

# Financial Markets Daily

October 20, 2022

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

- **Stocks markets down (although S&P500 futures positive), USD and government bond yields negative, with investors concerned about strong inflation and restrictive monetary policies, as well as events in the UK with Conservatives lawmakers calling for Liz Truss's resignation, although offset by positive corporate earnings**
- **US, France, and the UK have requested to the UN Security Council a briefing regarding evidence that Russia has used Iranian-made drones in recent attacks on Ukrainian cities. Meanwhile, Iran continues to deny the use of their weapons in this conflict**
- **On the monetary policy front, in US we will have speeches from Harker, Jefferson, Cook and Bowman. Yesterday, Bullard expressed that he expects aggressive hikes in the Fed Funds rate to end by early next year and be replaced by small adjustments that maintain the policy sufficiently restrictive as inflation cools down**
- **On economic data, we expect October's Philly Fed index, anticipating a slight recovery, as well as weekly jobless claims. In Mexico, the Timely Indicator of Economic Activity in September shows null progress (0.0% m/m, 3.3% y/y sa), with mixed signals inside**
- **Finally, the Central Bank of Turkey announced a 150bps cut to its interest rate, placing it at 10.50%. Meanwhile, in Argentina is expected to hike its rate by 300bps to 48%**

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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>					
	Deadline for the approval of the Revenue Law by the Lower House				
7:00	Timely Indicator of Economic Activity* - Sep	% y/y	--	--	2.9
15:30	Survey of expectations (Citibanamex)				
<i>Turkey</i>					
7:00	Monetary policy decision (Central Bank of Turkey)	%	--	11.00	12.00
<i>United States</i>					
8:30	Initial jobless claims*- 15 Oct	thousands	233	230	228
8:30	Philadelphia Fed*-Oct	index	-6.0	-5.0	-9.9
10:00	Existing home sales**-Sep	millions	--	4.7	4.8
13:30	Fed's Jefferson makes opening remarks at virtual event				
13:45	Fed's Cook speaks on panel at Careers event				
14:05	Bowman makes opening remarks at virtual event				

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	3,716.50	0.2%
Euro Stoxx 50	3,469.60	0.0%
Nikkei 225	27,006.96	-0.9%
Shanghai Composite	3,035.05	-0.3%
<i>Currencies</i>		
USD/MXN	20.08	-0.2%
EUR/USD	0.98	0.5%
DX	112.53	-0.4%
<i>Commodities</i>		
WTI	87.33	2.1%
Brent	93.76	1.5%
Gold	1,638.21	0.5%
Copper	338.70	2.1%
<i>Sovereign bonds</i>		
10-year Treasury	4.13	-1pb

Source: Bloomberg

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## Equities

- **Negative equity markets, as investors weigh a strong start to the third-quarter earnings season with fears about the impact of inflation and aggressive central bank moves. US futures anticipate a positive opening, with the S&P500 trading 0.2% above its theoretical value. Likewise, Europe trades with widespread losses, with technology companies leading the biggest laggards in the Eurostoxx index. Finally, Asia closed lower, with the Hang Seng down 1.4%**
- **On the domestic corporate front, Fibrapl recorded solid advances, favored by portfolio growth and positive dynamics in the industrial sector. In addition, at market close, figures from Alfa, Alpek, Gfnorte, Kimber, Qualitas, and Walmex are expected. In turn, in the US, Tesla falls 5.4% on pre-market, after failing to meet expectations. Additionally, of the 22 S&P500 companies releasing figures today, 14 have already released them. AT&T beating estimates in terms of earnings and subscribers**

## Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds. European rates fluctuate between +/- 3bps. Meanwhile, the Treasury curve registers losses of 2bps, at the extremes, and modest gains at the belly. Yesterday, the Mbonos curve lost 4bps, on average, with the 10-year benchmark closing at 9.89% (+5bps)**
- **The dollar retreats, allowing all developed currencies trade with positive returns with AUD (+0.6%) leading gains. In EM, the bias is mixed with CLP (+0.9%) and IDR (-0.5%) at the extremes. Meanwhile, MXN trades at 20.07 per dollar (+0.2%), after losing 0.4% yesterday**
- **Crude-oil extends yesterday's rally as Chinese officials debate easing of some Covid rules, a policy that has affected its economy and energy demand. In metals aluminum, copper and gold advances 2.2%, 2.1%, and 0.5%, in the same order**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	30,423.81	-0.3%
S&P 500	3,695.16	-0.7%
Nasdaq	10,680.51	-0.9%
IPC	46,217.44	-0.2%
Ibovespa	116,274.24	0.5%
Euro Stoxx 50	3,471.24	0.2%
FTSE 100	6,924.99	-0.2%
CAC 40	6,040.72	-0.4%
DAX	12,741.41	-0.2%
Nikkei 225	27,257.38	0.4%
Hang Seng	16,511.28	-2.4%
Shanghai Composite	3,044.38	-1.2%
<i>Sovereign bonds</i>		
2-year Treasuries	4.56	13pb
10-year Treasuries	4.13	13pb
28-day Cetes	8.96	16pb
28-day TIE	9.57	0pb
2-year Mbono	10.54	8pb
10-year Mbono	9.91	6pb
<i>Currencies</i>		
USD/MXN	20.11	0.4%
EUR/USD	0.98	-0.9%
GBP/USD	1.12	-0.9%
DX	112.98	0.8%
<i>Commodities</i>		
WTI	85.55	3.3%
Brent	92.41	2.6%
Mexican mix	79.39	2.5%
Gold	1,629.44	-1.4%
Copper	331.80	-1.3%

Source: Bloomberg

## Corporate Debt

- **S&P Global Ratings downgraded FEMSA's long-term global scale ratings to 'BBB+' from 'A-' and removed it from Credit Watch with negative implications. Outlook is Stable. In addition, it confirmed the 'mxAAA' national scale and 'mxA-1+' short-term ratings. According to the agency, after the acquisition of Valora for around US\$1.2 billion with cash from its balance sheet, it now projects FEMSA's adjusted pro forma leverage to be approximately 2.3x by the end of 2022**
- **HR Ratings upgraded Fibra MTY's rating to 'HR AA+' from 'HR AA', as well as the global scale rating to 'HR BBB (G)' from 'HR BBB- (G)', maintaining the Stable outlook. According to the agency, the upgrade revision is based on the generation of Free Cash Flow during the projected period, which is expected to reach levels of MXN 1.36 billion during the last twelve months (LTM) as of 2Q27**

## Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, 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 Thalia 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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