

Financial Markets Daily

September 19, 2022

Main drivers for the financial markets today...

- **Stock markets down, government bond yields and USD higher. Caution increases ahead of central bank decisions this week given their potentially adverse effect on global growth. We also see some impact from tensions between the US and China, as well as lower liquidity because markets in the UK and Japan are closed**
- **Specifically, President Joe Biden said in an interview aired yesterday that US soldiers would defend Taiwan in case of a Chinese invasion. On the other hand, the latter country lifted today its COVID-19 lockdowns in the city of Chengdu**
- **Market attention this week on monetary policy decisions, especially the Fed which we expect to hike by 75bps, in line with consensus, with a hawkish tone and a higher dot plot. Decisions also by the BoJ (unchanged) and BoE (consensus: +50bps)**
- **Moreover, decisions also in Sweden, Taiwan, Philippines, Indonesia, Switzerland, Norway, Turkey and South Africa. Meanwhile, the #PBoC will inform one- and five-year loan prime rates**
- **Going to international events, UK markets are closed today due to the passing of the Queen. The general debate at the UN General Assembly begins, while US Treasury Secretary, Janet Yellen, will speak in Washington**
- **The US economic agenda includes current account (2Q22) housing starts, building permits, existing home sales (Aug), #PMI indicators for manufacturing and services (Sep) and weekly jobless claims**
- **On the other hand, we also highlight #PMI indicators for September in Germany, UK and the Eurozone, with the latter region also releasing current account (Jul) and consumer confidence (Sep)**
- **In Mexico, data includes Aggregate Supply and Demand for 2Q22, retail sales (Jul), the Timely Indicator of Economic Activity (Aug), inflation for the first half of September, and the banking sector survey**

Alejandro Padilla
Chief Economist and
Head of Research
alejandro.padilla@banorte.com



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research
and Financial Markets Strategy
juan.alderete.macal@banorte.com

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com

Manuel Jiménez Zaldivar
Director of Market Strategy
manuel.jimenez@banorte.com

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A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	3,856.50	-0.9%
Euro Stoxx 50	3,460.96	-1.1%
Nikkei 225	27,567.65	0.0%
Shanghai Composite	3,115.60	-0.3%
<i>Currencies</i>		
USD/MXN	20.12	0.4%
EUR/USD	1.00	-0.2%
DXY	109.89	0.1%
<i>Commodities</i>		
WTI	83.58	-1.8%
Brent	89.91	-1.6%
Gold	1,665.28	-0.6%
Copper	351.50	-1.3%
<i>Sovereign bonds</i>		
10-year Treasury	3.49	4pb

Source: Bloomberg

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>China</i>					
21:15	Rate decision 1-year Loan Prime Rate	%	--	3.65	3.65
21:15	Rate decision 5-year Loan Prime Rate	%	--	4.30	4.30

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

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Equities

- Continuing last week's sentiment, we observe widespread declines in stock indices, as investors await monetary tightening by various central banks, and weigh the impact on the global economy and corporate results ahead of the third earnings season of the year. Thus, US futures anticipate a negative opening, with the S&P500 trading 0.9% below its theoretical value. In Negative performance in Europe, with markets in the UK closed for a day of mourning for Queen Elizabeth II. Asia ended the session lower, with Japan closed due to a holiday
- In Mexico, Liverpool announced an investment of MXN 5.9 billion (9.9% of outstanding shares) in the US departmental store Nordstrom, in order to diversify its assets geographically. Today, Gentera officially joined to the Mexbol sample, replacing Lab. This week we expect a trading range for the index between 45,400 and 47,500pts

Sovereign fixed income, currencies and commodities

- Pressures in sovereign bonds. European rates adjust +6bps on average, while the US Treasuries' curve losses around 5bps, with the 10-year reference reaching 3.50%, highest since 2011. Last week, the Mbonos' yield curve recorded a 28bps sell-off, with the 10-year benchmark closing at 9.17%
- Dollar strengthens against all developed currencies, extending the previous week's gains. In EM, the bias is mixed, with HUF (+0.6%) and ZAR (-0.8%) at the extremes, while MXN trades close to its 100-day MA, at 20.12 per dollar (-0.4%), after a weekly depreciation of 0.7%
- Crude-oil falls amid renewed concerns that an economic slowdown will sap energy demand, given that further Fed's monetary tightening is expected. Brent trades below 90 \$/bbl after closing 2Q22 at 114 \$/bbl. Widespread losses in metals, except for nickel (+2.2%)

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,822.42	-0.5%
S&P 500	3,873.33	-0.7%
Nasdaq	11,448.40	-0.9%
IPC	46,769.78	0.0%
Ibovespa	109,280.37	-0.6%
Euro Stoxx 50	3,500.41	-1.2%
FTSE 100	7,236.68	-0.6%
CAC 40	6,077.30	-1.3%
DAX	12,741.26	-1.7%
Nikkei 225	27,567.65	-1.1%
Hang Seng	18,761.69	-0.9%
Shanghai Composite	3,126.40	-2.3%
<i>Sovereign bonds</i>		
2-year Treasuries	3.87	0pb
10-year Treasuries	3.45	0pb
28-day Cetes	8.91	1pb
28-day TIE	8.89	0pb
2-year Mbono	9.97	0pb
10-year Mbono	9.17	0pb
<i>Currencies</i>		
USD/MXN	20.04	-0.2%
EUR/USD	1.00	0.1%
GBP/USD	1.14	-0.4%
DXY	109.76	0.0%
<i>Commodities</i>		
WTI	85.11	0.0%
Brent	91.35	0.6%
Mexican mix	81.39	0.0%
Gold	1,675.06	0.6%
Copper	351.65	0.8%

Source: Bloomberg

Corporate Debt

- El Puerto de Liverpool announced a MXN 5.9 billion investment in shares of American retail company Nordstrom, Inc. That sum represents 9.90% of the company's outstanding shares
- IEnova informed it prepaid all of IEnova Pipelines' financing for a total amount of US\$139 million
- S&P Global Ratings confirmed IEnova's global scale ratings at 'BBB' (Negative) and its local scale ratings at 'mxAA+' (Stable). The agency still considers IEnova as a fundamental subsidiary of Sempra Infrastructure Partners and a potential receiver of support from Sempra Energy

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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@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 Fernandez	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
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
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Oscar Rodolfo Olivos Ortiz	Analyst	oscar.olivos@banorte.com	(55) 1103 - 4000
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
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suarez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	(55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Salvador Austria Valencia	Analyst, Quantitative Analysis	salvador.austria.valencia@banorte.com	(55) 1103 - 4000
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