

Financial Markets Daily

September 17, 2021

Main drivers for the financial markets today...

- Stock markets mixed, government bond yields and the USD with small changes, as investors analyze headwinds for the economic recovery and complex inflation dynamics before the Fed's meeting next week. The cautious sentiment is also steered by regulatory changes and higher risk premium in China
- In the US, President Biden continues to push his economic agenda, looking to advance its US\$3.5 trillion budget through Congress, even despite some pushback from a key Senate member. In addition, he will host a virtual meeting with global leaders on climate change
- In China, the PBoC injected 90 billion yuan into cash markets due to uncertainty caused by the lack of liquidity in Evergrande. It should be noted that this is its largest intervention since February
- On the virus, the FDA will gather to discuss if a booster shot should be offered in the US, stance which is supported by the administration. Meanwhile, in China cases keep climbing, with a lockdown established for the Fujian province
- On economic data, August's inflation in the Eurozone came in line with the preliminary print at 3.0% for the headline index and 1.6% for the core component. In the US attention will center on Sentiment from the University of Michigan for September, expecting a slight decline vs. the previous month
- In Mexico, INEGI published the Timely Indicator of Economic Activity. For July, they estimate +1.0% m/m, with revisions higher in services and industry (already known). For August they expect -0.2% m/m, likely affected by the increase in COVID-19 cases

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
4:00	Current account* - Jul	EURbn	--	--	21.8
5:00	Consumer prices - Aug (F)	% y/y	--	3.0	2.2
5:00	Core - Aug (F)	% y/y	--	1.6	1.6
Mexico					
7:00	Timely Indicator of Economic Activity* - Aug	% y/y	--	--	1.9
United States					
10:00	U. of Michigan Confidence* - Sep (P)	index	70.0	72.3	70.3

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.
Equity indices		
S&P 500 Futures	4,454.00	-0.2%
Euro Stoxx 50	4,162.36	-0.2%
Nikkei 225	30,500.05	0.6%
Shanghai Composite	3,613.97	0.2%
Currencies		
USD/MXN	19.94	0.0%
EUR/USD	1.18	0.1%
DX	92.84	-0.1%
Commodities		
WTI	72.22	-0.5%
Brent	75.39	-0.4%
Gold	1,760.77	0.4%
Copper	432.35	1.1%
Sovereign bonds		
10-year Treasury	1.34	0pb

Source: Bloomberg

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Equities

- We conclude the week with mixed movements in stock markets, as investors keep cautious, weighing the prospects of economic recovery as data continues showing varied signals. Futures in the US anticipate a negative opening with the S&P500 trading 0.2% below its theoretical value
- Today we expect high volatility in trading session as it is “*Quadruple Witching Day*” (major expiration of options & futures contracts). Also, investors are preparing for some benchmarks’ rebalancing such as S&P500 & Mexbol
- Mexico will resume trading from Independence Holiday, while in corporate news KOF announced it continues strengthening its beer distribution business in Brazil, now with a contract with "Estrella Galicia"

Sovereign fixed income, currencies and commodities

- Pressure on government rates prevail with European assets adjusting up to +3bps on comments from an ECB member on the inflation outlook. Meanwhile, the US Treasuries curve shows few changes and marginal pressures in the shorter duration nodes
- USD trades with few changes (DXY -0.1%) with limited movements in G10 currencies where NOK leads gains (+0.3%). In EM a negative bias prevails with TRY as the weakest (-0.8%) while MXN trades modestly unchanged at 19.93 maintaining a low volatility that has characterized it since the previous week
- Crude oil prices are down 0.5% taking some profits although a positive weekly closing is expected. In metals, gold trades at 1,761 \$/oz t while in industrials the balance is positive

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,751.32	-0.2%
S&P 500	4,473.75	-0.2%
Nasdaq	15,181.92	0.1%
IPC	52,192.33	0.0%
Ibovespa	113,794.30	-1.1%
Euro Stoxx 50	4,169.87	0.6%
FTSE 100	7,027.48	0.2%
CAC 40	6,622.59	0.6%
DAX	15,651.75	0.2%
Nikkei 225	30,323.34	-0.6%
Hang Seng	24,667.85	-1.5%
Shanghai Composite	3,607.09	-1.3%
Sovereign bonds		
2-year Treasuries	0.22	1pb
10-year Treasuries	1.34	4pb
28-day Cetes	4.59	0pb
28-day TIIE	4.75	0pb
2-year Mbono	5.51	0pb
10-year Mbono	7.00	0pb
Currencies		
USD/MXN	19.94	0.4%
EUR/USD	1.18	-0.4%
GBP/USD	1.38	-0.3%
DXY	92.93	0.4%
Commodities		
WTI	72.61	0.0%
Brent	75.67	0.3%
Mexican mix	68.31	0.0%
Gold	1,753.77	-2.2%
Copper	428.15	-2.8%

Source: Bloomberg

Corporate Debt

- Grupo Bimbo informed the renewal of a committed revolving credit line for US\$1.75 billion through a sustainability linked loan. According to the statement, the transaction is focused on two areas, energy and water, which are part of the company's sustainability trajectory. With this renewal, the maturity of the credit line is extended until 2026
- HR Ratings ratified Hilco Terracora's rating as Asset Manager at ‘HR AM2-’ with a stable outlook. The rating affirmation is based mainly on the implementation of an independent control desk from the Portfolio Management Directorate area, which will seek to increase controls for future periods and which could lead to a monitoring of its master administration process with greater rigidity

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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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