

# Financial Markets Daily

October 20, 2021

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

- **Stock markets with few changes, government bond yields down and USD up with investors pausing after the stock market rally of the last few days, as they wait for more corporate reports confirming the economic recovery despite the rise in energy prices and disruptions in production chains**
- **In the US, the attention is on the Beige Book release and in speeches by Quarles, Bostic, Kashkari, Evans and Bullard from the Federal Reserve.**
- **In the Eurozone, final inflation data for September was published, unchanged from the preliminary report, with headline inflation at 3.4% y/y, at the highest in more than a decade and Core CPI at 1.9% y/y. Although the minutes of the last ECB meeting showed greater concern about the rebound in prices, members of the central bank continue to describe the pressures as transitory**
- **In Mexico, today is the deadline for the lower house of Congress to approve the Revenue Law. Regarding economic figures, INEGI published its Timely Indicator of Economic Activity for September, suggesting an increase of 0.1% m/m (+5.0% y/y sa) in activity. By sectors, they expect industry at -0.5% m/m, likely impacted by supply issues, with services at +0.1%**

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## The most relevant economic data...

|                      | Event/Period  | Unit  | Banorte | Survey | Previous |
|----------------------|---|-------|---------|--------|----------|
| <i>Mexico</i>        |   |       |         |        |          |
|                      | Deadline for the approval of the Revenue Law by the Lower House |       |         |        |          |
| 7:00                 | Timely indicator of economic activity* - Sep                    | % y/y | --      | --     | 6.8      |
| 14:30                | Survey of expectations (Citibanamex)                            |       |         |        |          |
| <i>United States</i> |   |       |         |        |          |
| 12:00                | Fed's Bostic, Kashkari, Evans and Bullard on Racism and economy |       |         |        |          |
| 13:00                | Fed's Quarles, discusses the economic outlook                   |       |         |        |          |
| 14:00                | Beige Book  |       |         |        |          |

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        | 4,510.75  | 0.0%       |
| Euro Stoxx 50          | 4,171.39  | 0.1%       |
| Nikkei 225             | 29,255.55 | 0.1%       |
| Shanghai Composite     | 3,587.00  | -0.2%      |
| <i>Currencies</i>      |           |            |
| USD/MXN                | 20.22     | -0.1%      |
| EUR/USD                | 1.16      | 0.0%       |
| DX-Y                   | 93.78     | 0.1%       |
| <i>Commodities</i>     |           |            |
| WTI                    | 82.03     | -1.1%      |
| Brent                  | 84.04     | -1.2%      |
| Gold                   | 1,781.19  | 0.7%       |
| Copper                 | 463.75    | -1.4%      |
| <i>Sovereign bonds</i> |           |            |
| 10-year Treasury       | 1.63      | 0pb        |

Source: Bloomberg

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## Equities

- Markets show mixed performances, with small variations, in the midst of a corporate reporting season where investors expect them to continue to exceed estimates, reducing latent risks. Thus, US futures trade with little changes in anticipation of a sideways opening
- In Europe, the bias is positive, with the Stoxx 600 up 0.1%. In Asia, the Shanghai Composite is down 0.2% versus a 0.1% rise in the Nikkei
- Today, 23 companies in the S&P 500 will present results, including Abbott, Biogen, IBM, NextEra Energy, Tesla and Verizon. In Mexico, we expect positive reactions from Amx and Liverpool, after reporting higher than expected profitability, while FIBRAPL was in line with expectations. In addition, Alfa, Alpek and Axtel will release their figures today

## Sovereign fixed income, currencies and commodities

- Gains in sovereign bonds with European assets adjusting up to -3bps, while the US Treasuries yield curve shows moderate gains on the short-end and slight pressures on the long-end. In the local market, yesterday the Mbonos' curve adjusted -1bp with the largest gains concentrated in the belly while the longer duration nodes were pressured by 1bp
- The dollar appreciated (DXY +0.1%) with mixed performance among G10 currencies although contained at +/-0.3%. EM also sees a similar balance with INR leading the gains (+0.6%) and TRY (-0.3%) as the weakest. USD/MXN appreciates 0.2% to 20.21 extending yesterday's gains
- Crude oil prices fall 1.1% on measures implemented by China aimed to stabilize its power supplies for the winter as the API report points to an increase in inventories. In metals, gold trades at 1,781 \$/oz t (+0.7%) and industrials print mixed variations

## Previous closing levels

|                        | Last       | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i>  |            |            |
| Dow Jones              | 35,457.31  | 0.6%       |
| S&P 500                | 4,519.63   | 0.7%       |
| Nasdaq                 | 15,129.09  | 0.7%       |
| IPC                    | 52,402.73  | -0.5%      |
| Ibovespa               | 110,672.80 | -3.3%      |
| Euro Stoxx 50          | 4,166.83   | 0.4%       |
| FTSE 100               | 7,217.53   | 0.2%       |
| CAC 40                 | 6,669.85   | 0.0%       |
| DAX                    | 15,515.83  | 0.3%       |
| Nikkei 225             | 29,215.52  | 0.7%       |
| Hang Seng              | 25,787.21  | 1.5%       |
| Shanghai Composite     | 3,593.15   | 0.7%       |
| <i>Sovereign bonds</i> |            |            |
| 2-year Treasuries      | 0.40       | -3pb       |
| 10-year Treasuries     | 1.64       | 4pb        |
| 28-day Cetes           | 4.83       | -6pb       |
| 28-day TIIE            | 4.98       | 0pb        |
| 2-year Mbono           | 6.20       | 2pb        |
| 10-year Mbono          | 7.47       | -2pb       |
| <i>Currencies</i>      |            |            |
| USD/MXN                | 20.25      | -0.8%      |
| EUR/USD                | 1.16       | 0.2%       |
| GBP/USD                | 1.38       | 0.5%       |
| DXY                    | 93.73      | -0.2%      |
| <i>Commodities</i>     |            |            |
| WTI                    | 82.96      | 0.6%       |
| Brent                  | 85.08      | 0.9%       |
| Mexican mix            | 77.78      | 0.5%       |
| Gold                   | 1,769.29   | 0.3%       |
| Copper                 | 470.30     | -0.5%      |

Source: Bloomberg

## Corporate Debt

- Fitch Ratings affirmed the ratings for Grupo Rotoplas and its sustainable bond AGUA 17-2X at 'AA(mex)' with a Stable outlook. The ratings reflect Rotoplas' competitive and strong position in the sectors it operates, as well as the exposure to the economic activity of the regions where it has presence
- Early partial amortization of Unirenta's ABS, UNIRECB 19, on October 28 for MXN 53.94 million. The issuance has an outstanding amount of MXN 213 million and is rated 'mxAAA' and 'HR AAA' by S&P Global and HR Ratings
- S&P Global confirmed the ratings for Almacénadora Afirme's commercial paper program at 'mxA-2' after the increase in the amount to MXN 9.0 billion

## 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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