

Financial Markets Daily

November 17, 2021

Main drivers for the financial markets today...

- **Stock markets mixed with a negative bias, albeit with indices still close to highs, few changes on government bond yields and in the USD, with investors assimilating higher contagions in Europe and with increased expectations of monetary tightening in the UK**
- **On economic data, in the UK, October's inflation rose to 3.8% y/y, its highest level in 9 years. Meanwhile, the same metric for the Eurozone –being the final release– came in at 4.1% y/y, in line with the preliminary figure and at a new high since the series is compiled (1997). The agenda in the US includes housing sector data for October along a plethora of interventions from Fed speakers, including Williams, Bowman, Mester, Waller, Daly, Evans, and Bostic**
- **In the US, Secretary Yellen once again warned that the country could enter a default if the debt ceiling is not modified by December 15th, with additional pressures due to the approval of the infrastructure package**
- **On the virus, cases in Germany and the Czech Republic have increased rapidly, while China is implementing additional restrictions. In the US, increases in cases are starting to be seen in some cities**
- **In China, regulators will allow property companies to resume ABS issuance after a three-month hiatus. In addition, the country has accelerated its plans to replace foreign technology with a committee of 1,800 firms being set-up to do so**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone and UK</i>					
2:00	UK Consumer prices - Oct	% y/y	--	3.9	3.1
2:00	Core - Oct	% y/y	--	3.1	2.9
5:00	EZ Consumer prices - Oct (F)	% y/y	--	4.1	3.4
5:00	Core - Oct (F)	% y/y	--	2.1	2.1
<i>United States</i>					
8:30	Housing starts** - Oct	thousands	--	1,580	1,555
8:30	Building permits** - Oct	thousands	--	1,630	1,586
11:00	Fed's Bowman speaks at Dallas roundtable				
11:20	Fed's Mester speak at financial-stability conference				
12:40	Fed's Waller discusses stablecoins				
12:40	Fed's Daly speaks in at New York Fed's Treasury Market Conference				
16:05	Fed's Evans Takes Part in Moderated Q&A				
16:10	Fed's Bostic discusses community development				
<i>Mexico</i>					
10:00	International reserves - Nov 12	US\$bn	--	--	198.9

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	4,696.25	0.0%
Euro Stoxx 50	4,404.75	0.1%
Nikkei 225	29,688.33	-0.4%
Shanghai Composite	3,537.37	0.4%
<i>Currencies</i>		
USD/MXN	20.68	-0.4%
EUR/USD	1.13	0.0%
DX	95.84	-0.1%
<i>Commodities</i>		
WTI	80.26	-0.6%
Brent	82.03	-0.5%
Gold	1,864.57	0.8%
Copper	432.25	-0.8%
<i>Sovereign bonds</i>		
10-year Treasury	1.64	0pb

Source: Bloomberg

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Equities

- **Mixed movements in stock markets, albeit of moderate magnitude, as caution among investors permeates amid rising COVID-19 cases in some regions of Europe and fears that inflationary pressures will incentivize sooner than expected rate hikes**
- **US futures with small changes, though marginally upward, with attention focused on the results of companies such as Target and Lowe's, which have exceeded expectations in revenues and join the positive retail sales figures, boosting sentiment on Christmas season**
- **Asia closed negative except for main indices in China, marginally positive. Europe trading with small changes, while the travel and entertainment sectors reflect the biggest declines, given the rise in infections, and after high inflation in the UK has encouraged the expectation of a rise in rates by the BoE**

Sovereign fixed income, currencies and commodities

- **Little changes in sovereign bonds with a modest negative bias in Europe by registering adjustments of +1bp, while in the US the curve also registers losses and limits a stronger intraday performance. Yesterday the Mbonos' yield curve sold-off 11bps**
- **The USD trades modestly down with most of the G10 universe strengthening, yet under narrow ranges, while in EM bias is mixed with TRY leading the losses (-1.2%). The MXN appreciates 0.4% to 20.68 per dollar and stands as the second strongest in EM**
- **Crude oil falls amid speculation of a coordinated strategic reserve release from the US along other nations such as China, although an official path has not been defined for now. In metals, copper also falls following an inventory build**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	36,142.22	0.2%
S&P 500	4,700.90	0.4%
Nasdaq	15,973.86	0.8%
IPC	51,161.50	-0.5%
Ibovespa	104,403.70	-1.8%
Euro Stoxx 50	4,401.49	0.3%
FTSE 100	7,326.97	-0.3%
CAC 40	7,152.60	0.3%
DAX	16,247.86	0.6%
Nikkei 225	29,808.12	0.1%
Hang Seng	25,713.78	1.3%
Shanghai Composite	3,521.79	-0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	0.52	0pb
10-year Treasuries	1.63	2pb
28-day Cetes	5.06	0pb
28-day TIIE	5.23	1pb
2-year Mbono	6.79	7pb
10-year Mbono	7.51	13pb
<i>Currencies</i>		
USD/MXN	20.76	0.7%
EUR/USD	1.13	-0.4%
GBP/USD	1.34	0.1%
DXY	95.92	0.5%
<i>Commodities</i>		
WTI	80.76	-0.1%
Brent	82.43	0.5%
Mexican mix	75.67	0.4%
Gold	1,850.63	-0.7%
Copper	435.95	-1.0%

Source: Bloomberg

Corporate Debt

- **For today, the placements of Banco Compartamos, COMPART 21S / 21-2S, for MXN 2 billion and the issuance of Bladex, BLADEX 21, also for MXN 2 billion are expected**
- **FEMSA announced that Envoy Solutions, its US-based specialty distribution subsidiary, has reached an agreement to acquire Next-Gen, an independent specialty distribution company based in Mansfield, Massachusetts**
- **Fitch Ratings confirmed Mexico City's rating at 'AAA (mex)' with a stable outlook and the specific ratings of six issuances (GDFCB 07, GDFECB 12/13/14, GCDMXCB 16V, CDMXCB 19). The bonds are also rated 'AAA' by Moody's or HR Ratings as they are 100% backed by the CDMX General Participation Fund**

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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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