

Financial Markets Daily

October 4, 2021

Main drivers for the financial markets today...

- **Stock markets mixed –with US futures lower, but Europe gaining– on concerns about a ‘stagflation’ scenario and the impasse in Washington regarding the infrastructure plan and debt limit. Govt bond yields up and USD biased lower given higher prices in most commodities**
- **This week, markets will focus on employment reports for September and ongoing fiscal negotiations in the US, along PMI non-manufacturing indicators in several regions, including the Eurozone, US, Germany, UK and China**
- **Moreover, the Eurogroup meeting of finance ministers will be held, as well as the kickoff of the G20 in Milan with talks between trade ministers. On the other hand, OPEC and its allies will evaluate production levels of their current agreement**
- **In monetary policy, decisions in Australia, New Zealand, Poland, Israel, Peru and India, among others. Moreover, the BoE’s Quarterly Bulletin and speeches by some Fed members**
- **In the US, data releases include factory orders, trade balance and consumer credit (Aug), along weekly jobless claims and the ISM services index (Sep)**
- **In the Eurozone we will know the region’s retail sales, as well as Germany’s industrial production and trade balance (Aug). In other regions we note Brazil’s inflation, retail sales and industrial production (Aug)**
- **In Mexico, September’s consumer confidence picked up relative to the previous month by 0.8pts to 43.4pts. In coming days, gross fixed investment and private consumption (Jul), inflation, wage negotiations (Sep) and Citibanamex’s survey**

Alejandro Padilla
Chief Economist and Head of Research
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
Director of Economic Research
juan.alderete.macal@banorte.com

Manuel Jiménez
Director of Market Strategy
manuel.jimenez@banorte.com


www.banorte.com

@ analisis_fundam

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Consumer confidence* - Sep	index	42.9	--	42.7
<i>United States</i>					
10:00	Factory orders* - Aug	% m/m			
10:00	Ex transportation* - Aug	% m/m	--	1.0	0.4
10:00	Durable goods orders* - Aug (F)	% m/m	--	0.6	0.8
10:00	Ex transportation* - Aug (F)	% m/m	--	--	1.8
10:00	Fed's Bullard Takes Part in Panel Discussion on the Economy		--	--	0.2

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	4,328.75	-0.3%
Euro Stoxx 50	4,033.32	0.0%
Nikkei 225	28,444.89	-1.1%
Shanghai Composite	3,568.17	0.0%
<i>Currencies</i>		
USD/MXN	20.56	0.5%
EUR/USD	1.16	0.3%
DX	93.90	-0.1%
<i>Commodities</i>		
WTI	75.93	0.1%
Brent	79.44	0.2%
Gold	1,748.89	-0.7%
Copper	424.90	1.4%
<i>Sovereign bonds</i>		
10-year Treasury	1.50	3pb

Source: Bloomberg

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Equities

- We start the week with mixed changes in stock markets, though with negative bias. Investors continue worried about the pace of the economic recovery and elevated inflation that may not be as transitory as expected, given high energy prices and supply disruptions in several regions. As such, futures in the US anticipate a negative opening, with the S&P500 trading 0.3% below its theoretical value, even after the worst weekly drop since February
- In Asia, markets in China remain closed for the “Golden Week” Holiday, while Japan and Hong Kong fell after Evergrande share suspension. Europe trades with moderate advances and falls, where gains in healthcare stocks are mitigated by losses in banks and autos. In Mexico we expect the Mexbol Index to continue consolidating around 51,000pts

Sovereign fixed income, currencies and commodities

- Negative balance in global rates, with European securities adjusting +2bps. Meanwhile, US Treasuries print a 4bps sell-off from the 10-year node onwards. In Mexico, the Mbonos' yield curve closed last week with a 11bps sell-off, on average, with the 10-year benchmark at 7.40% (+19bps w/w)
- The USD trades slightly negative amid a favorable performance in most of G10 currencies except for JPY (-0.2%). In EM, bias is positive with HUF leading gains (+0.8%). In this group, MXN trades at 20.56 per dollar (-0.5%), after a 1.9% weekly depreciation
- Crude-oil registers gains, with today's attention focused on OPEC+ Ministerial Meeting with no changes expected in the current output strategy (+400 Kbbl/d monthly) amid tight balances and low crude inventories levels. In metals, base group print widespread gains while gold falls

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,326.46	1.4%
S&P 500	4,357.04	1.1%
Nasdaq	14,566.70	0.8%
IPC	51,060.05	-0.6%
Ibovespa	112,899.60	1.7%
Euro Stoxx 50	4,035.30	-0.3%
FTSE 100	7,027.07	-0.8%
CAC 40	6,517.69	0.0%
DAX	15,156.44	-0.7%
Nikkei 225	28,771.07	-2.3%
Hang Seng	24,575.64	0.0%
Shanghai Composite	3,568.17	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	0.26	-1pb
10-year Treasuries	1.46	-3pb
28-day Cetes	4.80	1pb
28-day TIE	4.97	21pb
2-year Mbono	5.91	1pb
10-year Mbono	7.41	3pb
<i>Currencies</i>		
USD/MXN	20.45	-0.9%
EUR/USD	1.16	0.1%
GBP/USD	1.35	0.5%
DXY	94.04	-0.2%
<i>Commodities</i>		
WTI	75.88	1.1%
Brent	79.28	1.0%
Mexican mix	71.64	0.5%
Gold	1,760.98	0.2%
Copper	418.85	2.4%

Source: Bloomberg

Corporate Debt

- In the banking bond market, for this week the auction of two bonds from Sociedad Hipotecaria Federal for MXN 4 billion is expected, following the trend of development banking over private banking
- HR Ratings ratified BONHITO F1039's (Hipotecaria Total RMBS) rating at 'HR C- (E)' and modified the outlook to Negative from Stable. According to the agency, the ratification is due to the high probability of default by the Structure, where the Bond has an over-collateral of -238.5% as of June 2021
- Likewise, HR Ratings ratified BONHITO F5539 (Hipotecaria Total RMBS) rating at 'HR D (E)' with a Stable outlook. According to the agency, the rating affirmation is due to the default of the issuance since October 2014

Certification of Analysts.

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Research and Strategy

Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Economic Research

Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1670 - 2707

Market Strategy

Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
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Fixed income and FX Strategy

Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698

Equity Strategy

Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Alik Daniel García Álvarez	Senior Strategist, Equity	alik.garcia.alvarez@banorte.com	(55) 1670 - 1800
Víctor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746

Corporate Debt

Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Economic Studies

Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaldos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	raul.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899