

Financial Markets Daily

September 28, 2022

Main drivers for the financial markets today...

- Stock markets lower, with government bond yields higher –excluding the UK– and the USD strengthens, weighing comments about the dollar from the White House and interventions from the Bank of England
- In the UK, the BoE has intervened in the bond market, buying longer-dated instruments to try to contain strong increases in yields triggered by the announcement of a new fiscal plan in said country. The amount of purchases will be “whatever is necessary” to reintroduce order in the market. In addition, they will delay the start of their quantitative tightening program
- Functionaries of the White House mentioned that at the moment there are no plans to push for a weakening of the US dollar, which has driven the currency even more. They also assured that markets are functioning well so far
- In China, the Yuan reached a new low vs. the USD not seen since 2008, with speculation that the PBoC will soften its support for the currency
- Regarding the situation in Ukraine, Russia reported that the referendums in four occupied regions showed that the majority of the population wants to annex to its country. Nevertheless, this is being contested by Ukraine and its allies, arguing that the process is rigged
- On the monetary policy front, in the US we will have speeches from several Fed members, highlighting the participation from its President, Jerome Powell, this morning, being quite relevant after very hawkish comments from other members yesterday. Meanwhile, ECB President, Christine Lagarde, stated that her central bank will continue hiking rates with the goal of achieving price stability
- Finally, the economic data agenda is scarce, with attention in the US to August’s trade balance and some figures from the housing sector

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The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|---------------------------------------------------------------------------|--------|---------|--------|----------|
| United States | | | | | |
| 8:30 | Trade balance* - Aug | US\$bn | -- | -89.0 | -90.2 |
| 9:10 | Fed's Bullard gives welcome remarks at Community Banking at St. Louis Fed | | | | |
| 8:35 | Fed's Powell gives welcome remarks at Community Banking at St. Louis Fed | | | | |
| 14:00 | Fed's Bowman Speaks at Community Banking at St. Louis Fed | | | | |

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 | 3,637.25 | -0.6% |
| Euro Stoxx 50 | 3,284.45 | -1.3% |
| Nikkei 225 | 26,173.98 | -1.5% |
| Shanghai Composite | 3,045.07 | -1.6% |
| Currencies | | |
| USD/MXN | 20.47 | 0.4% |
| EUR/USD | 0.96 | -0.4% |
| DX | 114.69 | 0.5% |
| Commodities | | |
| WTI | 78.60 | 0.1% |
| Brent | 86.17 | -0.1% |
| Gold | 1,624.42 | -0.3% |
| Copper | 333.20 | 0.3% |
| Sovereign bonds | | |
| 10-year Treasury | 3.97 | 2pb |

Source: Bloomberg

Equities

- Negative stock markets, where investors continue to reflect caution and weigh the impact of tighter monetary policies, increasing economic downturn odds, and adjusting corporate results outlook
- Futures in the US anticipate a negative opening with the S&P500 trading 0.6% below its theoretical value. Biogen stands out with a 40% rose on pre-market, after reporting that its drug significantly slowed down Alzheimer's. Besides, Apple's shares fell after considering the possibility of ditching production increases after demand falters. In Europe, generalized falls are registered, the Eurostoxx falls 1.3%, recording the largest adjustments in the financial and technology sectors. In turn, Asia closed with losses, highlighting the Hang Seng drop of 3.4% and the Shanghai's decrease of 1.6%, following caution sentiment
- In Mexico, the Mexbol Index could be consolidating around 44,800pts

Sovereign fixed income, currencies and commodities

- Negative performance in most sovereign bonds. European assets trade with -2bps adjustments except for GILTS which trade with gains of up to 58bps. The Treasury curve trades with a steepening bias and gains of 4bps on the short-end. Yesterday, the Mbonos curve closed with losses of 7bps, on average, and the 10-year benchmark at 9.85% (+4bps)
- The dollar continues to strengthen (DXY +0.5%) while the negative bias in developed and emerging currencies predominates. In the first group GBP (-1.7%) leads losses while, in the second HUF (-1.4%) is the weakest. The Mexican peso extends the losses of the last few days, depreciating 0.4% to 20.47 per dollar
- Crude-oil futures fluctuate between losses and gains on speculation that OPEC+ may cut production despite signs of a possible inventory build-up in the U.S. Metals register widespread losses and nickel stands out with a slump of 1.8%

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| Equity indices | | |
| Dow Jones | 29,134.99 | -0.4% |
| S&P 500 | 3,647.29 | -0.2% |
| Nasdaq | 10,829.50 | 0.2% |
| IPC | 45,006.11 | 0.4% |
| Ibovespa | 108,376.35 | -0.7% |
| Euro Stoxx 50 | 3,328.65 | -0.4% |
| FTSE 100 | 6,984.59 | -0.5% |
| CAC 40 | 5,753.82 | -0.3% |
| DAX | 12,139.68 | -0.7% |
| Nikkei 225 | 26,571.87 | 0.5% |
| Hang Seng | 17,860.31 | 0.0% |
| Shanghai Composite | 3,093.86 | 1.4% |
| Sovereign bonds | | |
| 2-year Treasuries | 4.28 | -6pb |
| 10-year Treasuries | 3.95 | 2pb |
| 28-day Cetes | 9.25 | 15pb |
| 28-day TIE | 8.98 | 2pb |
| 2-year Mbono | 10.45 | 5pb |
| 10-year Mbono | 9.85 | 3pb |
| Currencies | | |
| USD/MXN | 20.38 | 0.1% |
| EUR/USD | 0.96 | -0.2% |
| GBP/USD | 1.07 | 0.4% |
| DXY | 114.11 | 0.0% |
| Commodities | | |
| WTI | 78.50 | 2.3% |
| Brent | 86.27 | 2.6% |
| Mexican mix | 75.38 | 2.3% |
| Gold | 1,628.90 | 0.4% |
| Copper | 328.35 | -0.3% |

Source: Bloomberg

Corporate Debt

- Gruma informed it signed a loan for US\$125 million, granted by The Bank of Nova Scotia, which will be used to refinance existing liabilities. The loan will have a 5-year term, with a floating rate of SOFR plus a 100bps spread
- HR Ratings downgraded CAMESA's ratings to 'HR BBB-' from 'HR BBB' keeping the outlook Negative, based on a larger operative risk by Te Creemos Holding's strategy, which has shown a decline on its recent periods' financial indicators
- S&P Global Ratings assigned a 'mxAAA' rating to Femsa's Sustainability-linked bonds, FEMSA 22L / 22-2L, for up to MXN 10.0 billion. The issuer's global scale rating ('A-') remains in Negative CreditWatch after the acquisition of Valora Holding AG

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| SELL | <i>When the share expected performance is lower than the MEXBOL estimated performance.</i> |

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