

Financial Markets Daily

January 23, 2023

Main drivers for the financial markets today...

- **Stock markets mixed, government bond yields up and USD lower. Expectations consolidate about a more modest 25bps rate hike by the Fed next week, albeit with some caution on the economy after the latest data and layoff announcements by some big companies in the US**
- **On the latter point, a new survey conducted by NABE showed that about 20% of companies in said country are expecting lower employment at their firms in coming months, while about a third of respondents said they are not facing labor shortages**
- **In today's data, we will only know consumer confidence in the Eurozone (Jan). Investors keep paying attention to ECB member comments, with the most recent interventions alluding to 50bps hikes. In this sense, attention today will focus on Lagarde's speech**
- **Investors will be focused on January's PMI indicators in the Eurozone, the UK and US amid recession fears and other signs of weakness at the start of 2023. 4Q22 GDP will also be published in the latter country, while the corporate earnings season will accelerate**
- **In monetary policy, decisions in Thailand, Canada, Chile, South Africa, and Colombia. There won't be speeches from Fed members, only from Christine Lagarde and other ECB members**
- **The US data agenda includes trade balance, durable goods orders, personal income & spending, PCE deflator, new home sales (Dec) and the final print of the U. of Michigan consumer confidence indicator (Jan)**
- **Going to other regions, the IFO survey in Germany (Jan); monetary aggregates (Dec) in the Eurozone; and inflation in Brazil (1H-Jan)**
- **In Mexico, releases include IGAE (Nov), trade balance, unemployment rate (Dec) and inflation (1H-Jan)**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
10:00	Consumer confidence - Jan (P)	index	--	-20.0	-22.2

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.
<i>Equity indices</i>		
S&P 500 Futures	3,982.75	-0.1%
Euro Stoxx 50	4,129.32	0.2%
Nikkei 225	26,906.04	1.3%
Shanghai Composite	3,264.81	0.0%
<i>Currencies</i>		
USD/MXN	18.85	-0.1%
EUR/USD	1.09	0.2%
DXY	101.96	0.0%
<i>Commodities</i>		
WTI	82.06	0.9%
Brent	88.19	0.6%
Gold	1,925.85	0.0%
Copper	425.95	0.2%
<i>Sovereign bonds</i>		
10-year Treasury	3.50	2pb

Source: Bloomberg

Equities

- The week kicks off mixed, but with a positive bias, in stock markets, as investors keep digesting information from the earnings season and evaluate the impact of higher interest rates on economic growth, while US recession risks remain latent
- US futures anticipate an unchanged opening, with the S&P500 down 0.1% from its theoretical value. Attention this week will be on earnings, where 89 companies' figures are expected. In particular, today we have 4 of them, with Synchrony Financial already publishing results above estimates
- Europe trades mostly higher, with the Eurostoxx up 0.2%. Asia closed to the upside and the Hang Seng rose 1.8%. In Mexico, we are awaiting the results of 3 Mexbol Index companies for the week ahead, with Ra today, while we estimate a trading range between 53,000 and 54,500pts

Sovereign fixed income, currencies and commodities

- Modest negative balance in sovereign bonds. Europe prints a 3bps average sell-off, while the US Treasuries' curve adjusts up to +3bps in the long-end. Last week, Mbonos' yield curve recorded a flattening bias due to a 20bps sell-off at the short- and mid-end
- Dollar trades with few changes amid a positive performance in most developed currencies, with SEK (+0.6%) as the strongest. In EM, the bias is mixed, with RUB (+0.4%) and HUF (-0.6%) at the extremes. Meanwhile, MXN trades at 18.85 per dollar (-0.1%), after a 0.6% weekly depreciation
- Crude-oil rises on expectations of higher demand in the wake of China's reopening. Brent trades slightly below 90 \$/bbl, rallying 13.5% from its lowest point in January (78 US\$/bbl). In metals, the balance is positive with copper gaining 0.3%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,375.49	1.0%
S&P 500	3,972.61	1.9%
Nasdaq	11,140.43	2.7%
IPC	53,947.04	1.1%
Ibovespa	112,040.64	-0.8%
Euro Stoxx 50	4,119.90	0.6%
FTSE 100	7,770.59	0.3%
CAC 40	6,995.99	0.6%
DAX	15,033.56	0.8%
Nikkei 225	26,553.53	0.6%
Hang Seng	22,044.65	1.8%
Shanghai Composite	3,264.81	0.8%
<i>Sovereign bonds</i>		
2-year Treasuries	4.17	4pb
10-year Treasuries	3.48	9pb
28-day Cetes	10.55	1pb
28-day TIIE	10.79	0pb
2-year Mbono	10.24	1pb
10-year Mbono	8.61	4pb
<i>Currencies</i>		
USD/MXN	18.87	-0.6%
EUR/USD	1.09	0.2%
GBP/USD	1.24	0.0%
DX	102.01	0.0%
<i>Commodities</i>		
WTI	81.31	1.2%
Brent	87.63	1.7%
Mexican mix	71.10	1.7%
Gold	1,926.08	-0.3%
Copper	425.15	0.5%

Source: Bloomberg

Corporate Debt

- This week, Financiera Bepensa' issuances, FINBE 23 and 23-2, are expected for a joint amount of up to MXN 2.20 billion. Series 23 will pay a floating-rate pegged to TIIE-28 plus a spread and will have a 3-year term, while series 23-2 will pay a fixed rate and will have a 5 year-term. Both series will amortize through a single payment on the maturity date (bullet). The issuer will allocate the net proceeds of these issuances to the amortization of its FINBE 20 bond, with the remaining amount for working capital
- For its part, HR Ratings affirmed the 'HR AA+' rating with a stable outlook for the FINBE 23 and 23-2 issuances. According to the agency, the rating considers the implicit financial support of Grupo Bepensa towards Financiera Bepensa, where the conglomerate has a 'AAA' rating on the national scale

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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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