

Financial Markets Daily

October 8, 2021

Main drivers for the financial markets today...

- **Stock markets mixed, government bond yields higher and USD with small changes, with investors assimilating the debt ceiling's extension approved in the Senate and waiting the US labor market report to assess if it supports the thesis that the Fed will announce the 'tapering' in November**
- **Investors focused on September's BLS employment data in the US and CPI in Brazil. Moreover, wage negotiations in Mexico will be released, while attention will also be on the likelihood of OECD reaching an agreement on a minimum global corporate tax**
- **Specifically, the US Senate approved an extension of the debt limit for a total amount of US\$480 billion until December 3rd. The agreement will be voted in the Lower House on Tuesday, with a high probability of being approved. Although the key problem has not been addressed, this will avoid a government shutdown and a potential default by the middle of the month**
- **The European Commission will analyze the possibility of national governments making joint purchases of natural gas, in a bid to gain influence and leverage to ensure adequate supplies. This happens in a backdrop of increased concerns about strong price increases that risk derailing the region's recovery**
- **The OECD could reach today an agreement regarding a global minimum corporate tax, ahead of the G-20 meeting at the end of the month. According to the plan, each country will try to approve and reform their fiscal codes in 2022 for the initiative to start formally in 2023**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
2:00	Trade balance - Aug	EURbn	--	15.0	17.9
<i>Brazil</i>					
8:00	Consumer prices - sep	% m/m	--	1.24	0.87
8:00	Consumer prices - sep	% y/y	--	10.33	9.68
<i>United States</i>					
8:30	Nonfarm payrolls* - Sep	thousands	550	513	235
8:30	Unemployment rate* - Sep	%	5.0	5.0	5.2
<i>Mexico</i>					
	Wage negotiations - Sep	% y/y	--	--	5.7

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	4,394.75	0.1%
Euro Stoxx 50	4,090.66	-0.2%
Nikkei 225	28,048.94	1.3%
Shanghai Composite	3,592.17	0.7%
<i>Currencies</i>		
USD/MXN	20.63	-0.1%
EUR/USD	1.16	0.1%
DX	94.14	-0.1%
<i>Commodities</i>		
WTI	79.06	1.0%
Brent	82.69	0.9%
Gold	1,759.93	0.2%
Copper	423.75	-0.1%
<i>Sovereign bonds</i>		
10-year Treasury	1.58	1pb

Source: Bloomberg

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Equities

- The week is concluding with mixed movements in stock markets, though it is still in course for being the best in returns since early September, as the risk from default has eased after the extension reached on US debt ceiling
- Futures in the US without a clear trend showing marginal movements, as investors await non-farm payrolls, hoping it may confirm the recovery continues, and giving signals on when tapering may start
- Asia closed with almost widespread gains, after China resumed operations from the “Golden Week” Holiday. Europe trades in the negative, with main falls on technology stocks, as Apple’s supplier AAC Technologies warned on profits, given the challenges that continue in the environment

Sovereign fixed income, currencies and commodities

- Government rate pressures, with European assets adjusting up to +4bps, while the US Treasury curve loses 1bp and the 10-year benchmark stands at 1.59%. In the local market, yesterday the Mbonos’ curve ended with gains of 4bps on average and the 10-year benchmark closed at 7.50% (-6bps)
- The dollar trades with moderate losses (DXY -0.1%) allowing limited advances in developed currencies, with NOK leading the gains (+0.4%). In the EM group, performance is mixed, with ZAR leading gains (+0.4%) and PLN down 0.5%, while MXN appreciates 0.2% to 20.61
- Crude oil futures advance 0.6% with Brent near 2018 highs on higher imports from Europe to address the energy crisis. In metals, gold rises 0.4% to \$1,762/oz t while in industrials the performance is mixed

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,754.94	1.0%
S&P 500	4,399.76	0.8%
Nasdaq	14,654.02	1.0%
IPC	50,876.98	-0.2%
Ibovespa	110,585.40	0.0%
Euro Stoxx 50	4,098.34	2.1%
FTSE 100	7,078.04	1.2%
CAC 40	6,600.19	1.6%
DAX	15,250.86	1.9%
Nikkei 225	27,678.21	0.5%
Hang Seng	24,701.73	3.1%
Shanghai Composite	3,568.17	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	0.31	1pb
10-year Treasuries	1.57	5pb
28-day Cetes	4.88	5pb
28-day TIE	4.98	0pb
2-year Mbono	6.03	1pb
10-year Mbono	7.51	-4pb
<i>Currencies</i>		
USD/MXN	20.65	0.5%
EUR/USD	1.16	0.0%
GBP/USD	1.36	0.3%
DXY	94.22	-0.1%
<i>Commodities</i>		
WTI	78.30	1.1%
Brent	81.95	1.1%
Mexican mix	74.24	0.5%
Gold	1,755.78	-0.4%
Copper	424.35	2.3%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings confirmed Red de Carreteras de Occidente’s global scale ratings at ‘BBB’ and its local ratings at ‘mxAAA’ despite the company recently signed a new revolving credit line for up to MXN 2.0 billion due 2027
- PCR Verum increased Grupo Viva Aerobus’ short-term ratings to ‘3/M’ from ‘4/M’. Also, it increased the rating for its structured issuance VIVAACB 19, backed by the future flows of the company’s collection, to ‘AA-/M’ from ‘A/M’. The increase on the credit ratings is based on the faster recovery presented by Viva Aerobus against the considered by PCR Verum after the adverse effects caused by the COVID-19 pandemic

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