Copper	423.45	0.3%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings downgraded Mexarrend's long-term global-scale issuer and issue credit ratings to 'CC' from 'CCC-' and its national scale long-term and short-term ratings to 'mxCC' from 'mxCCC-'. Also, it maintained the ratings on the CreditWatch list with negative implications. Similarly, HR Ratings downgraded Mexarrend's rating to 'HR C-' from 'HR BBB+' and short-term to 'HR5' from 'HR3', placing them on CreditWatch Negative
- According to the agency, the ratings downgrade follows Mexarrend's announcement that it will default on its upcoming financial obligations. The agency mentioned that when Mexarrend defaults on its debt payment due on January 19, it expects to downgrade the ratings to 'D' (default)

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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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