

# Financial Markets Daily

January 31, 2023

## Main drivers for the financial markets today...

- **Negative stock markets, government bond yields slightly down, and USD up, with investors expecting the FOMC to moderate the pace of rate hikes to +25bps tomorrow from +50bps in December and +75bps in November, as inflation slows and attention turns to economic growth**
- **Yesterday, the International Monetary Fund released its World Economic Outlook report, raising its global growth estimate for 2023 to 2.9% (previous: 2.7%), driven by a resilient US spending and China's reopening. Although, high interest rates, inflation, and Ukraine's war continue to weight on economic activity**
- **Today's economic data agenda only includes 4Q22 employment cost index (a key indicator for the Fed), housing prices for November and January's consumer confidence in the US, as well as PMI indicators in China. Attention will be on corporate results and the impact of the restrictive wave on their earnings**
- **In Mexico, INEGI published 4Q22 preliminary GDP, posting a 0.4% q/q expansion, slightly better than expected. In annual terms (nsa) activity stood at 3.5% (previous: 4.3%). With this, activity grew 3.0% in 2022. By sectors, primary activities rebounded 2.0% q/q (+6.6% y/y), with industry at +0.4% q/q (+3.0% y/y), and services at +0.2% q/q (+3.4% y/y). Banking credit will also be released**

Alejandro Padilla Santana  
Chief Economist and  
Head of Research  
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA  
Executive Director of Economic Research  
and Financial Markets Strategy  
juan.alderete.mactal@banorte.com

Alejandro Cervantes Llamas  
Executive Director of Quantitative Analysis  
alejandro.cervantes@banorte.com

Manuel Jiménez Zaldivar  
Director of Market Strategy  
manuel.jimenez@banorte.com

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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>Eurozone</i>					
4:00	GER Gross domestic product* - 4Q22 (P)	% q/q	--	0.0	0.4
5:00	EZ Gross domestic product* - 4Q22 (P)	% q/q	--	-0.1	0.3
8:00	GER Consumer prices - Jan (P)	% y/y	--	-1.2	-1.2
<i>Mexico</i>					
7:00	Gross domestic product - 4Q22 (P)	% y/y	3.3	3.4	4.3
7:00	Gross domestic product* - 4Q22 (P)	% q/q	0.3	0.3	0.9
10:00	International reserves - Jan 27	US\$bn	--	--	200.9
10:00	Banking credit - Dec	% y/y	4.9	--	4.8
12:30	Government weekly auction: 1-, 3-, 6-, and 24- month CETES; 3-year Mbono (Mar'25); 3-year Udibono (Dec'26) and 1-, and 3-year Bondes F				
<i>United States</i>					
9:00	S&P/CoreLogic housing prices - Nov	% y/y	--	6.7	8.6
10:00	Consumer confidence* - Jan	index	109.0	109.0	108.3
<i>China</i>					
20:45	Manufacturing PMI (Caixin)* - Jan	index	--	49.8	49.0

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	4,026.75	-0.1%
Euro Stoxx 50	4,147.83	-0.3%
Nikkei 225	27,327.11	-0.4%
Shanghai Composite	3,255.67	-0.4%
<i>Currencies</i>		
USD/MXN	18.83	0.3%
EUR/USD	1.08	-0.1%
DX	102.43	0.1%
<i>Commodities</i>		
WTI	77.45	-0.6%
Brent	84.12	-0.9%
Gold	1,911.73	-0.6%
Copper	415.15	-1.2%
<i>Sovereign bonds</i>		
10-year Treasury	3.53	-1pb

Source: Bloomberg

## Equities

- **Negative movements in equity markets as investors are cautious in weighing the outlook for corporate earnings growth, following an increased flow of company reports with mixed signals. This, ahead of the Fed's monetary policy meeting**
- **In Asia the markets closed negative. In Europe stocks drop, the Eurostoxx sheds 0.3%. Shares from energy and technology sectors lead losses. In turn, in the US the futures of main indices point to a negative open by falling 0.4% on average**
- **On the corporate front, out of the 30 S&P500 companies scheduled to report today, 15 have already updated investors with most outperforming estimates, including Exxon Mobil, GM, McDonald's, and Pfizer, although the latter with a 2023 guidance that disappointed. In Mexico, Gcc's report is expected today after the market closes**

## Sovereign fixed income, currencies and commodities

- **Positive balance in sovereign bonds. European assets adjust -3bps, on average, while Treasuries register few changes with the 10-year note trading at 3.52% (-2bps). Locally, the Mbonos' curve began the week with modest losses of 2bps and the 10-year reference, May'33, closed at 8.74% (+2bps)**
- **Dollar advances against all developed currencies with AUD (-0.9%) as the weakest. In EM, the bias is also negative and MXN trades at 18.83 per dollar, equivalent to a 0.3% depreciation, after few changes yesterday. However, it remains in positive territory with gains of 3.6% so far this month**
- **Crude-oil extends previous session losses on a stronger dollar as investors await clues on the impact of China's economic reopening, the OPEC+'s Joint Ministerial Meeting Committee, and the Fed's decision tomorrow. Brent is trading slightly below 85 \$/bbl**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,717.09	-0.8%
S&P 500	4,017.77	-1.3%
Nasdaq	11,393.81	-2.0%
IPC	54,521.43	-0.5%
Ibovespa	112,273.01	0.0%
Euro Stoxx 50	4,158.63	-0.5%
FTSE 100	7,784.87	0.3%
CAC 40	7,082.01	-0.2%
DAX	15,126.08	-0.2%
Nikkei 225	27,433.40	0.2%
Hang Seng	22,069.73	-2.7%
Shanghai Composite	3,269.32	0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	4.23	4pb
10-year Treasuries	3.54	3pb
28-day Cetes	10.76	-2pb
28-day TIIE	10.82	1pb
2-year Mbono	9.98	3pb
10-year Mbono	8.76	3pb
<i>Currencies</i>		
USD/MXN	18.77	0.0%
EUR/USD	1.09	-0.2%
GBP/USD	1.24	-0.2%
DX-Y	102.28	0.3%
<i>Commodities</i>		
WTI	77.90	-2.2%
Brent	84.90	-2.0%
Mexican mix	68.46	-2.4%
Gold	1,923.17	-0.3%
Copper	420.20	-0.5%

Source: Bloomberg

## Corporate Debt

- **PCR Verum ratified the State of Nuevo León rating at 'AA-/M' with a stable outlook. According to the agency, the rating is based on its good generation of Own Income strengthened by the full opening of the economy, coupled with its industrial strength that characterizes it and the good strategies in its collection system. The rating agency highlights a significant upturn in the productive sectors of the entity, characteristic of efficient mechanisms in its economic environment and its strategic geographical location for the development**
- **HR Ratings ratified UNIRECB 22 (Unirenta' ABS) at 'HR AAA (E)' with a stable outlook for the issuance. According to the agency, the ratification is based on the maximum default that supports in a stress scenario of 22.5%**

## Certification of Analysts.

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
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Strategist, Equity	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suarez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899