

Financial Markets Daily

November 19, 2021

Main drivers for the financial markets today...

- **Mixed stock markets, government bond yields down and USD up, with investors worried about the impact of new lockdowns amid a fourth wave of the pandemic in Europe. Global stocks are trading near records supported by corporate earnings, mildly offsetting concerns about high inflation**
- **Attention on Biden's economic agenda vote. The vote was scheduled for yesterday, but was delayed by House Republican leader, Kevin McCarthy. The Congressional Budget Office (CBO) released estimates of the impact of the proposal, concluding that it does not contain enough tax increases to pay for itself, a projection that contrasts the White House estimates. The CBO explained that the bill includes \$1.636 trillion in spending, while raising \$1.269 trillion in revenue over 10 years. That would add US\$367 billion to the US budget deficit over the decade**
- **Likewise, all eyes are on the possible decision of the White House on who will be the next chairman of the Federal Reserve. We expect Powell to remain in office for one more term. Meanwhile, the Fed speakers' agenda includes Waller and Clarida's interventions**
- **In Mexico, Banxico's governor, Díaz de León, will speak at an IMEF forum**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
4:00	Current account* - Sep	EURbn	0.0	-	13.4
<i>United States</i>					
10:45	Fed's Waller discusses the economic outlook				
12:15	Fed's Clarida discusses global monetary policy coordination				

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	4,690.00	-0.2%
Euro Stoxx 50	4,354.25	-0.7%
Nikkei 225	29,745.87	0.5%
Shanghai Composite	3,560.37	1.1%
<i>Currencies</i>		
USD/MXN	20.81	0.2%
EUR/USD	1.13	-0.7%
DX	95.95	0.4%
<i>Commodities</i>		
WTI	76.36	-3.4%
Brent	78.59	-3.3%
Gold	1,861.87	0.2%
Copper	434.50	0.9%
<i>Sovereign bonds</i>		
10-year Treasury	1.54	-5pb

Source: Bloomberg

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Equities

- **Mixed movements in stock markets with caution among investors in the face of an increase in infections in different regions. Futures in the US anticipate a negative opening, with the S&P500 trading 0.2% below its theoretical value, reflecting profit taking, after record highs reached yesterday, supported by positive corporate earnings. In Asia, the session concluded mixed, while Europe operates with widespread losses due to the possibility of new restrictions on mobility**
- **Having almost concluded the earnings season in the US, with ~95% of the results, a rise in profits of 41.0% vs 28.3% has been achieved, with a positive surprise rate at 81.5%**
- **In the corporate front, Femsa continues to strengthen its distribution platform in the US, now with the acquisition of Johnston Paper. Lab, meanwhile, agreed a JV with Oramed Pharmaceuticals to participate in the oral COVID-19 vaccine market**

Sovereign fixed income, currencies and commodities

- **Sovereign bonds rally across the world, with European securities experiencing adjustments of 4bps, while the US Treasuries' curve flattens with gains of up to 5bps in the long-end. Yesterday, the Mbonos' curve averaged pressures of 5bps, extending the week's steepening**
- **The USD strengthens as all G10 currencies fall excluding JPY, while in EM FX balance is also negative only with BRL up and TRY stabilizing, yet heading for a ~9% weekly sell-off off. MXN depreciates 0.2% to 20.82 per dollar**
- **Crude oil falls close to 2.5% in WTI and Brent, with the market turning more cautious about oil demand outlook in the shortest-term amid the case pick-up in Europe. Moreover, speculation about the use of SPRs in a coordinated move of several regions to tackle higher prices remains present. In the metals' space, industrials outperform**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	35,870.95	-0.2%
S&P 500	4,704.54	0.3%
Nasdaq	15,993.71	0.5%
IPC	50,831.95	-0.4%
Ibovespa	102,426.00	-0.5%
Euro Stoxx 50	4,383.70	-0.4%
FTSE 100	7,255.96	-0.5%
CAC 40	7,141.98	-0.2%
DAX	16,221.73	-0.2%
Nikkei 225	29,598.66	-0.3%
Hang Seng	25,319.72	-1.3%
Shanghai Composite	3,520.71	-0.5%
<i>Sovereign bonds</i>		
2-year Treasuries	0.50	0pb
10-year Treasuries	1.59	0pb
28-day Cetes	5.05	2pb
28-day TIE	5.23	0pb
2-year Mbono	6.84	7pb
10-year Mbono	7.49	3pb
<i>Currencies</i>		
USD/MXN	20.78	0.6%
EUR/USD	1.14	0.5%
GBP/USD	1.35	0.1%
DXY	95.54	-0.3%
<i>Commodities</i>		
WTI	79.01	0.8%
Brent	81.24	1.2%
Mexican mix	73.97	0.5%
Gold	1,858.94	-0.5%
Copper	430.50	0.8%

Source: Bloomberg

Corporate Debt

- **Today we expect the auction of two social bonds from Banco Compartamos, COMPART 21S / 21-2S, for a target amount of MXN 2.0 billion (max. MXN 2.5 billion) with 3- and 5-year terms, respectively. The bonds' local scale ratings are 'AA' by S&P Global and Fitch Ratings**
- **HR Ratings downgraded Grupo GICSA and its outstanding bonds' ratings to 'HR B-' from 'HR BBB+' keeping them on Negative Watch based on the low liquidity levels the company reported as of 3Q21**
- **HR Ratings affirmed the rating for issuance EXITCB 20 (Exitus Capital's ABS) at 'HR AAA (E)' and placed it on Negative Watch based on the share of the collection received directly by the Trust (68.4%)**

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, 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
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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