

Financial Markets Daily

October 12, 2022

Main drivers for the financial markets today...

- **Positive stock markets, government bond yields up and USD stable. Investors are trying to decipher confusing signals from UK authorities while August GDP came in below expectations. Some are betting on a government U-turn on the fiscal plan. Dip buying gives a slight boost to riskier assets**
- **Attention on the FOMC's last meeting minutes, where details will be sought on the view on rates next year and whether restrictive monetary policy will trigger a recession**
- **US agenda includes producer prices for September and speeches from Fed members such as Kashkari, Barr and Bowman. Attention is also on Kuroda and Lagarde speeches at IIF meetings in Washington. In the afternoon, Chile's central bank will publish its monetary policy decision in which a 50bps hike is expected**
- **In Mexico, INEGI published industrial production for August, unchanged at 0.0% m/m (+3.9% y/y), better than expected. We highlight the slight increase in mining (+0.4% m/m), albeit with declines in manufacturing (-0.1%) and construction (-1.7%)**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted by
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Industrial production - Aug	% y/y	4.3	2.9	2.6
7:00	Industrial production* - Aug	% m/m	0.1	-0.2	0.4
7:00	Manufacturing output - Aug	% y/y	6.6	4.0	5.1
<i>United States</i>					
8:30	Producer prices* - Sep	% m/m	--	0.2	-0.1
8:30	Ex. food & energy* - Sep	% m/m	--	0.3	0.4
10:00	Fed's Kashkari Takes Part in Town Hall Discussion				
13:45	Fed's Barr discusses new technologies, the Fed and inclusion				
14:00	FOMC Meeting Minutes				
18:30	Fed's Bowman discusses forward guidance as a policy tool				
<i>Chile</i>					
17:00	Monetary policy decision (BCCh)	%	--	11.25	10.75

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	3,627.50	0.8%
Euro Stoxx 50	3,347.15	0.2%
Nikkei 225	26,396.83	0.0%
Shanghai Composite	3,025.51	1.5%
<i>Currencies</i>		
USD/MXN	20.04	-0.2%
EUR/USD	0.97	0.0%
DXY	113.19	0.0%
<i>Commodities</i>		
WTI	89.70	0.4%
Brent	94.98	0.7%
Gold	1,670.92	0.3%
Copper	344.20	-0.6%
<i>Sovereign bonds</i>		
10-year Treasury	3.95	1pb

Source: Bloomberg

Equities

- **Mixed stock markets, with positive bias, where investors realize dip buying's prior earnings season, although they continue to assess the magnitude of the monetary tightening and adjusting outlook perspectives**
- **Futures in the US anticipate an upside opening with the S&P500 trading 0.8% above its theoretical value, continuing cautious sentiment. PepsiCo rebounds on pre-market after beating expected revenue and earnings per share for the quarter, while raising their full-year earnings guidance from higher product prices given demand resistance. On the other hand, Europe is trading mixed, the Eurostoxx advances slightly 0.2%, registering the largest adjustments in real estate and financial sectors. In turn, Asia stands out with Shanghai's advance of 1.5%, and Hang Seng's decline of 0.8%**
- **In Mexico, the Mexbol Index could be consolidating around 46,000pts**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. European assets trade with losses of up to 13bps while the Treasury curve trades is steepening, as a result of gains of 1bp on the short-end and pressures of up to 2bps on the long-end nodes. Yesterday, the Mbonos' curve closed with losses of 4bps, on average, and the 10-year benchmark at 9.77% (+1bp)**
- **The dollar trades with few changes on the DXY while in developed currencies a positive bias prevails and in emerging currencies we observe mixed variations. In the first group, GBP (+1.0%) and JPY (-0.4%) are at the ends of the spectrum. In emerging markets, KRW (+0.8%) is the strongest and MYR (-0.2%) leads the declines. The MXN is trading at 20.05 per dollar, representing an appreciation of 0.2%**
- **Crude-oil futures print gains of 0.4%, on average, due to the suspension of a section of an oil pipeline from Russia to Germany due to a leak. In metals, the negative bias prevails**

Corporate Debt

- **HR Ratings upgraded Fibra Hotel's ratings to 'HR AA' from 'HR AA-' and changed the outlook to Stable from Negative based on the Free Cash Flow recovery in the last twelve months as of 2Q22, which reached MXN 919 million, compared with the MXN 455 million on 2Q21**
- **HR Ratings affirmed Consubanco's ratings at 'HR A' and changed the outlook to Positive from Stable, based on the bank's profitability levels. In 2Q22, Average ROA stood at 2.3% (vs. 0.5% in 2Q21), which follows a larger interest rate spread**
- **HR Ratings upgraded Médica Sur's ratings to 'HR AAA' from 'HR AA+' with stable Outlook, based on the reported and expected Debt Service Coverage Ratio metrics**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	29,239.19	0.1%
S&P 500	3,588.84	-0.7%
Nasdaq	10,426.19	-1.1%
IPC	45,792.99	0.7%
Ibovespa	114,827.12	-1.0%
Euro Stoxx 50	3,340.35	-0.5%
FTSE 100	6,885.23	-1.1%
CAC 40	5,833.20	-0.1%
DAX	12,220.25	-0.4%
Nikkei 225	26,401.25	-2.6%
Hang Seng	16,832.36	-2.2%
Shanghai Composite	2,979.79	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	4.31	0pb
10-year Treasuries	3.95	7pb
28-day Cetes	8.90	-39pb
28-day TIIE	9.55	1pb
2-year Mbono	10.42	10pb
10-year Mbono	9.78	3pb
<i>Currencies</i>		
USD/MXN	20.08	0.6%
EUR/USD	0.97	0.1%
GBP/USD	1.10	-0.8%
DXY	113.22	0.1%
<i>Commodities</i>		
WTI	89.35	-2.0%
Brent	94.29	-2.0%
Mexican mix	82.67	-2.3%
Gold	1,666.34	-0.1%
Copper	346.20	0.9%

Source: Bloomberg

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

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