

Financial Markets Daily

October 1, 2021

Main drivers for the financial markets today...

- **Stock markets lower, government bond yields mixed and USD with small changes. Investors digest higher-than-expected inflation in the Eurozone, the political impasse in Washington on fiscal issues, higher energy prices, supply disruptions in several regions, and regulatory risks in China**
- **Market attention on core PCE deflator, personal income and spending, ISM manufacturing and vehicle sales in the US. Fed speakers today include Harker and Mester. In Mexico, expect family remittances, Banxico's expectations survey and IMEF's PMI indicators**
- **Nancy Pelosi, the speaker of the House, will try today a vote of the US\$ 550 billion infrastructure bill. The result is highly uncertain as progressive Democrats have said they will not approve it unless it is coupled with the US\$3.5 trillion budget proposal, with the last few days characterized by intense negotiations**
- **The Chinese government ordered the country's energy companies to secure supplies for the winter season at any cost. This comes amid broad scarcity that has led to shortages and suggests the possibility of even higher prices in related commodities, a situation happening as Europe battles with some supply restrictions**
- **Eurozone inflation reached 3.4% y/y in September, highest in the last 13 years. This exacerbates the debate about whether current pressures are transitory or not, as well as possible measures that central banks across the world may need to implement to address this situation**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
8:30	Personal income* - Aug	% m/m	--	0.2	1.1
8:30	Personal spending* - Aug	% m/m	0.7	0.6	0.3
8:30	Real personal spending* - Aug	% m/m	0.4	0.4	-0.1
8:30	PCE* - Aug	% y/y	--	4.2	4.2
8:30	Core* - Aug	% y/y	--	3.5	3.6
10:00	ISM manufacturing* - Sep	index	58.9	59.5	59.9
	Total vehicle sales** - Sep	thousands	--	13.4	13.1
<i>Mexico</i>					
10:00	Family remittances - Aug	US\$m	4,476.8	--	4,540.3
10:00	Survey of expectations (Banxico)				
13:00	PMI manufacturing (IMEF)* - Sep	index	52.0	--	51.3
13:00	PMI non-manufacturing (IMEF)* - Sep	index	51.8	--	50.1

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	4,294.50	-0.1%
Euro Stoxx 50	4,022.60	-0.6%
Nikkei 225	28,771.07	-2.3%
Shanghai Composite	3,568.17	0.0%
<i>Currencies</i>		
USD/MXN	20.58	-0.3%
EUR/USD	1.16	0.1%
DX	94.17	-0.1%
<i>Commodities</i>		
WTI	74.56	-0.6%
Brent	77.99	-0.7%
Gold	1,754.37	-0.1%
Copper	416.35	1.8%
<i>Sovereign bonds</i>		
10-year Treasury	1.48	0pb

Source: Bloomberg

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Equities

- **October starts with a risk-off sentiment and widespread losses in stock markets. Investors continue worried about prevailing risks on economic growth, elevated inflation, the possibility of an energy crunch and China's situation**
- **In the US, futures anticipate a negative opening, with the S&P500 trading 0.1% below its theoretical value, even after yesterday's losses and with investors focused in PCE inflation figures to be released, as well as setbacks in Biden's administration**
- **In Asia, China and Hong Kong remain closed for Holiday, while Japan fell more than 2%. In Europe the losses are encouraged by fears from an energy crunch and after inflation came above expectations. In Mexico the Mexbol Index may consolidate around 51,000pts**

Sovereign fixed income, currencies and commodities

- **Mixed performance in global rates with European securities extending the breather since yesterday after sharp pressures in the week, while USTs trade with little changes locating the 10-year note slightly below the 1.50% handle. Yesterday Mbonos rallied 5bps**
- **The USD weakens, yet it holds a positive weekly balance, scoring for the DXY its fourth consecutive stretching week. In today's performance G10 currencies depict widespread gains with NOK leading (+1%), while in EM FX dynamics are also mostly positive. In the latter, PLN outperforms (+0.8%) and the USD/MXN gains 0.3% to 20.57**
- **Crude oil falls affected by the broad risk-off mode and with eyes in OPEC+ meeting next Monday where a new increase of 400 Kbb/d to the collective output is expected. Mixed metals with a slightly negative tone**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,843.92	-1.6%
S&P 500	4,307.54	-1.2%
Nasdaq	14,448.58	-0.4%
IPC	51,385.55	0.6%
Ibovespa	110,979.10	-0.1%
Euro Stoxx 50	4,048.08	-0.8%
FTSE 100	7,086.42	-0.3%
CAC 40	6,520.01	-0.6%
DAX	15,260.69	-0.7%
Nikkei 225	29,452.66	-0.3%
Hang Seng	24,575.64	-0.4%
Shanghai Composite	3,568.17	0.9%
<i>Sovereign bonds</i>		
2-year Treasuries	0.28	-1pb
10-year Treasuries	1.49	-3pb
28-day Cetes	4.79	5pb
28-day TIIE	4.75	0pb
2-year Mbono	5.89	0pb
10-year Mbono	7.38	0pb
<i>Currencies</i>		
USD/MXN	20.64	0.6%
EUR/USD	1.16	-0.2%
GBP/USD	1.35	0.4%
DXY	94.23	-0.1%
<i>Commodities</i>		
WTI	75.03	0.3%
Brent	78.52	-0.2%
Mexican mix	71.25	0.2%
Gold	1,756.95	1.8%
Copper	408.90	-2.6%

Source: Bloomberg

Corporate Debt

- **Fibra Mty announced an acquisition for the expansion of an industrial warehouse in Coahuila for US\$ 5.38 million. This transaction was partially settled with all the resources from the divestment of Casona Los Mochis carried out on June 23, 2021 and complemented with own resources**
- **Grupo DASI reported on the prime payment in favor of the ITTO 17 issuance bondholders, in accordance with the provisions of the Title. The prime was calculated considering an adjustment rate of 50bp on the face value (November 6th)**
- **Fitch Ratings affirmed VRZCB 08 / 08U ratings at 'AA (mex) vra'. The ratings are based on the State of Veracruz rating ('BBB + (mex)') plus the support of the General Participation Fund of 199 municipalities of Veracruz**

Certification of Analysts.

We, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, 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
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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