

# Financial Markets Daily

October 22, 2021

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

- **Stock markets positive, albeit futures in the US with small changes, government bond yields mixed and USD lower, with investors optimistic after Evergrande avoided a default with the payment of a coupon of US\$83.5 million before the weekend, still assimilating corporate results**
- **In the US, yesterday President Biden mentioned that there is not support within his party to increase taxes, explaining part of the decrease in the budget. In addition, he talked about the legislative roadblocks in other fronts, including the debt ceiling**
- **On monetary policy, attention will center on Fed Chairman Jerome Powell's comments at 11:00am (ET). During the day we will also have a participation of Mary Daly. In this context, the institution announced new trading rules for high functionaries. Meanwhile the Russian Central Bank hiked rates in a surprising manner to 7.50% (consensus: 7.00%) from 6.75%**
- **In the Eurozone, October's PMIs declined, highlighting the composite indicator at 54.3pts from 56.2pts. Inside, reports from several countries suggest that supply chain issues extended, with energy problems dampening dynamism further. In the US attention on these indicators, which will be released later**
- **In Mexico, inflation in 1H-October rose 0.54% 2w/2w, slightly above consensus, while the core increased 0.33%. With this, the annual comparison for the headline index came in at 6.13%, with the core at 5.12%**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	Manufacturing PMI (Markit)* - Oct (P)	index	--	57.0	58.6
4:00	Services PMI (Markit)* - Oct (P)	index	--	55.4	56.4
<i>Mexico</i>					
7:00	Consumer prices - Oct 15	% 2w/2w	0.52	0.52	0.21
7:00	Core - Oct 15	% 2w/2w	0.20	0.20	0.13
7:00	Consumer prices - Oct 15	% y/y	6.10	6.10	6.13
<i>United States</i>					
9:45	Manufacturing PMI (Markit)* - Oct (P)	index	60.0	60.5	60.7
9:45	Services PMI (Markit)* - Oct (P)	index	56.0	55.2	54.9
10:00	<b>Fed's Daly Discusses the Fed and Climate Change Risk</b>				
11:00	<b>Fed's Powell, takes part in a Policy panel discussion</b>				

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	4,546.50	0.1%
Euro Stoxx 50	4,195.57	1.0%
Nikkei 225	28,804.85	0.3%
Shanghai Composite	3,582.60	-0.3%
<i>Currencies</i>		
USD/MXN	20.25	-0.3%
EUR/USD	1.16	0.2%
DX	93.62	-0.2%
<i>Commodities</i>		
WTI	82.78	0.3%
Brent	85.01	0.5%
Gold	1,792.81	0.6%
Copper	459.35	0.8%
<i>Sovereign bonds</i>		
10-year Treasury	1.69	-2pb

Source: Bloomberg

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## Equities

- We conclude the week with positive bias in stock markets, after easing concerns from Evergrande crisis. Futures in the US with small changes, after a new all-time high in S&P500, though with some pressures on technology stocks after Snap disappointed
- As of today, ~22% companies from the S&P500 have reported and a 45.3% rise in earnings vs 28.3%e has been achieved. Positive surprise rate stands at 81.5%. We expect 8 companies to release its results, standing out American Express, Schlumberger and Honeywell
- Yesterday's results in Mexico include: Walmex, with higher profitability, though a tight valuation; Volar and Gmxt confirmed sound prospects, while recovery in Hotel figures continues. Finally, Televisa came in as expected, with profitability pressures, though an important recovery in Content

## Sovereign fixed income, currencies and commodities

- Mixed performance for global rates at the end of the week, holding pressures in European securities by 1-2bps, while the US Treasuries' curve takes a breather to yesterday's sell-off; however, it averages a +7bps adjustment in the week. Yesterday Mbonos sold-off 6bps, on average
- The USD weakens amid a positive widespread performance in EM and G10 currencies, with the first group highlighting RUB's performance (+1.3%), supported by its central bank rate hike. The Mexican peso gains 0.4% to 20.21 heading for a 0.5% appreciation in the week
- Crude oil prices resume its increase following a pause in yesterday's session, climbing today ~1% in main benchmarks where Brent breached higher the 86 US\$/bbl mark this week amid the deficit backdrop in energy markets. Metals trade positive supported by the USD weakness, although copper extends its recent profit taking

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,603.08	0.0%
S&P 500	4,549.78	0.3%
Nasdaq	15,215.70	0.6%
IPC	52,020.05	-0.5%
Ibovespa	107,735.00	-2.8%
Euro Stoxx 50	4,155.73	-0.4%
FTSE 100	7,190.30	-0.5%
CAC 40	6,686.17	-0.3%
DAX	15,472.56	-0.3%
Nikkei 225	28,708.58	-1.9%
Hang Seng	26,017.53	-0.5%
Shanghai Composite	3,594.78	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	0.45	7pb
10-year Treasuries	1.70	4pb
28-day Cetes	4.87	4pb
28-day TIE	4.99	1pb
2-year Mbono	6.74	51pb
10-year Mbono	7.55	6pb
<i>Currencies</i>		
USD/MXN	20.30	0.5%
EUR/USD	1.16	-0.2%
GBP/USD	1.38	-0.2%
DXY	93.77	0.2%
<i>Commodities</i>		
WTI	82.50	-1.6%
Brent	84.61	-1.4%
Mexican mix	77.64	-1.1%
Gold	1,782.90	0.0%
Copper	455.85	-3.7%

Source: Bloomberg

## Corporate Debt

- Today we expect the tap issue of Cetelem's unsecured note, CETELEM 21-3, for up to MXN 1.5 billion and a 2.9-year term. The bond will pay a floating rate referenced to the 28-day TIE with an 18bps spread. The assigned local scale ratings are 'AAA' by S&P Global and Fitch Ratings
- HR Ratings affirmed Alsea's ratings at 'HR A-' with a Stable outlook based on the company's EBITDA generation that reached a level of MXN 10.4 billion (+20.1% LTM as of 2T20)
- S&P Global Ratings confirmed IEnova's local scale ratings at 'mxAA+' and its global scale ratings at 'BBB' with a Negative outlook after the reorganization of its holding company

## 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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