

Financial Markets Daily

September 23, 2022

Main drivers for the financial markets today...

- **Stock markets lower, with government bond yields and the USD with gains, with a strong risk aversion sentiment among investors, which continue assessing another round of policy tightening globally, while recession fears continue spreading**
- **Regarding the war between Ukraine and Russia, Vladimir Putin is looking to increase the 2023 military budget, expanding it by 43% vs 2022, suggesting that Russia has plans to continue the war**
- **In the UK, the government presented a new fiscal package announcing significant tax cuts, seeking to provide higher stimulus to the economy. The cost of these measures over the next 5 years is expected to be £161 billion**
- **On the monetary policy front, we will pay attention to Jerome Powell's participation in a Fed forum, anticipating a hawkish tone, similar to the one he showed in last Wednesday's decision**
- **On economic data, the September's PMIs were published in several countries. For the Eurozone, this metric indicates that, overall, activity continues to weaken. In Germany the results were slightly lower than expected, while in the UK manufacturing surprised to the upside. Lastly, in the US, we expect a recovery in services and a modest fall in manufacturing**

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.mactal@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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 @analisis_fundam

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone and UK</i>					
2:30	GER Manufacturing PMI* - Sep (P)	index	--	48.3	49.1
2:30	GER Services PMI* - Sep (P)	index	--	47.2	47.7
2:30	GER Composite PMI* - Sep (P)	index	--	46.1	46.9
4:00	EZ Manufacturing PMI* - Sep (P)	index	--	48.8	49.6
4:00	EZ Services PMI* - Sep (P)	index	--	49.1	49.8
4:00	EZ Composite PMI* - Sep (P)	index	--	48.2	48.9
4:30	UK Manufacturing PMI* - Sep (P)	index	--	47.5	47.3
4:30	UK Services PMI* - Sep (P)	index	--	50.0	50.9
<i>United States</i>					
9:45	Manufacturing PMI* - Sep (P)	index	51.0	51.0	51.5
9:45	Services PMI* - Sep (P)	index	44.8	45.5	43.7
9:45	Composite PMI* - Sep (P)	index	--	41.6	44.6

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	3,720.25	-1.4%
Euro Stoxx 50	3,332.71	-2.8%
Nikkei 225	27,153.83	0.0%
Shanghai Composite	3,088.37	-0.7%
<i>Currencies</i>		
USD/MXN	20.07	0.6%
EUR/USD	0.98	-0.8%
DXY	112.24	0.8%
<i>Commodities</i>		
WTI	80.53	-3.5%
Brent	87.56	-3.2%
Gold	1,646.89	-1.5%
Copper	337.10	-3.6%
<i>Sovereign bonds</i>		
10-year Treasury	3.80	8pb

Source: Bloomberg

Equities

- **Strong risk-off sentiment among investors continues, while major stock indices show significant widespread declines. Fears of the impact of restrictive measures on growth continue to be of relevant concern**
- **Futures in the US anticipate a markedly negative opening, with the S&P500 trading 1.4% below its theoretical value. Risk of further cuts to earnings growth expectations continue to boost liquidity among investors**
- **In Europe, markets trade with losses beyond 2%, while the Eurostoxx is shaping up to fall in a 'bear market'. The energy sector leads the losses, while Credit Suisse shares fell sharply after denying a report it said it is considering leaving the US. In Asia, markets in Japan remain closed for Holiday**
- **In Mexico, the Mexbol Index could stand below 46,000pts**

Sovereign fixed income, currencies and commodities

- **Sovereign bonds show a very negative performance. European assets trade with adjustments of up to +26bps while the Treasuries yield curve posts losses of 9bps on average. Yesterday, the Mbonos' curve ended the session with a steepening bias, as a result of 3bps losses on the short-end and 8bps pressures on the long-term securities**
- **The dollar continues to trend higher (DXY +0.8%) amid losses for G10 and emerging market currencies. In the former group GBP (-1.9%) is the weakest while in the latter ZAR (-1.5%) leads losses. The Mexican peso reverses yesterday's gains by depreciating 0.7% to 20.08 per dollar**
- **Crude oil futures fall 3.3% on average on fears that demand will decline as the likelihood of a global recession increases. Metals trade with widespread losses, with nickel the weakest, falling 4.0%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,076.68	-0.4%
S&P 500	3,757.99	-0.8%
Nasdaq	11,066.80	-1.4%
IPC	46,324.92	-1.4%
Ibovespa	114,070.48	1.9%
Euro Stoxx 50	3,427.14	-1.9%
FTSE 100	7,159.52	-1.1%
CAC 40	5,918.50	-1.9%
DAX	12,531.63	-1.8%
Nikkei 225	27,153.83	-0.6%
Hang Seng	18,147.95	-1.6%
Shanghai Composite	3,108.91	-0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	4.12	7pb
10-year Treasuries	3.71	18pb
28-day Cetes	8.93	6pb
28-day TIE	8.94	1pb
2-year Mbono	10.15	1pb
10-year Mbono	9.35	8pb
<i>Currencies</i>		
USD/MXN	19.95	-0.4%
EUR/USD	0.98	0.0%
GBP/USD	1.13	-0.1%
DXY	111.35	0.6%
<i>Commodities</i>		
WTI	83.49	0.7%
Brent	90.46	0.7%
Mexican mix	80.20	0.1%
Gold	1,671.22	-0.2%
Copper	347.10	0.1%

Source: Bloomberg

Corporate Debt

- **Fitch Ratings affirmed Soriana's rating at 'AA+(mex)' and revised the outlook to Positive from Stable. According to the agency, the outlook revision reflects the continued strengthening in Soriana's leverage ratio, through strong free cash flow generation that has been used to reduce debt balance. Currently, Organización Soriana has two issues in the local debt market, SORIANA 20 / 20-2, with an outstanding amount of MXN 6.5 billion (including a reopening), and maturities in 2023 and 2025**
- **Fitch Ratings ratified Banco Monex's ratings at 'BB+' and 'AA-(mex)' with a stable outlook. According to the agency, the rating reflects the bank's high market share in the wholesale foreign exchange brokerage market**

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Oscar Rodolfo Olivios Ortiz, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia 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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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.cebaldos@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