

# Financial Markets Daily

October 11, 2021

## Main drivers for the financial markets today...

- Stock markets lower, government bond yields to the upside and USD mixed on fears of a global deceleration and higher inflation coupled with the increase in energy prices such as oil, natural gas and coal before the start of the winter, as well as more financial and political instability in China
- This situation more than compensates for the emergency authorization request by Merck of its COVID-19 pill treatment. The US bond market will be closed today because of Columbus Day
- This week, market focus on the IMF and World Bank annual meetings, including the release of the latest *World Economic Outlook*. Moreover, September's consumer prices in the US and China. G-20 finance ministers and central bank governors will meet in Washington
- FDA advisors will meet to discuss booster shots of the vaccines manufactured by *Johnson & Johnson*, *Moderna* and *Pfizer/BioNTech*
- In monetary policy, minutes by the Fed –along an agenda full of speakers– and Banxico. We will also know the decisions in Korea and Chile and will have a plethora of speeches by ECB members
- In the US, data releases include weekly jobless claims, retail sales (Sep), University of Michigan consumer confidence and the Empire Manufacturing index (Oct)
- In the Eurozone, industrial production and trade balance (Aug), with the latter also in China (Sep). Brazil will publish the economic activity indicator (Sep)
- In Mexico, figures include industrial production, sales by ANTAD members and jobs affiliated to IMSS (Sep)

## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States	Annual IMF/World Bank meetings begin in Washington				
	Bond markets closed for the Columbus Day holiday				
	18:00	Fed's Evans Gives Introductory Remarks at Award Ceremony			
Mexico					
South Korea	ANTAD same-store sales - Sep	% y/y	--	--	4.5
	Monetary policy decision (Central bank of Sout	%	--	0.75	0.75

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; \* Seasonally adjusted, \*\* Seasonally adjusted annualized rate.

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**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**

## A glimpse to the main financial assets

	Last	Daily chg.
<b>Equity indices</b>		
S&P 500 Futures	4,359.75	-0.5%
Euro Stoxx 50	4,049.42	-0.6%
Nikkei 225	28,498.20	1.6%
Shanghai Composite	3,591.71	0.0%
<b>Currencies</b>		
USD/MXN	20.75	0.2%
EUR/USD	1.16	-0.1%
DX	94.20	0.1%
<b>Commodities</b>		
WTI	81.57	2.8%
Brent	84.23	2.2%
Gold	1,754.01	-0.2%
Copper	433.80	1.5%
<b>Sovereign bonds</b>		
10-year Treasury	1.61	0pb

Source: Bloomberg

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## Equities

- The week starts with mixed movements in stock markets, though the bias is widely negative. Investors remain worried about the economic recovery, as hikes in energy prices may continue putting pressure on inflation
- As such, futures in the US anticipate a negative opening, with the S&P500 trading 0.5% below its theoretical value. In Europe we observe widespread losses, with travel shares being the most affected. Asia closed mixed, with Japan and Hong Kong on the green, and contrasting with losses in China
- On the corporate side, next Wednesday 13th will be the official kick-off of 3Q21 earnings season, expecting 20 companies of the S&P500 to release its results this week. Attention will be focused on growth expectations

## Sovereign fixed income, currencies and commodities

- The US bond market will be closed today due to Columbus Day, hence we will see lower liquidity. Meanwhile, European securities print a 3bps sell-off. In Mexico, the Mbonos' yield curve closed last week with a 10bps sell-off, on average, with the 10-year benchmark at 7.50% (+10bps w/w)
- The USD trades slightly positive amid a mixed performance in G10 currencies under a limited range by +/-0.6%. In EM, bias is negative with INR leading losses (-0.5%). In this group, MXN trades at 20.75 per dollar (-0.2%), after four negative weeks in a row
- Crude-oil surges with WTI trading at 81.6 \$/bbl, its highest since 2014, while Brent at 84.2 \$/bbl assimilating higher demand ahead of winter amid tight balances and low crude inventory levels. In metals, base group print widespread gains

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	34,746.25	0.0%
S&P 500	4,391.34	-0.2%
Nasdaq	14,579.54	-0.5%
IPC	51,136.63	0.5%
Ibovespa	112,833.20	2.0%
Euro Stoxx 50	4,073.29	-0.6%
FTSE 100	7,095.55	0.2%
CAC 40	6,559.99	-0.6%
DAX	15,206.13	-0.3%
Nikkei 225	28,048.94	1.3%
Hang Seng	24,837.85	0.6%
Shanghai Composite	3,592.17	0.7%
<b>Sovereign bonds</b>		
2-year Treasuries	0.32	1pb
10-year Treasuries	1.61	4pb
28-day Cetes	4.92	4pb
28-day TIE	4.99	0pb
2-year Mbono	6.02	-1pb
10-year Mbono	7.50	-1pb
<b>Currencies</b>		
USD/MXN	20.70	0.2%
EUR/USD	1.16	0.1%
GBP/USD	1.36	0.0%
DX	94.07	-0.2%
<b>Commodities</b>		
WTI	79.35	1.3%
Brent	82.39	0.5%
Mexican mix	75.22	1.3%
Gold	1,757.13	0.1%
Copper	427.55	0.8%

Source: Bloomberg

## Corporate Debt

- This week we expect the auction of six long-term notes by Grupo Aeroportuario del Pacífico, Consorcio ARA, Volaris and Fovissste, for an amount up to MXN 15.5 billion
- HR Ratings affirmed Metrofinanciera's ratings at 'HR B+' and changed the outlook to Stable from Positive, based on the company's financial performance in the last twelve months being lower than the agency's estimates
- HR Ratings affirmed Volaris structured issuance's, VOLARB 19, ratings at 'HR AA (E)' and changed the Negative Watch to Stable outlook based on a higher Free Cash Flow forecast

## 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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<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**

**Research and Strategy**

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

**Economic Research**

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

**Market Strategy**

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

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

**Equity Strategy**

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

**Corporate Debt**

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

**Economic Studies**

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

**Wholesale Banking**

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