

# Financial Markets Daily

November 11, 2021

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

- **Mixed stock markets, government bond yields slightly up and USD up, digesting the high CPI figure in the US published yesterday and its likely implications for the Federal Reserve's decisions, in tandem with news related to the coupon payments from Evergrande and possible actions from Chinese authorities to mitigate risks. US bond market are closed to observe Veterans Day**
- **The European Commission released its estimates for the region's growth and said the European Union is growing faster than anticipated this year, but headwinds remain due to high energy prices, supply chain disruptions and the possibility of new waves of COVID-19 infections. They expect a 5.0% growth this year and 4.3% in 2022**
- **In Mexico, investors will focus on a complex monetary policy decision from Banxico, in which we expect a 25bps rate hike. Regarding economic figures, INEGI published September's industrial production, which contracted 1.4% m/m (+1.6% y/y). We highlight the decline of 1.4% in construction and -1.3% in manufacturing, impacted by supply chain problems, especially in transportation equipment (-8.8%)**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
	Markets closed due to Veterans Day				
UK and Eurozone					
2:00	UK Industrial production* - Sep	% m/m	--	0.2	0.8
2:00	UK Gross domestic product - 3Q21 (P)	% y/y	--	6.8	23.6
2:00	UK Gross domestic product* - 3Q21 (P)	% q/q	--	1.5	5.5
5:00	European Commission economic growth forecasts				
Mexico					
7:00	Industrial production - Sep	% y/y	3.2	4.1	5.5
7:00	Industrial production* - Sep	% m/m	-0.7	-0.2	0.4
7:00	Manufacturing output - Sep	% y/y	1.5	--	6.6
14:00	Monetary policy decision (Banxico)	%	5.00	5.00	4.75
Peru					
18:00	Monetary policy decision (BCRP)	%	--	2.00	1.50

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	4,658.00	0.3%
Euro Stoxx 50	4,348.26	0.0%
Nikkei 225	29,277.86	0.6%
Shanghai Composite	3,532.79	1.2%
<i>Currencies</i>		
USD/MXN	20.54	-0.5%
EUR/USD	1.15	-0.1%
DX	95.02	0.2%
<i>Commodities</i>		
WTI	80.79	-0.7%
Brent	82.20	-0.5%
Gold	1,858.09	0.5%
Copper	439.30	1.6%
<i>Sovereign bonds</i>		
10-year Treasury	1.55	0pb

Source: Bloomberg

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## Equities

- **Mixed movements in equity markets as investors are cautious and assess higher inflationary risks (after yesterday's data in the US that exceeded estimates), as well as expectations of interest rate hikes earlier than anticipated, which could decrease risk appetite**
- **In Asia the markets closed mixed, with advances in China due to the news that Evergrande made bond coupon payments and also due to the speculation of less regulatory measures in the real estate and technology sector by the government. Meanwhile, in Europe stocks are mixed, with little change in the Eurostoxx. Shares from industrial and materials sectors lead gains, while those from energy and utilities superhead losses. In turn, in the US the futures of main indices point to a positive open by rising 0.4% on average**
- **In Mexico, the Mexbol may stand around the 51,800 pts**

## Sovereign fixed income, currencies and commodities

- **The US bond market will be closed today due to Veterans Day, reason why we will see lower liquidity. Meanwhile, European securities print a 1bp loss. In Mexico, the Mbonos' yield curve closed yesterday with a 9bps sell-off, on average, with the 10-year benchmark at 7.35% (+10bps)**
- **The USD trades slightly positive against the majority of the G10 currencies with CAD leading losses (-0.5%). In EM, bias is mixed with ZAR (+1.6%) and BRL (+0.9%) as the strongest followed by MXN which trades at 20.54 per dollar (+0.5%), after a 1.6% depreciation yesterday**
- **Crude-oil falls due to Biden's comments about addressing high prices by using the Strategic Petroleum Reserve or even canceling oil exports. Widespread gains in metals, copper registers 0.7% gains, while gold trades at 1,857 \$/oz t (+0.4%)**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	36,079.94	-0.7%
S&P 500	4,646.71	-0.8%
Nasdaq	15,622.71	-1.7%
IPC	51,704.39	-0.8%
Ibovespa	105,967.50	0.4%
Euro Stoxx 50	4,348.82	0.1%
FTSE 100	7,340.15	0.9%
CAC 40	7,045.16	0.0%
DAX	16,067.83	0.2%
Nikkei 225	29,106.78	-0.6%
Hang Seng	24,996.14	0.7%
Shanghai Composite	3,492.46	-0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	0.51	9pb
10-year Treasuries	1.55	11pb
28-day Cetes	5.18	4pb
28-day TIE	5.00	0pb
2-year Mbono	6.97	10pb
10-year Mbono	7.35	8pb
<i>Currencies</i>		
USD/MXN	20.64	1.6%
EUR/USD	1.15	-1.0%
GBP/USD	1.34	-1.1%
DXY	94.85	1.0%
<i>Commodities</i>		
WTI	81.34	-3.3%
Brent	82.64	-2.5%
Mexican mix	76.25	-2.4%
Gold	1,849.60	1.0%
Copper	432.30	-1.1%

Source: Bloomberg

## Corporate Debt

- **Today, the auction of Molybdenum and Metals, MOLYMET 21 / 21-2, is expected for up to MXN 4 billion. Series 21 will have a 4 year-term approximately and will pay a variable rate pegged to TIE-28, while series 21-2 will pay a fixed rate, with a 6 year-term approximately. The issuances are rated 'AAA (mex)' and 'HR AAA' by Fitch Ratings and HR Ratings**
- **HR Ratings ratified CRELCB 19 rating (Crédito Real's issuance) at 'HR AAA (E)' with a Stable outlook. The rating ratification is based on a Maximum Supported Default of 43.9% and a Historical Default Rate of 7.3%, which results in a ratio of Times Default Rate of 6.0x (vs. 31.3%, 5.4% and 5.8x in the previous review)**

## 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, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, and Gerardo Daniel Valle Trujillo, 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
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
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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