

Financial Markets Daily

October 18, 2021

Main drivers for the financial markets today...

- **Stock markets negative, government bond yields lower and USD higher, given a rise in commodities, boosting concerns of higher inflation, resulting in expectations of a monetary restriction sooner than anticipated. In addition, weak figures of economic activity in China add to signs of deceleration**
- **In China, 3Q21 GDP was released, with an increase of only 0.2% q/q, below the 0.4% of the consensus. As such, the annual comparison came in at 4.9%, lower than the 7.9% seen in 2Q21. Going forward, the deceleration could be deeper given the energy crisis. In the week, the PBoC will announce 1- and 5-year prime loan rates**
- **In the US, market focus on September's IP report, which we expect to keep reflecting supply disruptions on top of negative effects from Hurricane Ida. Meanwhile, we will have comments from Fed speakers Quarles and Kashkari. In the remainder of the week, other releases include housing starts and building permits as well as existing home sales for September. Other publications are the Philly Fed and PMI for October and weekly jobless claims. Attention also on the Beige Book**
- **In the UK, relevant comments were known from BoE members during the weekend which bolstered the expectations of a rate hike sooner than expected. On data we will be looking into PMIs and September's inflation. Meanwhile, in the Eurozone attention on August's current account and October's consumer confidence**
- **In Mexico, INEGI will release through the week retail sales (Aug), Timely Indicator of Economic Activity (Sep) and inflation (1H-Oct). The Lower House has until October 20th to approve the Revenue Law, going then to the Senate. Lastly, the MoF will auction all the Cetes curve, Mbono Nov'38, Udibono Nov'23, as well as 1-, 2- and 3-year Bondes F**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
5:30	Fed's Quarles, discusses financial stability board				
9:15	Industrial production* - Sep	% m/m	0.2	0.2	0.4
9:15	Manufacturing production* - Sep	% m/m	0.3	0.1	0.2
14:15	Fed's Kashkari, discusses improving financial inclusion				

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	4,451.25	-0.3%
Euro Stoxx 50	4,151.14	-0.8%
Nikkei 225	29,025.46	-0.1%
Shanghai Composite	3,568.14	-0.1%
<i>Currencies</i>		
USD/MXN	20.45	0.6%
EUR/USD	1.16	-0.1%
DX	94.07	0.1%
<i>Commodities</i>		
WTI	83.61	1.6%
Brent	85.76	1.1%
Gold	1,763.23	-0.2%
Copper	476.05	0.7%
<i>Sovereign bonds</i>		
10-year Treasury	1.60	3pb

Source: Bloomberg

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Equities

- **Equity markets with negative movements, after the main US indices posted their best week in months on Friday, boosted by solid corporate reports. Thus, investors remain attentive to the quarterly figures to be reported in the following days, while weak economic data in China, the rise in Treasury yields and concerns about inflationary pressures, contributed to the cautious sentiment in the market**
- **In the U.S., futures anticipate a downward opening, with the S&P500 trading at -0.3%. In Europe, the Stoxx 600 falls 0.8%, with declines in almost all sectors. In Asia, the Shanghai Comp lost 0.1%**
- **In Mexico, the earnings season begins today with Nemak's results at market close. Meanwhile, in the US, of the S&P500 companies, only State Street and Zions Bancorp will present their figures**

Sovereign fixed income, currencies and commodities

- **Negative balance in global rates with European securities adjusting +3bps. Meanwhile, US Treasuries print a +5bps sell-off in the mid-end of the yield curve. In Mexico, the Mbonos' yield curve closed last week with adjustments of +9bps in short- and mid-term securities, while the long-end rallied 6bps**
- **The USD advances amid a negative performance in most of the G10 and EM currencies. In the former, SEK leads losses (-0.5%) and in the latter, ZAR trades as the weakest (-1.0%) followed by MXN which trades at 20.45 per dollar (-0.6%), after a 1.8% weekly appreciation**
- **Crude-oil extends its recent rally with Brent reaching fresh highs since 2018 amid higher demand due to shortages of natural gas as winter approaches. Mixed performance in metals, copper prints gains of 0.6%, while gold trades at 1,763 \$/t oz (-0.2%)**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,294.76	1.1%
S&P 500	4,471.37	0.7%
Nasdaq	14,897.34	0.5%
IPC	52,798.38	1.3%
Ibovespa	114,648.00	1.3%
Euro Stoxx 50	4,182.91	0.8%
FTSE 100	7,234.03	0.4%
CAC 40	6,727.52	0.6%
DAX	15,587.36	0.8%
Nikkei 225	29,068.63	1.8%
Hang Seng	25,330.96	1.5%
Shanghai Composite	3,572.37	0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	0.39	3pb
10-year Treasuries	1.57	6pb
28-day Cetes	4.86	1pb
28-day TIE	4.99	0pb
2-year Mbono	6.12	7pb
10-year Mbono	7.45	3pb
<i>Currencies</i>		
USD/MXN	20.33	-1.1%
EUR/USD	1.16	0.0%
GBP/USD	1.38	0.6%
DX	93.94	0.0%
<i>Commodities</i>		
WTI	82.28	1.2%
Brent	84.86	1.0%
Mexican mix	77.60	1.2%
Gold	1,767.62	-1.6%
Copper	472.95	2.1%

Source: Bloomberg

Corporate Debt

- **For this week auctions are expected in the corporate debt market for up to MXN 8 billion, highlighting the participation of Fibra Uno, Consorcio Ara and Cetelem**
- **PCR Verum upgraded Grupo Traxion the long-term ratings and its TRAXION 20 issue to 'AA / M' from 'AA- / M'. The outlook remains Stable. According to the agency, the upgrade is based on the favorable evolution of the company's financial profile even in the face of a difficult environment as a result of the COVID-19 pandemic**
- **HR Ratings ratified CDMXCB 19, GCDMXCB 18V / 17X and GDFECB 15-2 issuances ratings at 'HR AAA (E)' with a Stable outlook, supported by the unsecured rating granted to Mexico City of 'HR AAA' with Outlook Stable**

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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