

Financial Markets Daily

September 12, 2022

Main drivers for the financial markets today...

- **Stock markets higher, with government bond yields and the USD to the downside. The higher risk appetite seen late last week extends further and induces some dip-buying, while also being supported by bets that inflation is close to a peak, as well as positive news about Ukraine's counter-offensive in the war against Russia**
- **July's industrial production in the UK dropped 0.3% m/m, dragging the monthly GDP indicator lower which grew 0.2% in the same period, both below expectations. Meanwhile, the Queen's passing and its impact on economic activity could be another headwind ahead**
- **Market attention on US inflation in August (Banorte: 0.0% m/m; market: -0.1%), which is the last key piece of data before the Fed decision on Sept-21st. This figure will also be released in the UK and Eurozone (final). Monetary policy decision only in Russia**
- **Internationally, NATO military leaders will meet this week, while Vladimir Putin and Xi Jinping will also see each other in Uzbekistan. The 77th session of the UN General Assembly will take place, while primary elections will be held in three US states**
- **The US economic agenda also includes producer prices, retail sales, industrial production (Aug), regional manufacturing indicators Empire and Philly Fed, as well as U. of Michigan consumer confidence (Sep)**
- **Going to other regions, we highlight activity figures in China (Aug); industrial production and trade balance (Jul) in the Eurozone; unemployment rate (Jul) in the UK; retail sales and economic activity (Jul) in Brazil; and the ZEW survey (Sep) in Germany**
- **In Mexico, we will only know ANTAD's same store sales (Aug). Today, the 2nd annual meeting of the U.S.-Mexico High-Level Economic Dialogue will take place. Local markets will be closed on Friday because of Independence Day**

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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|--------|---|-------|---------|--------|----------|
| | US – Mexico High-level Economic Dialogue (HLED) begins in Monterrey, Nuevo León | | | | |
| UK | | | | | |
| 2:00 | Industrial production* - Jul | % m/m | -- | 0.3 | -0.9 |
| Mexico | | | | | |
| | ANTAD same-store sales - Aug | % y/y | -- | -- | 11.7 |

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 | 4,105.50 | 0.5% |
| Euro Stoxx 50 | 3,622.63 | 1.5% |
| Nikkei 225 | 28,542.11 | 1.2% |
| Shanghai Composite | 3,262.05 | 0.0% |
| <i>Currencies</i> | | |
| USD/MXN | 19.81 | -0.4% |
| EUR/USD | 1.01 | 1.0% |
| DXY | 108.22 | -0.7% |
| <i>Commodities</i> | | |
| WTI | 87.58 | 0.9% |
| Brent | 93.84 | 1.1% |
| Gold | 1,727.16 | 0.6% |
| Copper | 361.35 | 0.9% |
| <i>Sovereign bonds</i> | | |
| 10-year Treasury | 3.29 | -2pb |

Source: Bloomberg

Equities

- The week begins with positive returns in equity markets, as investors await US inflation data to be released tomorrow with the expectation that it may possibly have reached its peak
- US futures anticipate a positive open, with the three main indices average trading 0.4% above its theoretical value. In Europe, the Eurostoxx shows a 1.3% gain, led by financials and real estate. Asian stock markets rose, although the Chinese, Hong Kong, and South Korean markets were closed for holidays, while in Japan, the Nikkei advanced 1.2%
- In Mexico' corporates, Femsa announced the provisional result of the Valora takeover bid with a 84.4% participation rate. For this week, we expect a Mexbol index trading range between 45,400 and 47,500pts

Sovereign fixed income, currencies and commodities

- Positive balance in sovereign bonds. European rates adjust up to -7bps. Meanwhile, the Treasury curve gains 3bps on average. Last Friday, the Mbonos curve accumulated a weekly gain of 2bps, with the 10-year benchmark at 9.90% (-6bps)
- The dollar retreats, allowing developed currencies to trade in positive territory, with SEK (+1.4%) leading gains. In EM, the bias is also positive with RUB (+1.5%) and THB (-0.2%) at the extremes. Meanwhile, MXN appreciates 0.4% to 19.81 per dollar, after gaining 0.2% last week
- Crude-oil rises almost 1% on the back of a sharp drop in the dollar. Metals trade in positive territory, with gold and silver up 0.6% and 2.9%, respectively. Likewise, grains trade with a positive bias

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| <i>Equity indices</i> | | |
| Dow Jones | 32,151.71 | 1.2% |
| S&P 500 | 4,067.36 | 1.5% |
| Nasdaq | 12,112.31 | 2.1% |
| IPC | 47,042.94 | 1.6% |
| Ibovespa | 112,300.41 | 2.2% |
| Euro Stoxx 50 | 3,570.04 | 1.6% |
| FTSE 100 | 7,351.07 | 1.2% |
| CAC 40 | 6,212.33 | 1.4% |
| DAX | 13,088.21 | 1.4% |
| Nikkei 225 | 28,214.75 | 0.5% |
| Hang Seng | 19,362.25 | 2.7% |
| Shanghai Composite | 3,262.05 | 0.8% |
| <i>Sovereign bonds</i> | | |
| 2-year Treasuries | 3.56 | 5pb |
| 10-year Treasuries | 3.31 | -1pb |
| 28-day Cetes | 8.72 | 1pb |
| 28-day TIIE | 8.85 | 1pb |
| 2-year Mbono | 9.64 | -3pb |
| 10-year Mbono | 8.95 | -6pb |
| <i>Currencies</i> | | |
| USD/MXN | 19.90 | -0.3% |
| EUR/USD | 1.00 | 0.5% |
| GBP/USD | 1.16 | 0.7% |
| DXY | 109.00 | -0.6% |
| <i>Commodities</i> | | |
| WTI | 86.79 | 3.9% |
| Brent | 92.84 | 4.1% |
| Mexican mix | 82.50 | 4.2% |
| Gold | 1,716.83 | 0.5% |
| Copper | 356.80 | 1.2% |

Source: Bloomberg

Corporate Debt

- This week, we expect the auction of two unsecured bonds by Total Play Telecomunicaciones for up to MXN 2.5 billion; we estimate more dynamism in auctions in the second half of the month
- HR Ratings affirmed GM Financial de México's long-term ratings at 'HR AAA' with a Stable outlook and its short-term rating at 'HR+1'. This action is based on the operative and financial support from its holding company, General Motors Financial Company, Inc., which has an equivalent rating in the market of 'HR BBB (G)'
- Moody's Local MX assigned a 'AAA.mx' rating to Coca-Cola Femsa's proposed issuances, KOF 22S / 22X. KOF's ratings reflect its strong competitive position as the largest bottler in the Coca-Cola system

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