

Financial Markets Daily

October 27, 2021

Main drivers for the financial markets today...

- **Stock markets trading lower, government bond yields to the downside and USD stable after mixed corporate reports and the return of global growth concerns. Moreover, political tensions between the US and China resurface**
- **Investors focused on monetary policy decisions, including Brazil –where consensus sees a 150bps hike–, Canada and Japan. The US economic agenda includes trade balance and durable goods orders, while Brazil publishes the unemployment rate**
- **The German government cut its growth forecast for this year to 2.6% from 3.5%, reflecting the impact from scarcity of raw materials and higher energy prices. In addition, they increased their 2022 estimate from 3.6% to above 4%. This heightens concerns about economic dynamism in the region**
- **One of China's main regulators called for companies in several industries to make "active preparations" to meet payments of offshore bonds and to "optimize their foreign debt structure". This happens as concerns remain about Evergrande and the ability of lower-rated companies to meet their financial obligations**
- **In Mexico, September's trade balance showed a US\$2,398.4 million deficit, with exports rebounding 3.0% m/m and imports weaker, at -0.5% m/m**
- **Moreover, the Mexican Senate approved a few hours ago the tax code, Federal Rights Law and Revenue Law for 2022. There were slight modifications, so they will be sent to the President for their approval**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Trade balance - Sep	US\$m	-3,028.8	-2,543.7	-3,902.2
<i>Brazil</i>					
8:00	Unemployment rate - Aug	%	--	13.5	13.7
17:30	Monetary policy decision (Central bank of Braz	%	7.3	7.25	6.25
<i>United States</i>					
8:30	Trade balance* - Sep	US\$b	--	-88.3	-87.6
8:30	Durable goods orders* - Sep (P)	% m/m	--	-1.0	1.8
8:30	Ex transportation* - Sep (P)	% m/m	--	0.4	0.3
<i>Japan</i>					
	Monetary policy decision (BoJ)	%	--	-0.10	-0.10

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	4,563.25	0.0%
Euro Stoxx 50	4,219.32	-0.1%
Nikkei 225	29,098.24	0.0%
Shanghai Composite	3,562.31	-1.0%
<i>Currencies</i>		
USD/MXN	20.21	0.0%
EUR/USD	1.16	0.1%
DX	93.89	-0.1%
<i>Commodities</i>		
WTI	83.60	-1.2%
Brent	85.36	-1.2%
Gold	1,790.91	-0.1%
Copper	442.40	-1.4%
<i>Sovereign bonds</i>		
10-year Treasury	1.59	-2pb

Source: Bloomberg

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Equities

- **Negative equity markets, trimming the gains of previous days where the S&P and Dow Jones recorded new highs. This follows the release of mixed reports in Europe and concerns about the ban on China Telecom's American business**
- **The S&P500 futures are little changed, with 45 S&P500 companies reporting today, with Coca-Cola and McDonalds reporting above expectations, and awaiting GM and Ford figures. In Europe, the Stoxx 600 is down 0.3%, while Asia also showed declines**
- **In Mexico, yesterday, Gcc's report was positive due to higher volumes and prices, and also Oma for its great increase in profitability; while Mega reported in line, supported by the growth in subscribers. Today, figures from Chdraui, Gap, Gentera, Kof, Lab, Lacomar and Orbia are expected**

Sovereign fixed income, currencies and commodities

- **Gains in sovereign bonds with European assets adjusting as much as -5bps, while the US Treasury curve flattens with 2bps pressures on the short-end and 2bps gains on the long-end. In Mexico, yesterday the Mbonos' curve steepened with 1bp gains on the short-end and 2bps pressures on long-term tenors**
- **The dollar trades with few changes while a negative bias prevails in G10 currencies with NOK (-0.5%) leading the declines. In the EM group, performance is mixed, TRY appreciates 0.3% and ZAR (-1.1%) is the weakest while MXN trades at 20.23 depreciating 0.1%**
- **Crude oil prices fall 1.3% on lower appetite for risk assets as markets await EIA inventories. In metals, gold falls 0.2% to 1,789 \$/oz t while industrials trade in negative territory, among which copper falls 1.6%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,756.88	0.0%
S&P 500	4,574.79	0.2%
Nasdaq	15,235.71	0.1%
IPC	52,206.59	0.7%
Ibovespa	106,419.50	-2.1%
Euro Stoxx 50	4,223.97	0.9%
FTSE 100	7,277.62	0.8%
CAC 40	6,766.51	0.8%
DAX	15,757.06	1.0%
Nikkei 225	29,106.01	1.8%
Hang Seng	26,038.27	-0.4%
Shanghai Composite	3,597.64	-0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	0.44	0pb
10-year Treasuries	1.61	-2pb
28-day Cetes	4.93	1pb
28-day TIE	5.00	0pb
2-year Mbono	6.73	-1pb
10-year Mbono	7.58	0pb
<i>Currencies</i>		
USD/MXN	20.21	0.2%
EUR/USD	1.16	-0.1%
GBP/USD	1.38	0.0%
DXY	93.95	0.1%
<i>Commodities</i>		
WTI	84.65	1.1%
Brent	86.40	0.5%
Mexican mix	79.22	0.4%
Gold	1,792.91	-0.8%
Copper	448.60	-0.9%

Source: Bloomberg

Corporate Debt

- **For today, three Bancomext's (Development Bank) sustainable bonds are expected for a target amount of MXN 5 billion (maximum MXN 10 billion). The BACMEXT 21X / 21-2X / 21-3X issuances will have terms of 3, 5 and 10 years and are rated 'AAA' by Moody's and Fitch Ratings**
- **Credito Real announced the sale of a part in the SME business assets in Mexico. The price of sale was agreed for the outstanding balance of the assets plus a premium, which is equivalent to approximately MXN 1.5 billion**
- **Fibra Storage announced the acquisition of assets operated under the Guardabox brand. The payment that the rate will make for this transaction is approximately MXN 103 million**

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
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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