

Financial Markets Daily

October 17, 2022

Main drivers for the financial markets today...

- **Stock markets higher, government bond yields and USD down except against Asian currencies. Moves are led by a relief in UK assets after the country announced a reversal of planned tax cuts. In China, Xi Jinping provided scarce signals that they will end its COVID-zero policy anytime soon. On the other hand, central bankers maintain a restrictive stance, with a hawkish bias from Bullard, Daly and George of the Fed, as well as Kazaks from the ECB**
- **Market attention this week on 3Q22 GDP in China and activity data for September. In the US, industrial production (Sep), Empire Manufacturing and Philly Fed (Oct). In Mexico, October 20th is the limit date for the approval of the Income Law by the Lower House**
- **In events, the 20th National Congress of the Chinese Communist Party (with expectations that Xi Jinping will secure a third term), the meeting between EU leaders and finance ministers due to the escalation of the war in Ukraine, and the World Health Summit in Berlin**
- **In monetary policy, a plethora of speeches by Fed members. In addition, central bank decisions in Indonesia (+50bps), Turkey (-100bps) and Ukraine (0bps), as well as one- and five-year rates in China (unchanged)**
- **The US economic agenda also includes housing data for September and the Beige Book. In other regions, Germany's ZEW survey (Oct); inflation in the Eurozone and UK (Sep); as well as economic activity in Brazil (Aug)**
- **In Mexico, retail sales (Aug), Timely Indicator of Economic Activity (Sep) and the banking sector survey**

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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
<i>Brazil</i>					
8:00	Economic activity - Aug	% y/y	--	5.3	3.9
8:00	Economic activity* - Aug	% m/m	--	-0.7	1.2
<i>United States</i>					
8:30	Empire manufacturing* - Oct	index	-3.0	-4.0	-1.5
<i>China</i>					
22:00	Gross domestic product - 3Q22	% y/y	--	3.4	0.4
22:00	Gross domestic product - 3Q22	% q/q	--	3.5	-2.6
22:00	Industrial production - Sep	% y/y	--	4.9	4.2
22:00	Retail sales - Sep	% y/y	--	3.5	5.4
22:00	Gross fixed investment (YTD) - Sep	% y/y	--	6.0	5.8

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	3,644.50	1.3%
Euro Stoxx 50	3,412.46	0.9%
Nikkei 225	26,775.79	-1.2%
Shanghai Composite	3,084.94	0.4%
<i>Currencies</i>		
USD/MXN	20.01	-0.4%
EUR/USD	0.98	0.3%
DXY	112.90	-0.4%
<i>Commodities</i>		
WTI	85.72	0.1%
Brent	91.91	0.3%
Gold	1,658.16	0.8%
Copper	344.70	0.7%
<i>Sovereign bonds</i>		
10-year Treasury	3.95	-7pb

Source: Bloomberg

Equities

- We kick off the week with positive moves in equity markets, with investors engaging in some dip buying and waiting for more clarity regarding how high inflation might have impacted profitability in 3Q22
- US futures anticipate a bullish open, with S&P500 trading 1.3% above its theoretical value. Attention this week will be on corporate reports, expecting figures from 65 companies. Today, two companies have already released their numbers: Bank of America (better than expected), and Bank of New York Mellon (earnings below expectations). Charles Schwab is left to report
- Europe trades with gains, with the Eurostoxx up 0.9%, registering the largest increases in the real estate sector. Asia closed mixed, with the Nikkei down 1.2%. In Mexico, we expect 12 Mexbol companies' figures this week, estimating a trading range between 44,300 and 46,500pts

Sovereign fixed income, currencies and commodities

- Positive balance in sovereign bonds. Europe rates fall 10bps on average, while the US Treasuries curve registers gains of up to 7bps at the belly. Locally, Mbonos' yield curve recorded a 18bps sell-off last week, with the 10-year benchmark closing at 9.86% (+21bps)
- Dollar falls amid a positive performance in most developed currencies, with GBP (+1.2%) leading gains. In EM, the bias is mixed with RUB (+1.2%) and TRY (-0.5%) at the extremes. Moreover, MXN trades at 20.01 per dollar (+0.4%), after a 0.2% weekly depreciation
- Crude-oil advances modestly as fears about an economic slowdown continue to weight on the outlook for demand. In metals, aluminum falls 3.0% due to a higher-than-expected increase in stockpiles, reaching 8-month highs in Asian deliveries

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	29,634.83	-1.3%
S&P 500	3,583.07	-2.4%
Nasdaq	10,321.39	-3.1%
IPC	45,443.35	-0.7%
Ibovespa	112,072.34	-1.9%
Euro Stoxx 50	3,381.73	0.6%
FTSE 100	6,858.79	0.1%
CAC 40	5,931.92	0.9%
DAX	12,437.81	0.7%
Nikkei 225	27,090.76	3.3%
Hang Seng	16,587.69	1.2%
Shanghai Composite	3,071.99	1.8%
<i>Sovereign bonds</i>		
2-year Treasuries	4.50	3pb
10-year Treasuries	4.02	7pb
28-day Cetes	9.16	14pb
28-day TIIE	9.57	0pb
2-year Mbono	10.44	1pb
10-year Mbono	9.85	5pb
<i>Currencies</i>		
USD/MXN	20.08	0.5%
EUR/USD	0.97	-0.6%
GBP/USD	1.12	-1.4%
DX-Y	113.31	0.8%
<i>Commodities</i>		
WTI	85.61	-3.9%
Brent	91.63	-3.1%
Mexican mix	79.68	-3.4%
Gold	1,644.47	-1.3%
Copper	342.35	-0.5%

Source: Bloomberg

Corporate Debt

- This week we expect the auction of four long-term issuances by Minera Frisco and Grupo Elektra for up to MXN 10.5 billion
- S&P Global Ratings downgraded Operadora de Servicios Mega's global and local scale ratings to 'B' and 'mxBB+' from 'B+' and 'mxBBB', respectively, assigning a Negative outlook. The rating action follows stricter financing conditions and lower profitability
- HR Ratings affirmed the ratings of Mexico City's Government's structured notes at 'HR AAA' with a Stable outlook. The ratings consider the Federal Government's backing of CDMX's debt obligations

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