

Financial Markets Daily

October 5, 2021

Main drivers for the financial markets today...

- **Stock markets rising, with the USD strengthening and government bond yields positive as investors digest the complex credit situation in China, the energy crunch in several regions, the political impasse regarding the debt limit in the US along news on the tech sector in the latter country**
- **Yesterday, President Joe Biden mentioned that he could offer no guarantee that the US would not breach the debt limit in two weeks. In this context, the Treasury has kept undertaking operations to extend this as far as they can. Meanwhile, negotiations in Congress continue on this topic along the fiscal budget, possibly reaching a compromise on lower amount than the US\$3.5 trillion originally proposed**
- **The situation in China is triggering additional concerns given than on top of fears from Evergrande, another real estate group called Fantasia Holdings defaulted on a US\$205.7 million bond payment**
- **On economic data, in the US we will be looking into services figures from the ISM and PMI for September along August's trade balance. We should note that PMIs in the Eurozone were slightly better than suggested by preliminary figures. On monetary policy we will have comments from Randal Quarles (Fed's Board) and Christine Lagarde (ECB President)**
- **Yesterday, Facebook (and its apps) experienced outages which affected nearly 3 billion users. The company says that there wasn't a data breach and that the failure was triggered by problems with its network configuration. On top of this, the firm remains on the look as a whistleblower and former employee testifies before the US Senate about company practices**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Brazil					
8:00	Industrial production - Aug	% y/y	--	0.0	1.2
8:00	Industrial production* - Aug	% m/m	--	-0.3	-1.3
United States					
8:30	Trade balance* - Aug	US\$bn	--	-70.5	-70.1
9:45	Services PMI (Markit)* - Sep (F)	index	54.4	54.4	54.4
9:45	Composite PMI (Markit)* - Sep (F)	index	54.5	--	54.5
10:00	ISM services* - Sep	index	61.0	60.0	61.7
13:15	Fed's Quarles discusses Libor transition at a Structured Finance Association				
Mexico					
10:00	International reserves - Oct 1	US\$bn	--	--	198.2
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 10-year Mbono (May'31); 20-year Udibono (Nov'35) and 1, 2, and 3-year Bondes F				
15:30	Survey of expectations (Citibanamex)				

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Document for distribution among public

A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,310.25	0.4%
Euro Stoxx 50	4,038.23	1.0%
Nikkei 225	27,822.12	-2.2%
Shanghai Composite	3,568.17	0.0%
<i>Currencies</i>		
USD/MXN	20.53	0.2%
EUR/USD	1.16	-0.2%
DX-Y	93.94	0.2%
<i>Commodities</i>		
WTI	78.50	1.1%
Brent	82.27	1.2%
Gold	1,757.16	-0.7%
Copper	416.55	-1.7%
<i>Sovereign bonds</i>		
10-year Treasury	1.49	1pb

Source: Bloomberg

Equities

- **Positive movements in most equity markets reflecting bargain hunting, after the strong falls in the previous session, especially in technology stocks, while attention continues on global inflationary pressures, the difficult situation in China with the default of Fantasia, as well as negotiations on the US debt ceiling**
- **In Asia most markets closed negative. There were no operations in China as the "Golden Week" holidays continued. In Europe stocks advance, the Euro Stoxx adds 1%. In turn, in the US the futures of main indices point to a positive open by rising 0.5% on average**
- **In Mexico, Gap reported its September passenger's traffic, which exceeded pre-pandemic levels, being better than expected. On the other hand, today will take place the Amx's Investor Day in New York**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds as European securities take a breather to recent pressures although in the UK these continue, while the US Treasuries' curve extended its steepening with a loss of 1bp. Yesterday, Mbonos sold-off ~7bps**
- **The USD trades with modest gains as developed currencies depreciate under narrow ranges while the EM FX universe stands modestly weaker, with PLN and HUF underperforming (-0.4%). The USD/MXN depreciates 0.2% to 20.52 per dollar**
- **Crude oil futures trade with stable and positive dynamics rising by ~1% following yesterday's OPEC+ meeting where the production output pact is still limited to tackle to global supply deficit conditions. In this sense, WTI trades at a 7-year high. Metal's balance is negative in precious and industrials**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,002.92	-0.9%
S&P 500	4,300.46	-1.3%
Nasdaq	14,255.48	-2.1%
IPC	50,862.95	-0.4%
Ibovespa	110,393.10	-2.2%
Euro Stoxx 50	3,996.41	-1.0%
FTSE 100	7,011.01	-0.2%
CAC 40	6,477.66	-0.6%
DAX	15,036.55	-0.8%
Nikkei 225	28,444.89	-1.1%
Hang Seng	24,036.37	-2.2%
Shanghai Composite	3,568.17	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	0.28	1pb
10-year Treasuries	1.48	2pb
28-day Cetes	4.89	9pb
28-day TIIE	4.98	2pb
2-year Mbono	5.98	7pb
10-year Mbono	7.50	9pb
<i>Currencies</i>		
USD/MXN	20.49	0.2%
EUR/USD	1.16	0.2%
GBP/USD	1.36	0.5%
DXY	93.78	-0.3%
<i>Commodities</i>		
WTI	77.62	2.3%
Brent	81.26	2.5%
Mexican mix	73.52	2.6%
Gold	1,769.57	0.5%
Copper	423.85	1.2%

Source: Bloomberg

Corporate Debt

- **HR Ratings affirmed Corporación Interamericana de Entretenimiento's (CIE) ratings at 'HR AA-' and changed the Negative outlook to Under Review based on the announcement that it will continue with the agreement to sell 51% of OCESA to Live Nation**
- **Fitch Ratings affirmed Fibra Prologis' international ratings at 'BBB' and local scale ratings at 'AAA(mex)' with a Stable outlook considering its property portfolio profile, its solid market position, and its growth strategy**
- **PCR Verum affirmed Operadora de Servicios Mega's ratings at 'A/M' and '1/M' and revised the long-term outlook to Stable from Negative considering its opinion that non-performing loans ratios were adequately contained**

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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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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