

# Financial Markets Daily

September 22, 2021

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

- Positive stock markets, government bond yields up and USD stable with investors awaiting more details on Evergrande's negotiation of yuan-denominated bond interest payment, Fed's monetary policy decision and Powell's comments
- In our opinion, the scenario is complex and there is still no consensus within the Fed, so we believe they will wait until the November meeting to make the formal tapering announcement, although we don't rule out that they will start giving signals in the statement. Likewise, the central bank's update of the macroeconomic framework (we estimate an upward adjustment in inflation estimates) and the *dot plot* will be released. Additionally, the US economic calendar includes existing home sales for August
- In other regions, the Copom in Brazil will announce its monetary policy decision in the afternoon. We estimate a 125pb hike in the *Selic* rate, which would place it at 6.50%, but we do not rule out that the increase will be of 100bp, after Campos Neto's comments a few days ago saying that they will not adjust their plans in light of each inflation report. We consider the tone of the statement very important, in a context where everything indicates that the rate hike cycle could end with higher levels than previously anticipated
- As for the pandemic, Biden will hold a virtual summit today, where he will call for 70% of the world's population to be vaccinated by this time next year. Biden will pledge a US order of 500 million doses of Pfizer's vaccine for donation abroad

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Consumer confidence* - Sep (P)	index	--	-5.9	-5.3
<i>United States</i>					
10:00	Existing home sales** - Aug	millions	--	5.9	6.0
14:00	FOMC Rate Decision (Lower Bound)	%	0.00	0.00	0.00
14:00	FOMC Rate Decision (Upper Bound)	%	0.25	0.25	0.25
14:00	Interest Rate on Excess Reserves (IOER)	%	0.15	0.15	0.15
14:30	Press conference from Fed Chairman, Jerome Powell, after the monetary policy decision				
<i>Brazil</i>					
17:00	Monetary policy decision (Central bank of Brazil)	%	6.50	6.25	5.25

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	3,912.62	0.0%
Euro Stoxx 50	4,134.11	0.9%
Nikkei 225	29,639.40	-0.7%
Shanghai Composite	3,628.49	0.4%
<i>Currencies</i>		
USD/MXN	20.08	-0.3%
EUR/USD	1.17	0.0%
DX	93.21	0.0%
<i>Commodities</i>		
WTI	71.56	1.4%
Brent	75.37	1.4%
Gold	1,773.26	-0.1%
Copper	423.40	2.6%
<i>Sovereign bonds</i>		
10-year Treasury	1.33	1pb

Source: Bloomberg

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## Equities

- **Equity markets mostly positive as tensions around Evergrande ease and focus is on the Fed's monetary policy decision later today. Investors are looking for details on when the central bank plans to start the tapering of its bond purchases amid China's troubled real estate sector, rising global COVID-19 infections, and concerns about the pace of economic recovery**
- **In the US, futures anticipate an upward opening, with the S&P500 trading at +0.5%. Meanwhile, in Asia the session closed mixed. The Shanghai Comp advanced 0.4%, after Evergrande announced the payment of its yuan-denominated debt tomorrow, although it is still uncertain the payment of its dollar-denominated interests. Hong Kong was closed for public holidays**
- **In Europe, stock markets are up and the Stoxx 600 rises 0.7%**

## Sovereign fixed income, currencies and commodities

- **Modest negative balance in global rates with European assets adjusting +1bp. Meanwhile, US Treasuries print a 1bp sell-off in the longest-end of the yield curve. In Mexico, the Mbonos' yield curve closed yesterday with few changes where the 10-year reference benchmark ended at 7.13% (unchanged)**
- **The USD trades fairly unchanged amid a favorable performance in most of developed currencies with NOK as the strongest (+0.5%). In EM, bias is mixed with RUB leading gains (+0.5%). In this group, MXN trades at 20.08 per dollar (+0.3%), below its 200-day moving average at 20.11**
- **Crude-oil rallied after signs of another big drop in crude inventories from API. Today EIA will release the US inventory report at 10:30am. Widespread gains in base metals as China's central bank moved to calm worries over debt crisis at Evergrande. Copper jumps 3.3% pairing 4 negative sessions in a row**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,919.84	-0.1%
S&P 500	4,354.19	-0.1%
Nasdaq	14,746.40	0.2%
IPC	50,828.13	0.5%
Ibovespa	110,249.70	1.3%
Euro Stoxx 50	4,097.51	1.3%
FTSE 100	6,980.98	1.1%
CAC 40	6,552.73	1.5%
DAX	15,348.53	1.4%
Nikkei 225	29,839.71	-2.2%
Hang Seng	24,221.54	0.5%
Shanghai Composite	3,613.97	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	0.21	0pb
10-year Treasuries	1.32	1pb
28-day Cetes	4.58	-4pb
28-day TIE	4.74	0pb
2-year Mbono	5.57	1pb
10-year Mbono	7.14	1pb
<i>Currencies</i>		
USD/MXN	20.13	0.0%
EUR/USD	1.17	0.0%
GBP/USD	1.37	0.0%
DXY	93.20	-0.1%
<i>Commodities</i>		
WTI	70.56	0.4%
Brent	74.36	0.6%
Mexican mix	66.99	0.6%
Gold	1,774.51	0.6%
Copper	412.60	0.3%

Source: Bloomberg

## Corporate Debt

- **Today we expect the auction of Volkswagen Leasing's long-term note, VWLEASE 21-2, for an amount of up to MXN 2.0 billion with a term of approximately 3.2 years. The issuance will pay a floating rate and is rated at 'AAA' by S&P Global and Moody's. The bond will hold an irrevocable and unconditional guarantee by Volkswagen Financial Services AG**
- **S&P Global Ratings confirmed Industrias Peñoles global scale ratings at 'BBB' and its local scale ratings at 'mxAAA' the outlook remained Stable. The agency believes that favorable metals prices will provide noticeable benefits to the company and expects its leverage to be below 1.0x, no incremental debt, and a strong cash position**

## 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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	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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