

Financial Markets Daily

November 4, 2021

Main drivers for the financial markets today...

- Positive stock markets, USD up and government bond yields down, digesting Fed's decision (start of tapering this month and signals of hiking rates in late 2022) and good earnings reports (81% beating expectations), in a context of headwinds for the economy and inflationary pressures
- In the meeting today, the OPEC+ is expected to keep the agreement on production unchanged until December, ignoring calls from oil consumers, including the US, who are asking for a strong increase to stop the rise in oil prices
- Despite speculation about a possible hike, the Bank of England decided to keep the benchmark rate unchanged at 0.10%, with a 7-2 split decision. Likewise, it kept its asset purchase program unchanged
- In the US, Democrat Terry McAuliffe lost the Virginia gubernatorial election, while Phil Murphy, also a Democrat, was victorious in New Jersey. Democrats consider this to be a warning sign about the possible results in the midterm elections of 2022, where there is fear of losing control of one or both houses in Congress
- Regarding economic figures, in the US, jobless claims for the week ending October 30 were released, at 269k, below the consensus estimate of 275k and the previous figure of 281k

Alejandro Padilla

Executive Director of Economic Research and Financial Markets Strategy
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA

Director of Economic Research
juan.alderete.macal@banorte.com

Manuel Jiménez

Director of Market Strategy
manuel.jimenez@banorte.com


www.banorte.com


@ analisis_fundam

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
UK					
8:00	Monetary policy decision (BoE)	%	0.25	0.10	0.10
Brazil					
8:00	Industrial production - Sep	% y/y	--	-3.8	-0.7
8:00	Industrial production* - Sep	% m/m	--	0.0	-0.7
United States					
8:30	Initial jobless claims* - Oct 30	thousands	275	275	281
8:30	Trade balance* - Sep	US\$bn	--	-79.9	-73.3

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.
Equity indices		
S&P 500 Futures	4,657.75	0.1%
Euro Stoxx 50	4,329.33	0.5%
Nikkei 225	29,794.37	0.9%
Shanghai Composite	3,526.87	0.8%
Currencies		
USD/MXN	20.59	0.3%
EUR/USD	1.16	-0.4%
DX	94.28	0.4%
Commodities		
WTI	82.53	2.1%
Brent	83.80	2.2%
Gold	1,792.27	1.3%
Copper	439.15	1.6%
Sovereign bonds		
10-year Treasury	1.56	-4pb

Source: Bloomberg

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Equities

- Equity markets with positive movements, as investors react to the Fed's decision to begin tapering its bond-buying program later this month, as well as to a solid earnings season. So far, 421 S&P500 companies have reported their results, with 81% of them beating expectations
- In the US, futures anticipate an upward opening, with the S&P500 trading at +0.2%, after the three main indices closed the previous session at all-time highs. In Europe, the Stoxx 600 is up 0.4%, with gains virtually across all sectors. Likewise, the balance in Asia was positive, where the Shanghai Comp rose 0.8%
- In the corporate front, 47 S&P500 companies report today, highlighting figures from Duke Energy, Southern Co, AIG, Moderna and Zoetis

Sovereign fixed income, currencies and commodities

- Positive balance in global rates with European securities adjusting -4bps, on average. Meanwhile, US Treasuries print a 5bps rally in mid-term tenors. In Mexico, the Mbonos' yield curve flattened yesterday with gains of 3bps, on average, in the long-end
- The USD strengthens against all the G10 currencies where GBP leads losses (-1.0%) assimilating BoE's monetary policy decision. In the EM universe, bias is negative with PLN as the weakest (-0.9%) and MXN trading at 20.59 per dollar (-0.3%), after an appreciation of 1.2% yesterday
- Crude-oil advances with OPEC+ Ministerial Meeting in the spotlight today without expected changes in the current output strategy (+400 Kbb/d each month) despite US demands. Widespread gains in metals with copper adjusting +1.1%, while gold trades at 1,784 \$/oz t (+0.9%)

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	36,157.58	0.3%
S&P 500	4,660.57	0.6%
Nasdaq	15,811.58	1.0%
IPC	51,876.81	0.4%
Ibovespa	105,616.90	0.1%
Euro Stoxx 50	4,309.61	0.3%
FTSE 100	7,248.89	-0.4%
CAC 40	6,950.65	0.3%
DAX	15,959.98	0.0%
Nikkei 225	29,520.90	0.0%
Hang Seng	25,024.75	-0.3%
Shanghai Composite	3,498.54	-0.2%
Sovereign bonds		
2-year Treasuries	0.47	2pb
10-year Treasuries	1.60	5pb
28-day Cetes	5.10	11pb
28-day TIIE	5.00	0pb
2-year Mbono	7.01	0pb
10-year Mbono	7.56	-5pb
Currencies		
USD/MXN	20.54	-1.2%
EUR/USD	1.16	0.3%
GBP/USD	1.37	0.6%
DXY	93.86	-0.2%
Commodities		
WTI	80.86	-3.6%
Brent	81.99	-3.2%
Mexican mix	75.47	-3.3%
Gold	1,769.84	-1.0%
Copper	432.10	-1.0%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings downgraded Grupo GICSA's ratings to 'CCC/mxCCC' from 'B-/mxB' and kept them in Negative Creditwatch list. The company faces growing pressures on its liquidity as its 2022 maturities approach
- HR Ratings affirmed Nacional Financiera's rating at 'HR AAA' with a Stable outlook, based on the explicit support the institution receives from the Federal Government for the payment of its liabilities
- Fitch Ratings affirmed Grupo Axo's international and national scale ratings at 'BB' and 'A(mex)' and revised the rating outlook to Stable from Negative. The Stable outlook reflects Axo's consistent financial results and credit metrics in 2021, and Fitch's expectation that this trend will continue in the following 18 to 24 months

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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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Research and Strategy			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandropadilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1670 - 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Alik Daniel García Álvarez	Senior Strategist, Equity	alik.garcia.alvarez@banorte.com	(55) 1670 - 1800
Víctor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Juan Barbier Arizmendi, CFA	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Economic Studies			
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldán Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899