

Financial Markets Daily

September 20, 2021

Main drivers for the financial markets today...

- Stock markets down, with the USD appreciating and government bond yields lower on concerns about (1) Possible contagion from Evergrande's debt crisis in China; (2) signals of lower stimulus ahead by the Fed in this week's decision; and (3) the *impasse* in Washington about increasing the debt limit
- This week markets will focus their attention on the Federal Reserve's monetary policy decision, with a broad debate among investors whether the 'tapering' of its asset purchase program will be announced on this occasion
- Additionally, there will also be other announcements from many central banks, highlighting England, Japan and Brazil. Towards the end of the week there will be comments from Fed members
- On other relevant topics, Joe Biden will give a speech at the UN and will host his counterparts from Australia, India and Japan at the White House. Federal elections will be held in Canada. For its part, the OECD will update its macroeconomic outlook
- The US will publish figures for the housing sector (Aug), Markit's PMI business sentiment indicators (Sep) and weekly initial jobless claims. In the Eurozone PMI indicators will also be released, in tandem with consumer confidence (Sep)
- In Mexico, aggregate demand and supply in 2Q21 grew 1.2% q/q (23.3% y/y), highlighting exports (2.9%) and private consumption (1.9%). In coming days, the most important economic news will come from retail sales (Jul), inflation (1H-Sep) and the survey of expectations from Citibanamex
- In addition, the Ministry of Finance will issue the new 5-year reference in the Mbono curve, while today comes into effect the change in the equity index IPC sample of the BMV

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
7:00	Aggregate supply and demand - 2Q21	% y/y	25.8	24.8	-2.9

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	4,360.75	-1.4%
Euro Stoxx 50	4,035.37	-2.3%
Nikkei 225	30,500.05	0.0%
Shanghai Composite	3,613.97	0.0%
Currencies		
USD/MXN	20.13	0.5%
EUR/USD	1.17	-0.1%
DX	93.31	0.1%
Commodities		
WTI	70.54	-2.0%
Brent	74.10	-1.6%
Gold	1,756.33	0.1%
Copper	415.60	-2.1%
Sovereign bonds		
10-year Treasury	1.33	-3pb

Source: Bloomberg

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Equities

- Stock markets with negative variations on increased concerns about China's real estate sector, given the likely contagion that could be induced by the non-payment of interest by Evergrande Group, the main real estate developer in the country. At the same time, the US faces uncertainty regarding the need to raise or suspend the debt ceiling. In the meantime, S&P 500 future are down 1.4% from its theoretical value
- In Europe, the Euro Stoxx 600 shows a -2.3% drawdown, heading for its biggest pullback since July, while the DAX is also affected by its new rebalancing. In Asia, the Hang Seng led losses with -3.3%, with the biggest sell-off in real estate shares in more than a year, while the Nikkei remained closed due to holidays
- In Mexico, the new Mexbol sample comes into effect today

Sovereign fixed income, currencies and commodities

- Favorable balance in global rates, with European assets adjusting - 3bps. Meanwhile, US Treasuries print gains of 4bps in the long-end of the yield curve. In Mexico, the Mbonos' yield closed last week with a 8bps sell-off, on average
- The USD strengthens against most G10 currencies except for JPY (+0.3%) and CHF (+0.1%). In EM, the bias is negative with RUB as the weakest (-0.7%), while MXN trades at 20.13 per dollar (-0.5%), above its 200-day MA, after a 0.6% weekly depreciation
- Crude-oil trades with losses on the back of USD gains ahead of the Federal Reserve's monetary policy decision on Wednesday. In metals, industrials' performance is negative with copper adjusting -2.2%, while gold trades with few changes at 1,756 US\$/oz t

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,584.88	-0.5%
S&P 500	4,432.99	-0.9%
Nasdaq	15,043.97	-0.9%
IPC	51,307.71	-1.7%
Ibovespa	111,439.40	-2.1%
Euro Stoxx 50	4,130.84	-0.9%
FTSE 100	6,963.64	-0.9%
CAC 40	6,570.19	-0.8%
DAX	15,490.17	-1.0%
Nikkei 225	30,500.05	0.6%
Hang Seng	24,920.76	1.0%
Shanghai Composite	3,613.97	0.2%
Sovereign bonds		
2-year Treasuries	0.22	0pb
10-year Treasuries	1.36	2pb
28-day Cetes	4.61	2pb
28-day TIE	4.75	0pb
2-year Mbono	5.53	2pb
10-year Mbono	7.06	6pb
Currencies		
USD/MXN	20.02	0.4%
EUR/USD	1.17	-0.4%
GBP/USD	1.37	-0.4%
DXY	93.20	0.3%
Commodities		
WTI	71.97	-0.9%
Brent	75.34	-0.4%
Mexican mix	68.05	-0.6%
Gold	1,754.34	0.0%
Copper	424.60	-0.8%

Source: Bloomberg

Corporate Debt

- This week we expect the auction of six long-term issuances for up to MXN 12.5 billion; stands out that all six notes are unsecured and have a 'AAA' local scale rating
- The ratings for Consorcio Ara's proposed sustainability linked bonds, ARA 21X and 21-2X, were assigned at 'AA-(mex)' by Fitch Ratings and 'HR AA+' by HR Ratings
- Early partial amortization of Unirenta's ABS, UNIRECB 19, on September 28, 2021 for MXN 26.5 million. The issuance has an outstanding amount of MXN 240 million and is rated 'mxAAA' and 'HR AAA' by S&P Global and HR Ratings

Certification of Analysts.

We, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Alik Daniel García Álvarez, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, and Juan Barbier Arizmendi, 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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