

Financial Markets Daily

October 21, 2021

Main drivers for the financial markets today...

- **Stock markets lower, with the USD and government bond yields little changed as investors weigh corporate earnings, inflationary pressures due to rising commodity prices and the outlook for China's property sector**
- **Investors will focus on comments from Fed members Waller and Williams. Data releases in the US include existing home sales, initial jobless claims and the Philly Fed. We will also know October's consumer confidence in the Eurozone**
- **The FDA approved yesterday booster shots for Moderna and Johnson and Johnson vaccines. Pfizer/BioNTech informed that a large study showed that a booster fully restored protection against COVID-19, with an efficacy rate of 95.6%**
- **Negotiations among US legislators of president Biden's support package continue as differences remain between members of the Democratic Party. According to the Washington Post, the total amount could be reduced from the original proposal of US\$3.5 trillion to around US\$2 billion**
- **Mexico's retail sales in August surprised to the upside as they were unchanged, at 0.0% m/m (+7.2% y/y). Inside, we highlight a mixed performance, with a sizable decline in clothing and shoes, but a hefty rebound in online sales, in a backdrop of higher COVID-19 cases**
- **The Lower House approved earlier today, with 267 votes in favor, 210 against and zero abstentions, the Revenue Law for next year. With this, the initiative has been turned to the Senate**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Retail sales - Aug	% y/y	5.6	7.1	9.9
7:00	Retail sales* - Aug	% m/m	-1.2	-0.3	-0.4
<i>Turkey</i>					
7:00	Monetary policy decision (Central Bank of the T	%	--	17.0	18.0
<i>United States</i>					
8:30	Initial jobless claims* - Oct 16	thousands	298	300	293
8:30	Philadelphia Fed* - Oct	index	22.0	25.0	30.7
9:00	Fed's Waller, discusses de US economy				
10:00	Existing home sales** - Sep	millions	--	6.1	5.9
21:00	Fed's Williams, takes part in discussion hosted by the China 40 forum				
<i>Eurozone</i>					
10:00	Consumer confidence* - Oct	index	--	-5.0	-4.0

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	4,516.00	-0.3%
Euro Stoxx 50	4,160.03	-0.3%
Nikkei 225	28,708.58	-1.9%
Shanghai Composite	3,594.78	0.2%
<i>Currencies</i>		
USD/MXN	20.26	0.3%
EUR/USD	1.16	-0.1%
DX	93.65	0.1%
<i>Commodities</i>		
WTI	82.68	-1.4%
Brent	84.76	-1.2%
Gold	1,779.81	-0.1%
Copper	461.75	-2.5%
<i>Sovereign bonds</i>		
10-year Treasury	1.67	1pb

Source: Bloomberg

Document for distribution among public

Equities

- **Negative movements in equity markets due to concerns about inflationary pressures and the situation of the Chinese property sector (Evergrande crisis), while the earnings season continues, being positive so far. Thus, in Asia most markets closed negative. In turn, in Europe stocks drop and in the US the futures of main indices point to a negative opening (-0.3% on average), after Dow Jones hit new record highs in the previous session**
- **In the corporate front, out of the 29 S&P 500 companies scheduled to report today, 16 have already updated investors with outperforming estimates, including American Airlines, AT&T, Danaher, Dow Inc., and Southwest Airlines. Intel will publish its figures after the market closes. On the other hand, in Mexico, Alfa and Alpek raised their guidance following positive reports, while Axtel showed a weak performance in its two business units. Today Gfnorte, Hotel, Tlevisa, Volar, and Walmex will release their figures after the markets close**

Sovereign fixed income, currencies and commodities

- **Negative balance in global rates with European securities adjusting +2bps. Meanwhile, US Treasuries print a +1bp sell-off in the mid-end of the yield curve. In Mexico, the Mbonos' yield curve closed yesterday with adjustments of +4bps in long-term securities with the 10-year benchmark closing at 7.49%**
- **The USD advances amid a negative performance in most of the G10 and EM currencies. In the former, AUD leads losses (-0.3%) and in the latter, TRY trades as the weakest (-2.2%) followed by MXN which trades at 20.27 per dollar (-0.3%), after two positive sessions in a row**
- **Crude-oil falls after hitting multi-year highs yesterday, although prices are supported by higher demand due to shortages of natural gas as winter approaches. Negative performance in metals assimilating uncertainty about China's economic growth. Copper and Nickel print losses of 2.5% and 2.9%, in the same order**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,609.34	0.4%
S&P 500	4,536.19	0.4%
Nasdaq	15,121.68	0.0%
IPC	52,298.20	-0.2%
Ibovespa	110,786.40	0.1%
Euro Stoxx 50	4,172.17	0.1%
FTSE 100	7,223.10	0.1%
CAC 40	6,705.61	0.5%
DAX	15,522.92	0.0%
Nikkei 225	29,255.55	0.1%
Hang Seng	26,136.02	1.4%
Shanghai Composite	3,587.00	-0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	0.39	-1pb
10-year Treasuries	1.66	2pb
28-day Cetes	4.83	0pb
28-day TIE	4.98	0pb
2-year Mbono	6.23	4pb
10-year Mbono	7.49	3pb
<i>Currencies</i>		
USD/MXN	20.20	-0.2%
EUR/USD	1.17	0.2%
GBP/USD	1.38	0.2%
DX	93.56	-0.2%
<i>Commodities</i>		
WTI	83.87	1.1%
Brent	85.82	0.9%
Mexican mix	78.47	0.9%
Gold	1,782.08	0.7%
Copper	473.45	0.7%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings affirmed the ratings for Sicrea's ABS, SCRECB 16 / 16-2 at 'AAA(mex)vra' with a Stable outlook, based on the relative stability on the securitized credit portfolio and the increase in the issuances credit enhancers boosted by the accelerated amortization**
- **PCR Verum affirmed Grupo Elektra and its outstanding unsecured notes' ratings at 'AA/M' with a Stable outlook contemplating the good advance shown in its profitability recovery and net leverage, expecting that can retake pre-pandemic levels in the next 12 months**
- **Fibra Mty informed the early extension of the leasing contract for the 'Filios' portfolio, which represents 20% of their revenue, for three additional years (due 2031)**

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
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>

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