

Financial Markets Daily

February 1, 2023

Main drivers for the financial markets today...

- **Stock markets mixed, government bond yields negative and USD lower awaiting the Fed's decision**
- **Today's attention to center on the Fed's decision, expecting a 25bps hike to the Fed funds range. Nevertheless, we believe both changes to the statement and Jerome Powell's press conference will be most relevant, awaiting information on following moves in a context of a moderation in inflation and economic activity. We will also have a monetary policy decision in Brazil, expecting the Selic rate unchanged at 13.75%**
- **On the economic schedule, headline inflation in the Eurozone in January declined in annual terms to 8.5% from 9.2%. However, the core remained at 5.2%. Meanwhile, the regions unemployment rate held at 6.6%. On manufacturing PMIs, the print for Germany was revised higher to 47.3pts, while the figure for the Eurozone stood at 48.8pts. Later we expect this figure for the US along the ISM index and ADP employment, among others**
- **In Mexico, we highlight the release of December's family remittances, Banxico's survey of expectations and IMEF PMIs for January**
- **In the US, President Biden will meet with House Speaker, Republican Kevin McCarthy to discuss an extension to the debt ceiling, this in a context where the Treasury is expected to release information regarding auctions for the following three months**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
	Congress Winter Break ends				
10:00	Family remittances - Dec	US\$bn	5,314.1	5,000.0	4,801.1
10:00	Survey of expectations (Banxico)				
13:00	PMI manufacturing (IMEF)* - Jan	index	50.3	--	51.8
13:00	PMI non-manufacturing (IMEF)* - Jan	index	52.6	--	53.5
<i>United States</i>					
8:15	ADP employment* - Jan	thousands	175	180	235
10:00	ISM manufacturing* - Jan	index	48.2	48.0	48.4
14:00	FOMC Rate Decision (Upper Bound)	%	4.75	4.75	4.50
14:00	FOMC Rate Decision (Lower Bound)	%	4.50	4.50	4.25
14:00	Interest Rate on Excess Reserves (IOER)	%	4.65	4.65	4.40
14:30	Fed Chair Holds Press Conference Following FOMC Meeting				
<i>Brazil</i>					
16:30	Monetary policy decision (Central bank of Braz	%	13.75	13.75	13.75

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	4,081.75	-0.2%
Euro Stoxx 50	4,175.63	0.3%
Nikkei 225	27,346.88	0.1%
Shanghai Composite	3,284.92	0.9%
<i>Currencies</i>		
USD/MXN	18.78	-0.3%
EUR/USD	1.09	0.3%
DXY	101.86	-0.2%
<i>Commodities</i>		
WTI	79.45	0.7%
Brent	85.96	1.7%
Gold	1,929.63	0.1%
Copper	417.40	-1.2%
<i>Sovereign bonds</i>		
10-year Treasury	3.48	-3pb

Source: Bloomberg

Equities

- **Stock markets mixed, with positive bias, as investors await the Fed's monetary policy decision, as well as the outlook for upcoming interest rate movements, assessing the impact on growth and corporate earnings**
- **Futures in the US anticipate a negative opening with the S&P500 trading 0.2% below its theoretical value, following the cautious sentiment. Meanwhile, Europe trades with gains, with the Eurostoxx advancing 0.3%, driven by financials and technology sectors. In turn, Asia closed with a positive bias, highlighting increases in the Hang Seng of 1.1% and the Shanghai of 0.9%**
- **On the domestic corporate front, Gcc registered solid growth and higher profitability, as well as a positive 2023 guidance. In the US, of 26 companies in the S&P500 that will publish their results today, 10 have released their figures, most of them better than expected. At market close, Meta Platforms' earnings results are expected**

Sovereign fixed income, currencies and commodities

- **Positive performance in sovereign bonds. European assets trade with gains of up to 3bps while the Treasuries yield curve trades with gains of 2bps on average. Yesterday, the Mbonos' curve closed with an appreciation of 4bps on average, and the 10-year benchmark at 8.69% (-5bps)**
- **The dollar weakens (DXY -0.2%) while most G-10 and EM currencies are in positive territory. In the former group, NOK (+0.5%) is the strongest and in the latter, CLP (+0.6%) leads the gains. The Mexican peso reverses part of yesterday's losses to trade at 18.77 per dollar, representing an appreciation of 0.4%**
- **Crude-oil futures advance 0.6% on average, awaiting the OPEC+ decision in which production is expected to remain stable. Industrial metals print losses while gold trades with marginal gains**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,086.04	1.1%
S&P 500	4,076.60	1.5%
Nasdaq	11,584.55	1.7%
IPC	54,564.27	0.1%
Ibovespa	113,430.54	1.0%
Euro Stoxx 50	4,163.45	0.1%
FTSE 100	7,771.70	-0.2%
CAC 40	7,082.42	0.0%
DAX	15,128.27	0.0%
Nikkei 225	27,327.11	-0.4%
Hang Seng	21,842.33	-1.0%
Shanghai Composite	3,255.67	-0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	4.20	-3pb
10-year Treasuries	3.51	-3pb
28-day Cetes	10.78	2pb
28-day TIIE	10.81	0pb
2-year Mbono	9.96	-2pb
10-year Mbono	8.71	-5pb
<i>Currencies</i>		
USD/MXN	18.84	0.4%
EUR/USD	1.09	0.1%
GBP/USD	1.23	-0.3%
DXY	102.10	-0.2%
<i>Commodities</i>		
WTI	78.87	1.2%
Brent	84.49	-0.5%
Mexican mix	68.66	0.3%
Gold	1,928.36	0.3%
Copper	422.60	0.6%

Source: Bloomberg

Corporate Debt

- **Yesterday, Pemex held the auction of its 10-year bond for US\$ 2 billion with a yield of 10.375% and a 4.5x demand. The proceeds will be mainly for refinancing its debt**
- **HR Ratings ratified the 'HR AAA' rating with a stable outlook for FEFA. According to the agency, the ratification for FEFA is based on the implicit support from the Federal Government, since the Fund is considered a strategic agent for the achievement of federal goals regarding the national agricultural sector**
- **HR Ratings ratified the 'HR AA+' rating with a stable outlook for FHipo. According to the agency, the ratification is based on the high solvency position of the Trust, which closed with a capitalization ratio of 81.3% as of 3Q22**

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