

Financial Markets Daily

October 3, 2022

Main drivers for the financial markets today...

- **Stock markets biased lower except for S&P500 futures, with government bond yields down and USD mixed. This reflects caution on expectations of further central bank rate hikes, as well as speculation on the weekend about a harsher production cut by OPEC and allies, as well as several media outlets warning of serious financial issues at Credit Suisse**
- **UK markets improved after the government withdrew the proposal of abolishing the top 45% tax rate for high earners, albeit with investors still skeptic. On Brazil's election, Lula da Silva obtained about 48% of total votes vs. 43% for President Bolsonaro. Nevertheless, this is not enough for a first-round win and would imply a runoff on October 30**
- **Market attention this week on US nonfarm payrolls (Sep), in which we forecast +270k new jobs (consensus: 250k) and an unchanged unemployment rate at 3.7%. The US economic agenda includes factory orders, trade balance, consumer credit (Aug), ISM indicators, the ADP employment report, total vehicle sales (Sep) and weekly jobless claims**
- **In events, we will carefully watch the ministerial meeting of OPEC and allies given the possible production cut to counter lower prices. Eurozone finance ministers will meet in coming days. Chinese markets will be closed because of Golden Week festivities**
- **In Mexico, President López-Obrador will announce a new plan to fight inflation. Data includes gross fixed investment and private consumption (Jul), remittances (Aug), IMEF PMIs, consumer confidence and inflation (Sep), along with the banking sector survey**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
8:00	Presentation of a new plan to fight inflation by President López Obrador				
10:00	Family remittances - Aug	US\$b	5,324.7	4,924.7	5,296.8
10:00	Survey of expectations (Banxico)				
13:00	PMI manufacturing (IMEF)* - Sep	index	49.8	--	49.4
13:00	PMI non-manufacturing (IMEF)* - Sep	index	51.5	--	51.9
<i>United States</i>					
9:05	Fed's Bostic gives Opening Remarks at Technology Conference				
9:45	Manufacturing PMI*-Sep (F)	index	51.8	51.8	51.8
10:00	ISM manufacturing* - Sep	index	52.5	52.1	52.8
15:10	Fed's Williams Speaks to Hispanic Chamber Conference				
	Total vehicle sales** - Sep	thousands	--	13.6	13.2

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	3,606.75	0.1%
Euro Stoxx 50	3,289.37	-0.9%
Nikkei 225	26,215.79	1.1%
Shanghai Composite	3,024.39	0.0%
<i>Currencies</i>		
USD/MXN	20.08	-0.3%
EUR/USD	0.98	-0.2%
DX	112.36	0.2%
<i>Commodities</i>		
WTI	82.59	3.9%
Brent	88.29	0.4%
Gold	1,665.15	0.3%
Copper	336.65	-1.3%
<i>Sovereign bonds</i>		
10-year Treasury	3.76	-7pb

Source: Bloomberg

Equities

- The week starts with a negative bias in equity markets as investors continue to worry about a global economic downturn as a result of aggressive monetary tightening, while gauging the impact this could have on corporate earnings
- Nevertheless, S&P500 futures in the US signal a positive opening of 0.1%, on dip-buying after recent losses. European stock markets fell, while Credit Suisse shares reached an all-time low after heightened speculation about its future. In Asia, changes were mixed, with the Nikkei rising 1.1%. Meanwhile, Chinese markets remain closed for the Golden Week festivities
- In Mexico, we expect the Mexbol index to trade between 43,500 and 45,500 points this week, after closing on Friday at 44,627 points

Sovereign fixed income, currencies and commodities

- Positive balance in sovereign bonds. Europe rates decline 5bps on average, while the US Treasuries' curve gains up to 13bps at the short-end. Locally, Mbonos' yield curve recorded a 20bps sell-off last week, with the 10-year benchmark closing at 9.65%
- Dollar strengthens modestly amid a mixed performance in developed currencies, with NZD (+1.0%) and SEK (-0.5%) at the extremes. In EM, the bias is negative except for RUB (+3.2%), ZAR (+0.4%) and MXN (+0.3%). The latter trades at 20.08 per dollar after gaining 0.4% w/w
- Crude-oil jumps on signals that OPEC+ is considering slashing its joint output by more than 1 Mbb/d to support prices. Both Brent and WTI closed 3Q22 with the biggest losses (-25% q/q) since the beginning of the pandemic

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	28,725.51	-1.7%
S&P 500	3,585.62	-1.5%
Nasdaq	10,575.62	-1.5%
IPC	44,626.80	-1.1%
Ibovespa	110,036.79	2.2%
Euro Stoxx 50	3,318.20	1.2%
FTSE 100	6,893.81	0.2%
CAC 40	5,762.34	1.5%
DAX	12,114.36	1.2%
Nikkei 225	25,937.21	-1.8%
Hang Seng	17,222.83	0.3%
Shanghai Composite	3,024.39	-0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	4.28	9pb
10-year Treasuries	3.83	4pb
28-day Cetes	9.33	5pb
28-day TIIE	9.54	52pb
2-year Mbono	10.35	-4pb
10-year Mbono	9.67	-5pb
<i>Currencies</i>		
USD/MXN	20.14	-0.1%
EUR/USD	0.98	-0.1%
GBP/USD	1.12	0.5%
DXY	112.12	-0.1%
<i>Commodities</i>		
WTI	79.49	-2.1%
Brent	87.96	-0.6%
Mexican mix	77.16	-0.8%
Gold	1,660.61	0.0%
Copper	341.25	-0.2%

Source: Bloomberg

Corporate Debt

- Operadora de Servicios Mega (GF Mega) announced the signing of a simple credit of MXN 200 million with Banco Bancrea, S.A.
- Gruma informed it obtained a committed line of credit for US\$100 million, which will be used for general corporate expenses. The line of credit was jointly granted by Cooperatieve Rabobank U.A. New York Branch and Bank of America, N.A., with a 5-year term
- S&P Global Ratings confirmed the long- and short-term ratings for NR Finance Mexico's issuances at 'mxAA+' and 'mxA-1+', respectively. The ratings are based on the unconditional and irrevocable guarantee granted by its holding company, Nissan Motor Acceptance Company LLC

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