

# Financial Markets Daily

November 3, 2021

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

- Stock markets with few changes, government bond yields down & USD stable with investors awaiting the Fed's monetary policy decision, in a backdrop characterized by inflationary pressures and headwinds for the economic recovery
- We expect the FOMC to announce that tapering will begin in December. Likewise, we believe that what Powell already commented that the process will most likely end in the middle of next year will be reaffirmed. With a steady pace per month and purchases currently at \$120 billion in assets, the reduction would be just under \$20 billion a month
- As for economic figures in the US, the ADP employment report for October was published with the creation of 571k jobs, above the 400k expected by the consensus. The report is positive, but it should be remembered that the correlation with the non-farm payroll figures that will be published on Friday is low. Later the ISM non manufacturing and factory orders will be released
- In Brazil, Copom's last meeting minutes will be published, where the central bank decided to accelerate the cycle of hikes with an increase in the Selic rate of 150bp

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>United States</b>					
8:15	ADP employment* - Oct	thousands	390	400	568
10:00	ISM services* - Oct	index	62.5	62.0	61.9
10:00	Factory orders* - Sep	% m/m	--	0.0	1.2
10:00	Ex transportation* - Sep	% m/m	--	0.5	0.5
10:00	Durable goods orders* - Sep (F)	% m/m	--	-0.4	-0.4
10:00	Ex transportation* - Sep (F)	% m/m	--	--	0.4
14:00	FOMC Rate Decision (Upper Bound)	%	0.25	0.25	0.25
14:00	FOMC Rate Decision (Lower Bound)	%	0.00	0.00	0.00
14:00	Interest Rate on Excess Reserves (IOER)	%	0.15	0.15	0.15
14:30	Powell Holds Post-FOMC Meeting Press Conference				
<b>Mexico</b>					
11:00	International reserves - Oct 29	US\$b	--	--	198.5

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.
<b>Equity indices</b>		
S&P 500 Futures	4,618.00	-0.1%
Euro Stoxx 50	4,301.47	0.1%
Nikkei 225	29,520.90	0.0%
Shanghai Composite	3,498.54	-0.2%
<b>Currencies</b>		
USD/MXN	20.82	0.2%
EUR/USD	1.16	0.1%
DX	94.02	-0.1%
<b>Commodities</b>		
WTI	81.89	-2.4%
Brent	83.00	-2.0%
Gold	1,778.39	-0.5%
Copper	439.70	0.7%
<b>Sovereign bonds</b>		
10-year Treasury	1.53	-1pb

Source: Bloomberg

## Equities

- Mixed movements in the stock markets, after three consecutive sessions of the main US indices at record highs and with small changes in their futures today, awaiting the Fed's monetary policy decision in which the start of tapering is expected to be announced
- In Europe, the Stoxx 600 remains unchanged, with 12 of 20 sectors in positive territory. Meanwhile, in Asia, variations were mixed, with the main markets in China retreating after the Chinese premier warned of new downward pressures for the economy, and the Nikkei closed for holidays. In Mexico, trading will resume after yesterday's holiday and the Mexbol could reach around 51,800 points
- On the corporate front, 43 S&P500 companies will present their figures, highlighting Booking Holdings, CVS Health, Exelon, Metlife and Qualcomm

## Sovereign fixed income, currencies and commodities

- Gains in sovereign bonds with European assets adjusting up to -5bps in the periphery while the US Treasury curve flattens with -2bps gains concentrated in the long-term tenors. In Mexico, markets remained closed yesterday due to the holiday, on Monday the Mbonos' curve registered pressures of 10bps on average
- The dollar trades with few changes allowing a positive, albeit limited, performance in developed currencies where CHF (+0.4%) leads the gains. In the EM group, dynamics are mixed with TRY (-0.7%) being the weakest while USD/MXN appreciates marginally to 20.77 per dollar
- Crude oil prices fall 1.9% on average incorporating a normalization of global monetary policy that could represent a headwind for demand. In metals, gold falls 0.2% to 1,784 \$/oz t while in industrials the balance is mixed

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	36,052.63	0.4%
S&P 500	4,630.65	0.4%
Nasdaq	15,649.60	0.3%
IPC	51,653.26	0.0%
Ibovespa	105,550.90	0.0%
Euro Stoxx 50	4,296.22	0.4%
FTSE 100	7,274.81	-0.2%
CAC 40	6,927.03	0.5%
DAX	15,954.45	0.9%
Nikkei 225	29,520.90	-0.4%
Hang Seng	25,099.67	-0.2%
Shanghai Composite	3,505.63	-1.1%
<b>Sovereign bonds</b>		
2-year Treasuries	0.45	-5pb
10-year Treasuries	1.55	-1pb
28-day Cetes	4.99	-5pb
28-day TIE	5.00	0pb
2-year Mbono	7.00	0pb
10-year Mbono	7.61	0pb
<b>Currencies</b>		
USD/MXN	20.78	-0.3%
EUR/USD	1.16	-0.2%
GBP/USD	1.36	-0.4%
DX	94.09	0.2%
<b>Commodities</b>		
WTI	83.91	-0.2%
Brent	84.72	0.0%
Mexican mix	77.60	0.0%
Gold	1,787.76	-0.3%
Copper	436.60	-0.6%

Source: Bloomberg

## Corporate Debt

- Médica Sur informed that it closed the sale of its subsidiary Laboratorios Médico Polanco to SYNLAB International GmbH. The transaction price is integrated by a base price of MXN 2.25 billion, plus a variable part subject to some agreed terms for 2021 and 2022
- Fitch Ratings affirmed Red de Carreteras de Occidente's outstanding notes' local and international scale ratings at 'AAA(mex)' and 'BBB' and revised the outlook to Stable from Negative reflecting Fitch's alleviated concerns regarding the assets' full recovery to pre-pandemic traffic levels
- HR Ratings affirmed the rating for Crédito Real's ABS, CREALCB 17, at 'HR AAA (E)' with a Stable outlook

## Certification of Analysts.

We, Alejandro Padilla Santana, 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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<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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