

Financial Markets Daily

October 6, 2021

Main drivers for the financial markets today...

- **Negative stock markets, government bond yields down and USD up on concerns over rising natural gas prices and inflationary pressures, as EU pledges measures to prevent energy crisis from hurting economic recovery**
- **In the US, Democrats in the Senate will try a new vote to extend the limit of the debt ceiling, although Republicans have warned that they will continue to block the proposal. Also, within the fiscal agenda, we highlight that yesterday Biden and the Democrats in Congress approached an agreement on how much they will shrink their social spending plan, which could be closer to US\$2 trillion, below the original proposal of US\$3.5 trillion**
- **Regarding economic figures in the US, the ADP private employment report will be released. We estimate 480k jobs created in September (consensus 430k). Markets are especially attentive to this report, expecting to see the impact of the expiration in all the states of the additional unemployment benefits and the effect on the labor supply related to face-to-face children's back to school**
- **In Mexico, INEGI published GFI for July, with a monthly increase of 2.1% (previous: -1.8%), with advances in both construction (+2.1%) and machinery and equipment (+4.5%). In annual terms we saw a 15.7% expansion, still with a positive base effect. Moreover, INEGI also released private consumption for the seventh month of the year. It rose 0.1% m/m (previous: -0.7%), boosted by domestic goods (+1.8%). This implies a total increase in consumption of 11.9% in annual terms**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Gross fixed investment - Jul	% y/y	14.9	15.0	17.1
7:00	Gross fixed investment* - Jul	% m/m	1.5	--	-1.8
7:00	Private consumption - Jul	% y/y	--	--	19.1
7:00	Private consumption* - Jul	% m/m	--	--	-0.8
<i>Brazil</i>					
8:00	Retail sales* - Jul	% m/m	--	0.6	1.2
<i>United States</i>					
8:15	ADP employment* - Sep	thousands	480	450	374

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	4,284.75	-1.1%
Euro Stoxx 50	3,979.61	-2.1%
Nikkei 225	27,528.87	-1.1%
Shanghai Composite	3,568.17	0.0%
<i>Currencies</i>		
USD/MXN	20.79	1.1%
EUR/USD	1.15	-0.5%
DX	94.36	0.4%
<i>Commodities</i>		
WTI	78.65	-0.4%
Brent	82.30	-0.3%
Gold	1,754.21	-0.3%
Copper	416.00	-0.8%
<i>Sovereign bonds</i>		
10-year Treasury	1.55	2pb

Source: Bloomberg

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Equities

- **Equity markets with negative movements, affected by concerns that higher oil and gas prices will increase inflationary pressures, raising expectations of an early reduction in stimulus. Likewise, the lack of agreements to increase the debt ceiling in the US persists. In the meantime, the S&P 500 future is down 1.1% from its theoretical value**
- **In Europe, the Euro Stoxx 600 fell 1.9%, with the chemical and automotive sectors being the most affected. In Asia, declines were more limited, with the Nikkei decreased 1.1% for the eighth consecutive session, and China remained closed for holidays**
- **On the corporate front, Asur and Oma reported higher-than-expected traffic, and Volaris slightly moderated its growth rate**

Sovereign fixed income, currencies and commodities

- **Negative balance in global rates with European assets adjusting +3bps. Meanwhile, US Treasuries print a 2bps sell-off in the long-end of the yield curve. In Mexico, the Mbonos' yield closed yesterday with a 5bps sell-off, on average, with the 10-year benchmark closing at 7.61% (+10bps) standing at its highest level since April 2020**
- **The USD strengthens against G10 and EM currencies. In the former, losses are limited by NZD (-1.0%) and in the latter, MXN trades as the weakest at 20.78 per dollar (-1.0%), reaching intraday levels of up to 20.89**
- **Crude-oil fell after its recent rally as API released an increase in US crude inventories, so today investors await confirmation of the data by the EIA at 10:30am. Negative performance in metals with gold and copper falling 0.2% and 1.0%, respectively**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,314.67	0.9%
S&P 500	4,345.72	1.1%
Nasdaq	14,433.83	1.3%
IPC	51,056.94	0.4%
Ibovespa	110,457.60	0.1%
Euro Stoxx 50	4,065.43	1.7%
FTSE 100	7,077.10	0.9%
CAC 40	6,576.28	1.5%
DAX	15,194.49	1.1%
Nikkei 225	27,822.12	-2.2%
Hang Seng	24,104.15	0.3%
Shanghai Composite	3,568.17	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	0.28	1pb
10-year Treasuries	1.53	5pb
28-day Cetes	4.81	-8pb
28-day TIE	4.99	0pb
2-year Mbono	6.05	6pb
10-year Mbono	7.58	8pb
<i>Currencies</i>		
USD/MXN	20.57	0.4%
EUR/USD	1.16	-0.2%
GBP/USD	1.36	0.1%
DXY	93.98	0.2%
<i>Commodities</i>		
WTI	78.93	1.7%
Brent	82.56	1.6%
Mexican mix	75.02	2.0%
Gold	1,760.18	-0.5%
Copper	419.25	-1.1%

Source: Bloomberg

Corporate Debt

- **Today we expect the auction of two development bank bonds from Sociedad Hipotecaria Federal, SHF 21 / 21-2, for MXN 4.0 billion with an option to over assign up to MXN 2.0 billion. The bonds will have a 3.3 and 5-year term, respectively, and will pay a floating rate referenced to the 28-day TIE. The assigned local scale ratings were 'AAA' from Fitch Ratings and HR Ratings**
- **S&P Global Ratings confirmed the ratings for NR Finance México's long-term issuances at 'mxAA+' and short-term issuances at 'mxA-1+', based on the unconditional an irrevocable guarantee granted by its holding company, Nissan Motor Acceptance Company LLC, whose ratings reflect its own holding company, Nissan Motor Co. Ltd. ('BBB-')**

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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