

Financial Markets Daily

October 5, 2022

Main drivers for the financial markets today...

- **Stock markets lower, with government bond yields positive and the USD stronger, with previous optimism cooling down given the need for more evidence that growth will weaken and inflation will moderate**
- **It is expected that OPEC+ announces an important cut to output (of up to 2,000kbpd) with the aim to stabilize prices. Nevertheless, the measure is facing criticism from the US. Meanwhile, its expected that the European Union announces a new sanctions package against Russia, including a cap on energy exports from said country**
- **In the monetary policy front, New Zealand's central bank hiked its reference rate by 50bps to 3.50%, even considering the possibility of a larger move. In Iceland, the hike was +25bps to 5.75%. Other decisions today include Sri Lanka, Poland, and Rumania. In addition, in the US we note speeches from Kashkari and Bostic**
- **Regarding economic data, September's services PMI for the Eurozone was revised marginally lower, impacting the composite reading to the downside. In the UK dynamic was contrary, with an upward adjustment in the first indicator to 50.0pts. In the US we expect this same readings, as well as the ISM for services and ADP's employment report**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Consumer confidence* - Sep	index	40.4	--	40.9
15:30	Survey of expectations (Citibanamex)				
<i>Brazil</i>					
8:00	Industrial production - Aug	% y/y	--	2.2	-0.5
8:00	Industrial production* - Aug	% m/m	--	-0.7	0.6
<i>United States</i>					
8:15	ADP employment* - Sep	thousands	190	200	132
8:30	Trade balance* - Aug	US\$bn	--	-67.9	-70.7
9:45	Services PMI* - Sep (F)	index	49.2	49.2	49.2
9:45	Composite PMI* - Sep (F)	index	49.3	49.3	49.3
10:00	ISM services* - Sep	index	--	56.0	56.9
16:00	Fed's Bostic Discusses Inflation				

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	3,771.00	-0.8%
Euro Stoxx 50	3,462.27	-0.6%
Nikkei 225	27,120.53	0.5%
Shanghai Composite	3,024.39	0.0%
<i>Currencies</i>		
USD/MXN	20.05	0.4%
EUR/USD	0.99	-0.8%
DXY	110.96	0.8%
<i>Commodities</i>		
WTI	86.11	-0.5%
Brent	91.48	-0.3%
Gold	1,705.76	-1.2%
Copper	345.55	-1.0%
<i>Sovereign bonds</i>		
10-year Treasury	3.69	6pb

Source: Bloomberg

Equities

- **Negative-biased stock markets, after stocks extended their rebound from deeply oversold levels yesterday, investors weigh whether it would be realistic for central banks to moderate their aggressive stance to prevent the hard landing recession and questioning whether pessimism has already reached such an extreme level**
- **US futures anticipate a negative opening, after the S&P 500 and the Nasdaq scaled their best two-day gain in about two years. In the meanwhile, Twitter futures are trading lower, having a slight adjustment from yesterday's 22% rally, following Elon Musk's announcement to revive his bid to buy the company. In turn, Europe is trading downward, the Eurostoxx decreasing 0.6%, while Asia closed mixed, highlighting Hang Seng's climb of 5.9%, having its best rebound since March**
- **In Mexico, Femsa published the final result of Valora's acquisition offer, for an amount of CHF 260 per share to be made on October 7th**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. European assets trade with pressures of up to 11bps while the Treasury curve operates with losses of 6bps on average, concentrated in the mid-end. Yesterday, the Mbonos' curve closed with gains of 7bps, on average, and the 10-year benchmark ended the session at 9.52% (-13bps)**
- **The dollar strengthens (DXY +0.7%) while developed currencies trade in negative territory and emerging currencies with mixed changes. In the first group NOK (-1.1%) is the weakest while in the second, KRW (+1.1%) and HUF (-1.7%) are at the ends of the spectrum. The Mexican peso trades at 20.03 per dollar, equivalent to a 0.3% depreciation**
- **Crude oil prices advanced 0.7% on average, awaiting the decision of OPEC and its allies regarding a possible cut in oil production to contain the slump in prices. Metals prices are predominantly negative, except for nickel, which rises 1.2%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,316.32	2.8%
S&P 500	3,790.93	3.1%
Nasdaq	11,176.41	3.3%
IPC	46,046.58	1.4%
Ibovespa	116,230.12	0.1%
Euro Stoxx 50	3,484.48	4.3%
FTSE 100	7,086.46	2.6%
CAC 40	6,039.69	4.2%
DAX	12,670.48	3.8%
Nikkei 225	26,992.21	3.0%
Hang Seng	17,079.51	0.0%
Shanghai Composite	3,024.39	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	4.09	-2pb
10-year Treasuries	3.63	-1pb
28-day Cetes	8.95	-33pb
28-day TIIE	9.55	1pb
2-year Mbono	10.27	-2pb
10-year Mbono	9.54	-4pb
<i>Currencies</i>		
USD/MXN	19.97	-0.3%
EUR/USD	1.00	1.6%
GBP/USD	1.15	1.4%
DXY	110.07	-1.5%
<i>Commodities</i>		
WTI	86.52	3.5%
Brent	91.80	3.3%
Mexican mix	79.78	3.5%
Gold	1,726.13	1.5%
Copper	349.00	2.3%

Source: Bloomberg

Corporate Debt

- **CIBanco (Trustee) reported that the issuer intends to carry out a partial early amortization of its ELEKTRA 21 issuance on October 11, 2022. On the early amortization date, 6,000,000 titles will be redeemed, the issuer will pay the Bondholders an amount equal to the greater between (i) 100% of the principal amount and (ii) the arithmetic mean of the titles' clean price calculated for the 60 calendar days prior to the Notice of Early Amortization**
- **Currently, the ELEKTRA 21 issuance has an outstanding amount of MXN 3 billion. The average of the Clean Price in the last 60 days is MXN 100.0514, so the bondholders would receive the Clean Price, above the face value. The bond is rated 'HR AA+' by HR Ratings and 'AA/M' by PCR Verum and has its legal maturity scheduled for October 22**

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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, 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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