

Financial Markets Daily

October 25, 2021

Main drivers for the financial markets today...

- Stock markets higher except for Japan, government bond yields up and USD mixed, with support from some positive news in earnings reports and China's higher liquidity injection, albeit somewhat cautious after warnings from Powell and Yellen that inflation could stay higher for longer
- This week, market attention will be on 3Q21 GDP in the US, Eurozone and Mexico. In addition, the earnings season gathers pace. In other events, we will watch closely the extraordinary meetings of EU energy ministers and between G-20 finance and health ministers
- Important monetary policy decisions, including in Canada, Brazil, Japan, the Eurozone and Colombia. We also highlight inflation in Brazil and the Eurozone (Oct)
- US data releases also include housing prices (Aug), new home sales, personal income and spending, PCE deflator, trade balance, durable goods orders (Sep), University of Michigan consumer confidence (Oct F), as well as initial jobless claims
- In other regions, we note Brazil's unemployment rate (Aug) and PMI manufacturing (Oct), along economic confidence in the Eurozone (Oct)
- In Mexico, INEGI released the monthly GDP-proxy (IGAE), down 1.6% m/m (4.3% y/y), and September's unemployment rate at 3.93% (sa). We will also know the trade balance, banking credit and public finance report (Sep). Lastly, the Mexican Senate has until October 31st to modify and approve the Revenue Law for 2022

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
	European Commission economic growth forecasts				
4:00	IFO Survey (business climate)* - Oct	index	--	98.0	98.8
Mexico					
7:00	Global economic activity indicator (IGAE) - Aug	% y/y	6.5	6.4	7.1
7:00	Global economic activity indicator (IGAE)* - Aug	% m/m	0.1	0.2	0.5
7:00	Unemployment rate - Sep	%	4.43	4.20	4.33

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.
Equity indices		
S&P 500 Futures	4,542.50	0.1%
Euro Stoxx 50	4,191.90	0.1%
Nikkei 225	28,600.41	-0.7%
Shanghai Composite	3,609.86	0.8%
Currencies		
USD/MXN	20.20	0.1%
EUR/USD	1.16	-0.2%
DX	93.74	0.1%
Commodities		
WTI	84.47	0.8%
Brent	86.15	0.7%
Gold	1,800.72	0.5%
Copper	451.90	0.5%
Sovereign bonds		
10-year Treasury	1.66	3pb

Source: Bloomberg

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Equities

- Stock markets with small changes and positive bias, awaiting a week where investors will be focused on big tech (FAANG index) earnings releases, while worries continue surrounding inflation pressures, as well as risks on COVID-19
- Futures in the US anticipate a slightly positive opening, with the S&P500 trading 0.1% above its theoretical value. Asia closed with Japan in the red, while mixed in China, following its central bank's liquidity injection, though with a delta variant rebound that might worsen. In Europe, basic-resources and banks lead gains, while telecoms and industrials are the main losers
- Today, 8 S&P500 companies will release its figures, standing out Facebook, while in Mexico we expect Asur, both after market close

Sovereign fixed income, currencies and commodities

- Negative balance in global rates, with European securities adjusting +1bp. Meanwhile, US Treasuries print a +3bps sell-off in the long-end of the yield curve. In Mexico, the Mbonos' yield curve closed last week with adjustments of +17bps, on average, with the 10-year benchmark ending at 7.58%
- The USD advances amid a mixed performance in G10 and EM currencies. In the former, movements are limited to +/- 0.3%, while in the latter TRY trades as the weakest (-1.4%) and MXN trades at 20.20 per dollar (-0.1%), after two positive sessions in a row
- Crude-oil reaches new multi-year highs assimilating the cautions tone from Saudi Arabia about boosting supply, with the market expecting higher demand. Favorable performance in metals with copper adjusting +1.0% and gold trading at 1,800 \$/t oz (+0.5%)

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	35,677.02	0.2%
S&P 500	4,544.90	-0.1%
Nasdaq	15,090.20	-0.8%
IPC	51,889.66	-0.3%
Ibovespa	106,296.20	-1.3%
Euro Stoxx 50	4,188.81	0.8%
FTSE 100	7,204.55	0.2%
CAC 40	6,733.69	0.7%
DAX	15,542.98	0.5%
Nikkei 225	28,804.85	0.3%
Hang Seng	26,126.93	0.4%
Shanghai Composite	3,582.60	-0.3%
Sovereign bonds		
2-year Treasuries	0.45	0pb
10-year Treasuries	1.63	-7pb
28-day Cetes	4.90	3pb
28-day TIE	4.99	0pb
2-year Mbono	6.80	6pb
10-year Mbono	7.59	4pb
Currencies		
USD/MXN	20.18	-0.6%
EUR/USD	1.16	0.2%
GBP/USD	1.38	-0.3%
DXY	93.64	-0.1%
Commodities		
WTI	83.76	1.5%
Brent	85.53	1.1%
Mexican mix	78.52	1.1%
Gold	1,792.65	0.5%
Copper	449.80	-1.3%

Source: Bloomberg

Corporate Debt

- HR Ratings revised downwards the rating for issuance ZKCCB 17 (ABS) to 'HR AA+ (E)' from 'HR AAA (E)', keeping the outlook Negative. The revision is based on the constant restructuring processes and modifications to the Trust's real estate portfolio
- HR Ratings affirmed Monex SAB's rating at 'HR A+' and Banco Monex' rating at 'HR AA-' with a Stable outlook. The ratings are based on the bank's adequate solvency position which stood above the observed as of 2Q20
- HR ratings affirmed Consubanco's ratings at 'HR A' with a Stable outlook based on the bank's solvency profile

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 Thalia 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>
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