

# Financial Markets Daily

October 18, 2022

## Main drivers for the financial markets today...

- **Positive stock markets, government bond yields biased higher, USD trading slightly higher, while oil falls, on the possible release of US oil reserves and speculation that the Bank of England will delay the sale of bonds, although the central bank has already denied this information**
- **President Biden is expected to announce the release of another 10 to 15 million barrels of oil from the Strategic Petroleum Reserve in order to prevent gasoline prices from rising further. This would be the last tranche of the 180 million-barrel program that began in the spring. This in a context where inflation in September remained very high at 8.2% y/y**
- **Regarding economic figures, in the US industrial production for September will be published. We estimate a zero monthly advance, with an increase of 0.1% m/m in manufacturing. Although this report will be relevant, we believe that the October figures will be even more important after the impact of Hurricane Ian. As for interventions by Fed members, we highlight Bostic and Kashkari**
- **In the midst of the Communist Party Congress in China to re-elect Xi Jinping, the release of key indicators, including 3Q22 GDP, was delayed, without giving reasons for the delay or a new release time. This has led to speculation that economic activity is slowing very sharply due to COVID Zero policy**

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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>Germany</i>					
5:00	ZEW Survey (Expectations) - Oct	index	--	-66.6	-61.9
<i>United States</i>					
9:15	Industrial production* - Sep	% m/m	0.0	0.1	-0.2
9:15	Manufacturing production* - Sep	% m/m	0.1	0.3	0.1
14:00	Fed's Bostic takes part in Workrise panel discussion				
17:30	Fed's Kashkari Discusses the Economy				
<i>Mexico</i>					
10:00	International reserves - Oct 14	US\$bn	--	--	197.0
12:30	Government weekly auction: 1-, 3-, 6-, and -12 month CETES; 20-year Mbono (Nov'42); 3-year Udibono (Dec'26) and 2-, and 5-year Bondes F				

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	3,757.00	1.8%
Euro Stoxx 50	3,491.12	1.4%
Nikkei 225	27,156.14	1.4%
Shanghai Composite	3,080.96	-0.1%
<i>Currencies</i>		
USD/MXN	19.99	0.0%
EUR/USD	0.98	-0.1%
DX	112.21	0.2%
<i>Commodities</i>		
WTI	85.55	0.1%
Brent	91.77	0.2%
Gold	1,653.08	0.2%
Copper	339.45	-0.6%
<i>Sovereign bonds</i>		
10-year Treasury	4.00	-1pb

Source: Bloomberg

## Equities

- **Positive movements in equity markets, extending yesterday's gains, as investors react favorably to the combination of some positive corporate reports and attractive valuations, although they remain attentive to the updated outlook in the face of economic challenges**
- **In Asia the markets closed positive. In Europe stocks advance, the Eurostoxx adds 1.4%. In turn, in the US the futures of main indices point to a positive open by rising 1.6% on average**
- **On the corporate front, out of the 12 S&P500 companies scheduled to report today, 7 have already updated investors with most outperforming estimates, including Goldman Sachs, Johnson & Johnson, and Lockheed Martin Corp. Netflix will publish their figures after the market closes. In Mexico, reports from Amx and Livepol are expected today after the markets close**

## Sovereign fixed income, currencies and commodities

- **Mixed balance in sovereign bonds. European assets print losses of 5bps, on average, while Treasuries trade with modest gains. The 10-year note is trading at 3.99% (-1bp). Yesterday, the Mbonos' curve closed with gains of 2bps, on average. The 10-year benchmark closed at 9.82% (-4bps)**
- **Dollar slightly positive amid a mixed performance in G10 currencies with NZD (+0.6%) and GBP (-0.5%) at the extremes. In EM, the bias is also mixed with MXN trading virtually unchanged close to psychological level of 20.00 per dollar, after a 0.4% appreciation yesterday**
- **Crude-oil falls following a possible release of at least 10 million to 15 million barrels of oil from the US Strategic Petroleum Reserves to keep gasoline prices from climbing further. Industrial metals record losses, mainly aluminum (-1.0%) and copper (-1.3%)**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,185.82	1.9%
S&P 500	3,677.95	2.6%
Nasdaq	10,675.80	3.4%
IPC	46,220.71	1.7%
Ibovespa	113,623.98	1.4%
Euro Stoxx 50	3,441.64	1.8%
FTSE 100	6,920.24	0.9%
CAC 40	6,040.66	1.8%
DAX	12,649.03	1.7%
Nikkei 225	26,775.79	-1.2%
Hang Seng	16,612.90	0.2%
Shanghai Composite	3,084.94	0.4%
<i>Sovereign bonds</i>		
2-year Treasuries	4.44	-5pb
10-year Treasuries	4.01	-1pb
28-day Cetes	9.20	4pb
28-day TIIE	9.57	0pb
2-year Mbono	10.45	1pb
10-year Mbono	9.82	-3pb
<i>Currencies</i>		
USD/MXN	19.99	-0.4%
EUR/USD	0.98	1.2%
GBP/USD	1.14	1.7%
DXY	112.04	-1.1%
<i>Commodities</i>		
WTI	85.46	-0.2%
Brent	91.62	0.0%
Mexican mix	79.42	-0.3%
Gold	1,650.09	0.3%
Copper	341.55	-0.2%

Source: Bloomberg

## Corporate Debt

- **Desarrollos Hidráulicos de Cancún (DHIC) informed that it had entered into a specialized contract for a lump sum contract for the design, construction, equipment, start-up, stabilization and transitory operation of the Paraíso Wastewater Treatment Plant in the municipality of Benito Juárez, Quintana Roo, celebrated with the legal person Mitsui & Co. Infrastructure Solutions**
- **Currently, Desarrollos Hidráulicos de Cancún has an issuance in the long-term debt market, DHIC 13, with an outstanding amount of MXN 1.65 billion and its legal maturity is scheduled for November. The issuer is rated 'AA+(mex)' by Fitch Ratings and 'HR AAA' by HR Ratings**

## 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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	Reference
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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