

# Financial Markets Daily

November 1, 2021

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

- **Stock markets higher except China –affected by weak PMIs–, government bond yields up and USD mixed, with optimism about the recovery as expressed by secretary Yellen and its effect on corporate earnings, which keep surprising higher. This is also supported by the possible agreement on social spending among Democrats. Nevertheless, some concerns remain about higher inflation**
- **This week, market attention on the Fed's monetary policy decision, in which we expect the tapering announcement. Also, October's nonfarm payrolls, with our estimate at 350k jobs and unemployment rate to 4.7%**
- **In monetary policy, decisions also by the BoE –which could even hike the reference rate–, Australia, Malaysia, Poland, and Norway. Also, the latest meeting minutes from Brazil's central bank and comments by Quarles from the Fed**
- **US data releases also include the ADP employment report, ISM manufacturing and services (Oct), factory orders, trade balance, consumer credit (Sep) and weekly initial jobless claims**
- **In China, Caixin's PMI services and composite (Oct). The unemployment rate and retail sales (Sep) in the Eurozone. Brazil will release industrial production (Sep)**
- **In Mexico, Daylight Saving Time ended, so the stock market will open at 7:30am local time. Markets closed on Tuesday because of the Day of the Dead. Data includes family remittances (sep) IMEF's PMIs, consumer confidence (Oct) and the expectations survey by Banxico**

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## The most relevant economic data...

|                      | Event/Period  | Unit  | Banorte | Survey  | Previous |
|----------------------|---|-------|---------|---------|----------|
| <i>Brazil</i>        |   |       |         |         |          |
| 9:00                 | Manufacturing PMI* - Oct  | index | --      | --      | 54.4     |
| <i>United States</i> |   |       |         |         |          |
| 9:45                 | Manufacturing PMI (Markit)* - Oct (F)   | index | 59.2    | 59.3    | 59.2     |
| 10:00                | ISM manufacturing* - Oct  | index | 60.3    | 60.5    | 61.1     |
| <i>Mexico</i>        |   |       |         |         |          |
| 11:00                | Family remittances - Sep  | US\$m | 4,509.1 | 4,475.0 | 4,743.6  |
| 11:00                | Survey of expectations (Banxico)  |       |         |         |          |
| 13:30                | Government weekly auction: 1-, 3-, 6- 12- month CETES; 30-year Mbono (Nov'47); 20-year Udibono (Nov'35) and 1, 2, and 3-year Bondes F |       |         |         |          |
| 14:00                | PMI manufacturing (IMEF)* - Oct   | index | 50.5    | --      | 49.8     |
| 14:00                | PMI non-manufacturing (IMEF)* - Oct   | index | 51.2    | --      | 50.1     |

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        | 4,615.75  | 0.4%       |
| Euro Stoxx 50          | 4,275.40  | 0.6%       |
| Nikkei 225             | 29,647.08 | 2.6%       |
| Shanghai Composite     | 3,544.48  | -0.1%      |
| <i>Currencies</i>      |           |            |
| USD/MXN                | 20.67     | 0.5%       |
| EUR/USD                | 1.16      | 0.1%       |
| DX                     | 94.09     | 0.0%       |
| <i>Commodities</i>     |           |            |
| WTI                    | 83.92     | 0.4%       |
| Brent                  | 84.30     | -0.1%      |
| Gold                   | 1,786.59  | 0.2%       |
| Copper                 | 435.30    | -0.3%      |
| <i>Sovereign bonds</i> |           |            |
| 10-year Treasury       | 1.58      | 3pb        |

Source: Bloomberg

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## Equities

- **Equity markets kicked-off November with mostly positive performance, as investors are encouraged by an earnings season that has exceeded expectations, temporarily easing concerns about inflationary pressures. In the corporate front, out of the 168 S&P500 companies scheduled to report this week, 15 will release their results today. Simon Property Group will publish its figures after the market closes**
- **In Asia, markets closed mixed. In Europe, stocks advance to record levels, with the Euro Stoxx adding 0.6%. Shares from financial, healthcare, and real estate sectors lead gains. In turn, US futures of main indices point to a positive open by rising 0.3% on average, even after all 3 hit new record highs in the previous session**
- **In Mexico, the Mexbol may stand above the 51,450 pts**

## Sovereign fixed income, currencies and commodities

- **Pressures in global rates with European securities adjusting +5bps, on average. Meanwhile, US Treasuries print a +4bps sell-off from the 5-year node onwards. In Mexico, the Mbonos' yield curve flattened last week, with the 10-year benchmark closing at 7.49% (-9bps w/w)**
- **The USD trades fairly unchanged amid a positive performance in G10, where NOK leads gains (+0.4%). In the EM universe, bias is mixed with THB as the weakest (-0.8%) and MXN trading at 20.67 per dollar (-0.5%), after a weekly depreciation of 1.9%**
- **Crude-oil advances with the spotlight in the OPEC+ Ministerial Meeting on Thursday, without expected changes in the current output strategy (+400 Kbb/d each month). Mixed performance in metals with losses in industrials assimilating fears of lower Chinese demand**

## Previous closing levels

|                        | Last       | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i>  |            |            |
| Dow Jones              | 35,819.56  | 0.2%       |
| S&P 500                | 4,605.38   | 0.2%       |
| Nasdaq                 | 15,498.39  | 0.3%       |
| IPC                    | 51,309.84  | 0.1%       |
| Ibovespa               | 103,500.70 | -2.1%      |
| Euro Stoxx 50          | 4,250.56   | 0.4%       |
| FTSE 100               | 7,237.57   | -0.2%      |
| CAC 40                 | 6,830.34   | 0.4%       |
| DAX                    | 15,688.77  | 0.0%       |
| Nikkei 225             | 28,892.69  | 0.3%       |
| Hang Seng              | 25,377.24  | -0.7%      |
| Shanghai Composite     | 3,547.34   | 0.8%       |
| <i>Sovereign bonds</i> |            |            |
| 2-year Treasuries      | 0.50       | 1pb        |
| 10-year Treasuries     | 1.55       | -3pb       |
| 28-day Cetes           | 5.02       | 5pb        |
| 28-day TIEE            | 5.00       | 0pb        |
| 2-year Mbono           | 6.91       | 8pb        |
| 10-year Mbono          | 7.51       | -5pb       |
| <i>Currencies</i>      |            |            |
| USD/MXN                | 20.56      | 0.9%       |
| EUR/USD                | 1.16       | -1.1%      |
| GBP/USD                | 1.37       | -0.8%      |
| DXY                    | 94.12      | 0.8%       |
| <i>Commodities</i>     |            |            |
| WTI                    | 83.57      | 0.9%       |
| Brent                  | 84.38      | 0.1%       |
| Mexican mix            | 77.60      | 0.5%       |
| Gold                   | 1,783.38   | -0.9%      |
| Copper                 | 436.80     | -1.6%      |

Source: Bloomberg

## Corporate Debt

- **HR Ratings affirmed the ratings for issuances LPSLCB 14U / 14-2U at 'HR AAA (E)' and its subordinated bond LIPSBCB 14U at 'HR AA+ (E)' with a Stable outlook, based on the deduction levels that the payment source of the issuance can hold in a stress scenario**
- **S&P Global Ratings withdrew the rating for Grupo Aeroportuario del Centro Norte (OMA) and its unsecured note OMA 13, by request of the issuer. The ratings were at 'mxAAA' with a Stable outlook**
- **Fitch Ratings assigned an 'A+(mex)' rating to the proposed green bonds of Fibra Shop, FHSOP 21V / 21UV, intended to be issued for up to MXN 2.0 billion**

## Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, 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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