

Financial Markets Daily

October 15, 2021

Main drivers for the financial markets today...

- **Stock markets and government bond yields positive, with the USD showing small changes, assimilating better-than-expected corporate earnings and favorable comments in China, offsetting for inflationary concerns worldwide**
- **In China, the PBoC mentioned that risks stemming from Evergrande towards the financial system are controllable and unlikely to spread. As such, the central bank asked to keep credit to the real estate sector stable, even reducing restrictions for mortgage acquisitions and sale of MBS**
- **In the US, President Biden signed into law the bill lifting the debt ceiling until December 3rd. After this, discussions on the legislative front will focus once again on the spending proposal**
- **In the EU, leaders are gearing up to authorize emergency measures among different countries to soften the impact of the energy crunch. These include income support and tax breaks**
- **On crypto, the SEC is poised to authorize an ETF of Bitcoin futures. This comes on top of other favorable news which have supported prices for these assets**
- **Regarding economic data, in the US attention will center on September's retail sales report, anticipating a marginal decline in the headline figure. Other releases include October's Empire Manufacturing and sentiment from the University of Michigan. Fed speakers today include Bullard and Williams**

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>Eurozone</i>					
5:00	Trade balance* - Aug	EURbn	--	14.2	13.4
<i>Brazil</i>					
8:00	Economic activity - Sep	% y/y	--	4.1	5.5
8:00	Economic activity* - Sep	% m/m	--	0.1	0.6
<i>United States</i>					
7:30	Empire manufacturing* - Oct	index	27.0	25.0	34.3
7:30	Advance retail sales* - Sep	% m/m	-0.1	-0.2	0.7
7:30	Ex autos & gas* - Sep	% m/m	0.6	0.4	2.0
7:30	Control group* - Sep	% m/m	--	0.5	2.5
9:00	U. of Michigan Confidence* - Oct (P)	index	71.0	73.7	72.8
12:20	Fed's Williams Takes Part in Monetary Policy F				

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

This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Apertura de Mercados Financieros" was released earlier today.

A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	4,444.75	0.4%
Euro Stoxx 50	4,167.70	0.4%
Nikkei 225	29,068.63	1.8%
Shanghai Composite	3,572.37	0.4%
<i>Currencies</i>		
USD/MXN	20.54	0.0%
EUR/USD	1.16	0.1%
DX	93.92	0.0%
<i>Commodities</i>		
WTI	82.02	0.9%
Brent	84.76	0.9%
Gold	1,782.21	-0.8%
Copper	473.25	2.2%
<i>Sovereign bonds</i>		
10-year Treasury	1.54	3pb

Source: Bloomberg

Document for distribution among public

Equities

- We conclude the week with widespread gains in stock markets, as risk appetite has been boosted by favorable surprises in corporate earnings' results. Futures in the US anticipate a positive opening, with the S&P500 trading 0.4% above its theoretical value, even after yesterday's hike, which has been the stronger since March
- Asia closed positive, following yesterday's sentiment, while Europe advances with banks, energy and retailers leading the gains
- After a better than expected earnings season kick-off, with only 7% of the S&P500 companies that have released its results, a 39.2% growth in earnings has been achieved vs 28.3%e. Positive surprise rate stands at 77%, while waiting 6 companies to report today, standing out *Goldman Sachs*, *Charles Schwab* and *Prologis Inc*

Sovereign fixed income, currencies and commodities

- Pick-up in rates from sovereign bonds after a flattening bias in previous sessions with adjustments of +2bps, on average, for European tenors today, while US Treasuries pressure by 2-3bps from the 10-year area onwards. Yesterday Mbonos sold-off 3bps in short- and mid-term maturities
- The USD weakens for the third session, witnessing widespread gains today in G10 currencies excluding CHF and JPY. In EM balance is mixed with TRY holding pressures (-0.3%) and ZAR outperforming (+0.7%). The USD/MXN trades unchanged vs yesterday at 20.55 and heads for a weekly appreciation of 0.7%
- Positive balance in crude oil prices (~+1%) with Brent breaching 85 US\$/bbl temporally, amid a backdrop in which some natural gas benchmarks have paired their strong recent surge; however, the scarcity of the latter and of carbon has supported demand for oil, reducing its inventories. Metals mixed with precious negative

Corporate Debt

- Notice of total early amortization of Unifin Financiera issuances UNFINCB 17-3 / 17-4 for next October 25th, 2021. The bonds are backed by pure lease contracts, currently have an outstanding amount of MXN 1.1 billion and MXN 437 million, respectively
- IEnova informed the total advanced payment of the Ventika and Ventika II (wind power farms) financing for a total amount of US\$ 375 million plus interest, the cost of closing derivatives and other ancillary costs
- Fitch Ratings downgraded PASACB 11 / 11U / 12 ratings to 'CC (mex) vra' from 'BB (mex) vra' and the subordinate PSBCB 12U to 'CC (mex) vra' from 'B (mex) vra ', due to the prolonged non-payment by the Ministry of Public Security

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,912.56	1.6%
S&P 500	4,438.26	1.7%
Nasdaq	14,823.43	1.7%
IPC	52,140.24	0.6%
Ibovespa	113,185.50	-0.2%
Euro Stoxx 50	4,149.06	1.6%
FTSE 100	7,207.71	0.9%
CAC 40	6,685.21	1.3%
DAX	15,462.72	1.4%
Nikkei 225	28,550.93	1.5%
Hang Seng	24,962.59	0.0%
Shanghai Composite	3,558.28	-0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	0.36	0pb
10-year Treasuries	1.51	-3pb
28-day Cetes	4.85	6pb
28-day TIE	4.98	-1pb
2-year Mbono	6.05	6pb
10-year Mbono	7.43	0pb
<i>Currencies</i>		
USD/MXN	20.55	0.0%
EUR/USD	1.16	0.0%
GBP/USD	1.37	0.1%
DXY	93.96	-0.1%
<i>Commodities</i>		
WTI	81.31	1.1%
Brent	84.00	1.0%
Mexican mix	76.27	0.0%
Gold	1,795.87	0.2%
Copper	463.15	2.6%

Source: Bloomberg

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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
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>

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V., since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

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
-------------------------	-----------------------------	----------------------------	------------------

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 - 2250
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.ceballos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faes@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 Roldán Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899