

Financial Markets Daily

September 26, 2022

Main drivers for the financial markets today...

- Stock markets lower, while government bond yields and the USD increase on heightened concerns about a more difficult scenario, characterized by higher inflation and a global recession. UK asset markets remain very pressured, especially after the government promised even more tax cuts
- The OECD released its *Economic Outlook* report, downgrading its global GDP outlook for 2023 towards 2.2% (previous: 2.8%). In addition, Germany's IFO confidence indicator for September dropped to 75.2pts from 80.5pts in the previous month. Georgia Meloni won the election in Italy for prime minister
- Market attention this week will stay on monetary policy, highlighting; (1) Banxico's decision, in our view with a +75bp hike to 9.25% and a hawkish bias; and (2) several speeches by Fed and ECB members, including Presidents Powell and Lagarde, respectively. Also, decisions in Thailand, Czech Republic, India, and Colombia
- The US economic agenda is hefty, with housing prices (Jul), personal income & spending, PCE deflator, durable goods orders, trade balance, new home sales (Aug), consumer confidence and U. of Michigan indicator (Sep), as well as 2Q22 GDP (third estimate)
- Moreover, unemployment rate, economic confidence and inflation (Sep) in the Eurozone; PMI indicators (Sep) in China; unemployment rate (Aug), consumer prices (Sep) and minutes from Brazil's central bank
- In Mexico, July's monthly GDP-proxy IGAE (Jul) stood at +0.4% m/m, above consensus expectations. We will also know the unemployment rate, trade balance, banking credit, and public finance report (Aug)

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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forecasters for Mexico in 2021, granted by
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
4:00	IFO Survey (business climate)* - Sep	index	--	87.0	88.5
5:00	OECD Publishes Interim Economic Outlook				
Mexico					
7:00	Global economic activity indicator (IGAE) - Jul	% y/y	1.7	1.5	1.6
7:00	Global economic activity indicator (IGAE)* - Jul	% m/m	0.7	0.3	-0.3
United States					
10:00	Fed's Collins speaks in Boston				
12:00	Fed's Bostic Discusses Income Inequality				
16:00	Fed's Mester Discusses Economic Outlook				

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.
Equity indices		
S&P 500 Futures	3,680.25	-0.8%
Euro Stoxx 50	3,349.65	0.0%
Nikkei 225	26,431.55	-2.7%
Shanghai Composite	3,051.23	-1.2%
Currencies		
USD/MXN	20.33	0.6%
EUR/USD	0.97	-0.4%
DX	113.69	0.4%
Commodities		
WTI	77.69	-1.3%
Brent	84.98	-1.4%
Gold	1,641.34	-0.2%
Copper	333.80	-1.0%
Sovereign bonds		
10-year Treasury	3.78	9pb

Source: Bloomberg

Equities

- Continuing with the negative sentiment of the previous week, the main stock indexes show widespread losses. Risk aversion remains high on the expectation of further sharp monetary tightening, increasing concerns of a weaker economic performance
- US futures anticipate a negative opening, with the S&P500 trading 0.7% below its theoretical value and with investors attentive to the possibility that it could trade below the low of the year. In Europe, most exchanges fell, with the FTSE 100 dropping 0.8% after the UK government announced further tax cuts. In Asia, stock markets closed with losses, with the Nikkei decreasing by 2.7%
- In Mexico, we expect the Mexbol to trade between 44,000 and 45,800 points this week

Sovereign fixed income, currencies and commodities

- Deep pressures in sovereign bonds. In Europe, UK 10-year bond yield surges 4.00% (+30bps) for the first time since 2010. Meanwhile, the US Treasuries' curve losses up to 11bps in the belly. Locally, Mbonos' yield curve recorded a 23bps sell-off last week, with the 10-year benchmark closing at 9.46%
- Dollar strengthens against all developed currencies, extending gains of the two previous weeks. In EM, the bias is negative with KRW (-1.5%) as the weakest, while MXN trades above its 200-day MA at 20.35 per dollar (-0.7%)
- Crude-oil falls to 8-month lows amid mounting concerns that an economic recession will sap demand. Widespread losses in metals, with gold trading at lowest since April 2020

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	29,590.41	-1.6%
S&P 500	3,693.23	-1.7%
Nasdaq	10,867.93	-1.8%
IPC	45,395.95	-2.0%
Ibovespa	111,716.00	-2.1%
Euro Stoxx 50	3,348.60	-2.3%
FTSE 100	7,018.60	-2.0%
CAC 40	5,783.41	-2.3%
DAX	12,284.19	-2.0%
Nikkei 225	27,153.83	0.0%
Hang Seng	17,933.27	-1.2%
Shanghai Composite	3,088.37	-0.7%
Sovereign bonds		
2-year Treasuries	4.20	8pb
10-year Treasuries	3.68	-3pb
28-day Cetes	8.99	6pb
28-day TIE	8.95	1pb
2-year Mbono	10.23	9pb
10-year Mbono	9.46	11pb
Currencies		
USD/MXN	20.21	1.3%
EUR/USD	0.97	-1.5%
GBP/USD	1.09	-3.6%
DXY	113.19	1.7%
Commodities		
WTI	78.74	-5.7%
Brent	86.15	-4.8%
Mexican mix	76.03	-5.2%
Gold	1,643.94	-1.6%
Copper	334.30	-3.7%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings upgraded Invex Controladora's ratings at 'mxA' from 'mxA-' with a Stable outlook. In the agency's opinion, over the last years, Invex Controladora has gradually improved its income diversification, which has brought more stability and resilience to the group's business profile
- HR Ratings downgraded Betterware de México's ratings to 'HR AA' from 'HR AA+' keeping the outlook Stable. The downgrade was based on the rise in net debt levels
- PCR Verum lowered ION Financiera's long-term ratings to 'BBB/M' from 'BBB+/M' and its short-term ratings to '3/M' from '2/M', keeping the outlook Negative. The downgrade follows the impacts on its financial position, showing leverage levels higher than expected

Certification of Analysts.

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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	Reference
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
SELL	<i>When the share expected performance is lower than 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 Enriquez	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