

Financial Markets Daily

October 29, 2021

Main drivers for the financial markets today...

- **Negative stock markets, government bond yields and USD up, digesting a higher CPI in the Eurozone –adding pressures to global monetary policy– and lower than expected results from Apple and Amazon –enhancing concerns about supply-chain snarls and higher commodities prices–**
- **Regarding economic figures in the US, the September personal income and expenditure report will be released, highlighting the PCE deflator. On other topics, Biden released an outline of his \$1.75 trillion economic agenda (down from the \$3.5 trillion originally proposed). The child care tax credit will be extended, higher taxes for high-income people, and universal preschool for 3- and 4-year-olds**
- **Data in the Eurozone showed a good economic recovery in the region, but accompanied by inflationary pressures. GDP posted a 2.2% q/q increase in 3Q21, while, inflation accelerated even more in October with the annual variation at 4.1% y/y (previously 3.4% y/y), above the estimate and exceeding 4% for the second time in history**
- **In Mexico, INEGI published 3Q21 preliminary GDP, posting a 0.2% q/q decline, below expectations. In annual terms (nsa) activity stood at 4.6% (previous: 19.6%), still skewed to the upside albeit less so than in the previous quarter. By sectors, primary activities rose 0.7% q/q (+0.7% y/y), with industry at +0.7% q/q (+5.3% y/y), and services at -0.6% q/q (+4.1% y/y), with the latter affected more by the 'third wave' of COVID-19. Banking credit figures and public finances will also be released**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Gross domestic product - 3Q21 (P)	% y/y	5.4	6.2	19.6
7:00	Gross domestic product - 3Q21 (P)	% q/q	0.1	0.1	1.5
10:00	Banking credit - Sep	% y/y in real	-8.4	--	-8.6
15:30	Public finances (PSBR, year-to-date) - Sep	MXNmn	--	--	-451.6
<i>United States</i>					
8:30	Personal income* - Sep	% m/m	--	-0.2	0.2
8:30	Real personal spending* - Sep	% m/m	--	0.3	0.4
8:30	PCE Deflator - Sep	% y/y	--	4.4	4.3
8:30	Core - Sep	% y/y	--	3.7	3.6
<i>Colombia</i>					
14:00	Monetary policy decision (BanRep)	%	--	2.25	2.00

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	4,565.25	-0.5%
Euro Stoxx 50	4,209.80	-0.6%
Nikkei 225	28,892.69	0.3%
Shanghai Composite	3,547.34	0.8%
<i>Currencies</i>		
USD/MXN	20.46	0.4%
EUR/USD	1.17	-0.2%
DX	93.53	0.2%
<i>Commodities</i>		
WTI	82.96	0.2%
Brent	84.52	0.2%
Gold	1,794.58	-0.2%
Copper	443.90	0.0%
<i>Sovereign bonds</i>		
10-year Treasury	1.60	2pb

Source: Bloomberg

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Equities

- **Stock markets negative, excluding China and Japan that closed in the green, as inflation concerns continue enhancing rate hikes.**
- **Futures in the US anticipate a negative opening, with the S&P500 trading 0.5% below its theoretical value, after reaching new highs yesterday along with the Nasdaq, after disappointing results from Apple and Amazon**
- **Today we expect 16 companies from the S&P500 to release its results, standing out Exxon Mobil and Chevron. Around 43% of earnings have been released and a 33.5% rise vs 28.3%e has been achieved, with a positive surprise rate at 81.8%. In Mexico, the 3Q21 earnings season concluded yesterday, with Alsea's results showing a faster recovery than expected, while Femsa came in line with expectations, standing out its growth in all its business segments**

Sovereign fixed income, currencies and commodities

- **The sell-off bias remains for sovereign bonds with European securities adjusting +5bps in developed ones and of up +15bps in peripherals, with the market assimilating the elevated inflation prints in the region and Lagarde's comments yesterday. US Treasuries average losses of 2bps**
- **The DXY resumes gains after two days of losses as a result of a negative balance in G10 currencies, while in EM pairs the tone is mixed with Asian currencies defensive while ZAR and TRY underperform (-0.6%). The MXN depreciates 0.5% to 20.46 per dollar**
- **Mixed performance in commodities, with slight gains in crude oil futures after a volatile week that took WTI to its highest in 7 years to levels of up to 85 US\$/bbl. The following week eyes will be on OPEC+ meeting. In the metals' space precious and industrials fall modestly**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,730.48	0.7%
S&P 500	4,596.42	1.0%
Nasdaq	15,448.12	1.4%
IPC	51,248.84	-0.9%
Ibovespa	105,705.00	-0.6%
Euro Stoxx 50	4,233.87	0.3%
FTSE 100	7,249.47	-0.1%
CAC 40	6,804.22	0.8%
DAX	15,696.33	-0.1%
Nikkei 225	28,820.09	-1.0%
Hang Seng	25,555.73	-0.3%
Shanghai Composite	3,518.42	-1.2%
<i>Sovereign bonds</i>		
2-year Treasuries	0.49	-1pb
10-year Treasuries	1.58	4pb
28-day Cetes	4.97	5pb
28-day TIE	5.00	0pb
2-year Mbono	6.83	9pb
10-year Mbono	7.55	1pb
<i>Currencies</i>		
USD/MXN	20.37	0.3%
EUR/USD	1.17	0.7%
GBP/USD	1.38	0.3%
DXY	93.35	-0.5%
<i>Commodities</i>		
WTI	82.81	0.2%
Brent	84.32	-0.3%
Mexican mix	77.19	-0.4%
Gold	1,798.91	0.1%
Copper	443.85	1.1%

Source: Bloomberg

Corporate Debt

- **Banco Invex, Fiduciary of the DOIXCB 15 / 15U issues (Desarrolladora y Operadora de Infraestructura de Oaxaca's FF) informed that Prevención y Readaptación Social (contractor) made the payment of more than two months owed, releasing the non-compliance event**
- **Notification of partial early amortization due to cash sweep of IPORCB 19 / 19U (Operadora Metropolitana de Carreteras FF) issuances on November 1st for MXN 36.02 million**
- **Fitch Ratings ratified IFREM (Instituto de la Función Registral del Estado de México) PROIN 10 / 10-2 issuances rating at 'AAA (mex)'. The rating is linked to the risk of the guarantor (IFREM) since the corresponding guarantee has characteristics that allow it to fully protect investors**

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>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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