

# Financial Markets Daily

October 19, 2021

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

- Stock markets positive, with the USD and government bond yields in the US negative given optimism on corporate earnings, offsetting for concerns on global inflation and a deceleration in China. In addition, European natural gas prices are seeing some stabilization, yet crude oil prices are higher
- Concerns on the inflation outlook continue given signs of an extension on supply bottlenecks and additional price pressures on commodities, impacting many companies as reflected by comments within corporate results. As such, attention remains on monetary policy. In the US we will have comments from several speakers including Daly, Barkin, Bostic, and Waller. Internationally, attention on speeches from several ECB and BoE members, while the Bank of Indonesia held its key rate unchanged. Later we will be looking into decisions from Hungary and China (1- and 5-year prime loan rates)
- On economic data, in the US we will be looking into September's housing data. In Mexico we do not have releases. Nevertheless, the Finance Commission from the Lower House approved the 2022 Revenue Law and tax code. With this, it needs to be voted by the whole chamber, remembering that the deadline for its approval is October 20th
- On the virus, its expected that the FDA authorizes boosters in a combined manner, meaning, different brands of vaccines can be combined. In this context, progress towards the reopening continues worldwide, with Germany preparing to remove the state of emergency by late November, and with other countries seeing an increase in in-person work

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>United States</b>					
8:30	Housing starts** - Sep	thousands	--	1,615	1,615
8:30	Building permits** - Sep	thousands	--	1,660	1,721
11:00	Fed's Daly Makes Introductory Remarks at Regional Bank Forum				
12:15	Fed's Barkin, speaks to South Carolina Chamber of Commerce				
14:50	Fed's Bostic Interviewed About Long-Term Unemployment				
15:00	Fed's Waller, Discusses the economic outlook				
<b>Mexico</b>					
10:00	International reserves - Oct 15	US\$bn	--	--	198.5
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 20-year Mbono (Nov'38); 3-year Udibono (Nov'23) and 1, 2, and 3-year Bondes F				
<b>China</b>					
21:30	Rate decision 1-year Loan Prime Rate	%	--	3.85	3.85
21:30	Rate decision 5-year Loan Prime Rate	%	--	4.65	4.65

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.
<b>Equity indices</b>		
S&P 500 Futures	4,500.00	0.5%
Euro Stoxx 50	4,162.03	0.3%
Nikkei 225	29,215.52	0.7%
Shanghai Composite	3,593.15	0.7%
<b>Currencies</b>		
USD/MXN	20.34	-0.4%
EUR/USD	1.17	0.4%
DXY	93.60	-0.4%
<b>Commodities</b>		
WTI	83.24	1.0%
Brent	84.92	0.7%
Gold	1,781.68	1.0%
Copper	477.45	1.0%
<b>Sovereign bonds</b>		
10-year Treasury	1.59	-1pb

Source: Bloomberg

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## Equities

- Positive movements in equity markets due to expectations of strong corporate earnings that help to counter concerns about higher inflation and global economic deceleration. Out of the 14 S&P 500 companies scheduled to report today, 9 have already updated investors with outperforming estimates, including BNY Mellon, Johnson & Johnson, Procter & Gamble, and Philip Morris International. Netflix will publish its figures after the market closes
- In Asia most markets closed positive. In Europe stocks advance, the Euro Stoxx adds 0.3%. In turn, in the US the futures of main indices point to a positive open by rising 0.5% on average
- In Mexico, yesterday Nemark reported very weak results in 3Q21, reflecting a strong impact on volumes and mainly on profitability, due to the semiconductor crisis. On the other hand, Amx, Fibrapl, and Livepol will release their figures today after the markets close

## Sovereign fixed income, currencies and commodities

- Mixed performance in rates from sovereign bonds observing pressures in Europe extending after yesterday's sell-off, while USTs moderate the flattening of the previous session driven by pressures in short- and mid-term tenors by ~4bps as the market has pushed forward its pricing for the first hike from the Fed towards September 2022. Mbonos adjusted yesterday +6bps
- The USD weakens with all the G10 FX universe advancing and printing gains of up to 1% in NOK, while balance in EM currencies is similar with PLN outperforming (+0.8%). The USD/MXN appreciates 0.4% to 20.34 pairing a loss of 0.4% yesterday
- Crude oil gains ~1% amid a risk-on mood, weaker USD, and deficit conditions in the energy markets, with the WTI trading above 83 \$/bbl, its highest since 2014. Meanwhile, Brent at 85 \$/bbl stands at levels not seen since 2018. Metals trade positive with precious leading

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	35,258.61	-0.1%
S&P 500	4,486.46	0.3%
Nasdaq	15,021.81	0.8%
IPC	52,686.02	-0.2%
Ibovespa	114,428.20	-0.2%
Euro Stoxx 50	4,151.40	-0.8%
FTSE 100	7,203.83	-0.4%
CAC 40	6,673.10	-0.8%
DAX	15,474.47	-0.7%
Nikkei 225	29,025.46	-0.1%
Hang Seng	25,409.75	0.3%
Shanghai Composite	3,568.14	-0.1%
<b>Sovereign bonds</b>		
2-year Treasuries	0.43	3pb
10-year Treasuries	1.60	3pb
28-day Cetes	4.89	3pb
28-day TIIE	4.99	0pb
2-year Mbono	6.18	6pb
10-year Mbono	7.49	4pb
<b>Currencies</b>		
USD/MXN	20.41	0.4%
EUR/USD	1.16	0.1%
GBP/USD	1.37	-0.2%
DXY	93.95	0.0%
<b>Commodities</b>		
WTI	82.44	0.2%
Brent	84.33	-0.6%
Mexican mix	77.36	-0.3%
Gold	1,764.86	-0.2%
Copper	472.55	-0.1%

Source: Bloomberg

## Corporate Debt

- Crédito Real announced that it entered into a settlement agreement with the company Nuncio Accipens through which the aforementioned company transferred all of its rights in relation to certain shares of Sistema Radiópolis and Corporativo Coral as a payment under the non-performing loan of MXN 695 million that represented 6.4% of the Company's portfolio of SMEs in Mexico
- HR Ratings affirmed HIR Casa's long-term rating at 'HR A+' and changed the outlook to Positive from Stable and affirmed the short-term ratings at 'HR2'. The outlook change considers the increase in its profitability ratios and a more efficiency in administrative expenses
- Fitch Ratings affirmed the ratings on issuances MXPUCB 18 / 18U (Fonadín's Future Flows) at 'AAA(mex)' with Stable outlook

## 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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	Reference
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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