

Financial Markets Daily

October 26, 2021

Main drivers for the financial markets today...

- Stock markets and futures in the US positive, supported by encouraging corporate reports which continue compensating for inflation concerns and a more restrictive stance from central banks that could affect the pace of the global recovery. Meanwhile, the USD, government bond yields and commodities backtrack marginally
- In China, Modern Land China Co. joined the real estate developers' group that has missed bond payments, stating "unexpected liquidity problems" and impacting the sector in local markets. In this context, the Chinese government is pressuring Evergrande's owner, Hui Ka Yan to use his personal wealth to pay for his company's debt
- On trade, high level functionaries from the US (Treasury Secretary) and China (Vice Minister of Economic Affairs) resumed talks, with a call detailed as constructive, expecting to maintain a favorable communication channel. In the legislative front, Democrats are nearing an agreement on the fiscal package, albeit still with some pushback from the progressive wing. It is expected that this week the House will vote on the infrastructure package (US\$550 billion) which has already been approved by the Senate
- In the US, attention on October's consumer confidence, expecting a slight decline, and housing sector data. In Brazil, 1H-October inflation to be released, expecting price pressures to continue
- On news regarding the virus, China has stated to vaccinate children as little as 3-years old, this in a context in which there has been a spike in cases. In addition, the US published new travel requirements, in which foreign visitors must be fully vaccinated and show a negative test

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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|--|-----------|---------|--------|----------|
| <i>Brazil</i> | | | | | |
| 8:00 | Consumer prices - Oct | % 2w/2w | -- | 1.00 | 1.14 |
| 8:00 | Consumer prices - Oct | % y/y | -- | 10.12 | 10.05 |
| <i>United States</i> | | | | | |
| 9:00 | S&P/CoreLogic housing prices - Aug | % y/y | -- | 20.0 | 20.0 |
| 10:00 | New home sales** - Sep | thousands | -- | 756 | 740 |
| 10:00 | Consumer confidence* - Oct | index | 106.0 | 108.5 | 109.3 |
| <i>Mexico</i> | | | | | |
| 10:00 | International reserves - Oct 22 | US\$bn | -- | -- | 198.5 |
| 12:30 | Government weekly auction: 1-, 3-, 6- 12- month CETES; 5-year Mbono (Mar'27); 10-year UdiBono (Nov'31) and 5-year Bondes F | | | | |

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 | 4,576.00 | 0.4% |
| Euro Stoxx 50 | 4,222.46 | 0.8% |
| Nikkei 225 | 29,106.01 | 1.8% |
| Shanghai Composite | 3,597.64 | -0.3% |
| <i>Currencies</i> | | |
| USD/MXN | 20.14 | -0.2% |
| EUR/USD | 1.16 | 0.1% |
| DX | 93.74 | -0.1% |
| <i>Commodities</i> | | |
| WTI | 84.04 | 0.3% |
| Brent | 86.11 | 0.1% |
| Gold | 1,802.98 | -0.3% |
| Copper | 451.60 | -0.3% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 1.62 | -2pb |

Source: Bloomberg

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Equities

- **Positive movements in most equity markets due to positive corporate earnings results in Europe (such as Novartis and UBS) and the US, amid concerns about inflation and global deceleration, as well as the situation of the China's property sector. Out of the 40 S&P 500 companies scheduled to report today, 16 have already updated investors with most outperforming estimates, including 3M and General Electric. Alphabet and Microsoft will publish their figures after the market closes**
- **In Asia the markets closed mixed. In Europe stocks advance, the Euro Stoxx adds 0.8%. In turn, in the US the futures of main indices point to a positive open by rising 0.5% on average, even after the Dow Jones and S&P 500 hit new record highs in the previous session**
- **In Mexico, yesterday Asur reported a positive quarter that exceeded expectations, so we expect a positive reaction. Reports from Gcc, Gmexico, Mega, Oma, and Soriana are expected today**

Sovereign fixed income, currencies and commodities

- **Modest changes in rates from sovereign bonds, holding a mostly positive tone with European securities and US Treasuries strengthening by 2bps. Yesterday Mbonos took a breather from recent pressures, with the yield curve rallying 4bps excluding the longest-end that adjusted +1bp**
- **The USD weakens amid widespread gains in G10 currencies excluding the JPY (-0.3%) with GBP leading the appreciation (+0.4%). In EM balance is positive, TRY outperforms (+1.7%), and the MXN gains 0.2% to 20.14 per dollar scoring 3 positive sessions in a row**
- **Crude oil reverts some moderation in its recent price increase earlier today under a session with a modestly negative tone for commodities broadly, although markets hold a strong expectation of a deficit backdrop that has pushed WTI and Brent to multiyear high prices. Metals hold modest losses**

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 35,741.15 | 0.2% |
| S&P 500 | 4,566.48 | 0.5% |
| Nasdaq | 15,226.71 | 0.9% |
| IPC | 51,833.80 | -0.1% |
| Ibovespa | 108,714.60 | 2.3% |
| Euro Stoxx 50 | 4,188.31 | 0.0% |
| FTSE 100 | 7,222.82 | 0.3% |
| CAC 40 | 6,712.87 | -0.3% |
| DAX | 15,599.23 | 0.4% |
| Nikkei 225 | 28,600.41 | -0.7% |
| Hang Seng | 26,132.03 | 0.0% |
| Shanghai Composite | 3,609.86 | 0.8% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 0.44 | -2pb |
| 10-year Treasuries | 1.63 | 0pb |
| 28-day Cetes | 4.92 | 2pb |
| 28-day TIIE | 5.00 | 0pb |
| 2-year Mbono | 6.74 | -6pb |
| 10-year Mbono | 7.57 | -2pb |
| <i>Currencies</i> | | |
| USD/MXN | 20.17 | 0.0% |
| EUR/USD | 1.16 | -0.3% |
| GBP/USD | 1.38 | 0.1% |
| DX-Y | 93.81 | 0.2% |
| <i>Commodities</i> | | |
| WTI | 83.76 | 0.0% |
| Brent | 85.99 | 0.5% |
| Mexican mix | 78.90 | 0.5% |
| Gold | 1,807.73 | 0.8% |
| Copper | 452.80 | 0.7% |

Source: Bloomberg

Corporate Debt

- **After the results of placements so far in October (MXN 30.1 billion), what was issued exceeds the same month of 2020 (3.8% YoY), and is slightly below May (MXN 31.7 billion), which remains as the month with the highest amount issued in the year**
- **Fitch Ratings affirmed Metrofinanciera ('B + (mex)' with an Evolving Outlook) rating as Primary Administrator of Financial Assets in 'AAFC3- (mex)' with a Stable Outlook. According to the agency, Metrofinanciera had important changes in its senior management with the appointment of a new CEO and the renewal of half of it. The changes, led by Sociedad Hipotecaria Federal, were due to the updating of the strategy aimed at improving financial conditions and the digitization and automation of processes**

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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|-------------|--|
| 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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