

Financial Markets Daily

October 26, 2022

Main drivers for the financial markets today...

- **Stock markets down, government bond yields mixed and USD negative amid disappointing results in the technology sector and warnings about a slowdown in revenues. Thus, fears of a global recession caused by the restrictive monetary policy and the war in Ukraine have resurfaced**
- **In China, the PBoC and the government announced that they will maintain stability in financial markets and that the Yuan 'fix' would be stable, this comes after the election of Xi Jinping for a third term. On the other hand, new COVID-19 lockdowns were announced for central districts of Wuhan city. The area is inhabited by 900 thousand people who must stay at home at least until Sunday**
- **In the UK, Prime Minister Sunak decided to postpone the delivery of his economic-fiscal strategy to November 17th. Therefore, the BoE will have to make its monetary policy decision on November 3rd without the benefit of knowing the full plan of the new government**
- **Regarding economic indicators, the agenda is focused on the US with trade balance figures in September, where consensus expects a slight increase in the deficit relative to the previous month. Later, new home sales for September will be known, pointing to a decline, in a context where the 30-year fixed mortgage rate reached a level of 7%, not seen since 2001**
- **On the monetary policy front, we will have decisions in Canada and Brazil. In the first, an increase of 75bps is expected, taking the rate to 4.00%, with a high likelihood that growth estimates will be revised downwards. In Brazil, the consensus points to the Selic rate remaining unchanged at 13.75%**
- **Finally, the US Department of Energy will publish their oil inventories, with an increase possibly reinforcing fears of a global recession, in a context where the market prepares for OPEC+ cuts**

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Winners of the award for best economic
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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
8:30	Trade balance* - Sep	US\$bn	--	-87.5	-87.3
10:00	New home sales** - Sep	thousands	--	581	685
<i>Brazil</i>					
17:30	Monetary policy decision (Central bank of Brazil)	%	13.75	13.75	13.75

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	3,848.75	-0.6%
Euro Stoxx 50	3,578.28	-0.2%
Nikkei 225	27,431.84	0.7%
Shanghai Composite	2,999.50	0.8%
<i>Currencies</i>		
USD/MXN	19.82	-0.3%
EUR/USD	1.00	0.6%
DXY	110.19	-0.7%
<i>Commodities</i>		
WTI	86.10	0.9%
Brent	94.05	0.6%
Gold	1,671.00	1.1%
Copper	347.85	2.4%
<i>Sovereign bonds</i>		
10-year Treasury	4.05	-5pb

Source: Bloomberg

Equities

- **Stock markets with negative bias, with investors adjusting growth prospects as recent earnings results are released from some US tech companies, while assessing recession risks**
- **Futures in the US anticipate a negative opening with the S&P500 trading 0.6% below its theoretical value, reflecting caution. Microsoft and Google fell more than 6.0% on pre-market after reporting yesterday, cuts on earnings forecasts and lower than expected figures, respectively. In the meanwhile, Europe trades mixed, although the Eurostoxx slightly changing with a decrease of 0.2%**
- **On the national corporate front, Chdraui continues with strong expansion and profitability gains, while Gcc recorded favorable performance with a smaller margin contraction than anticipated. In turn, in the US, of 44 companies of the S&P500 that publish their results, 15 have already done it. Furthermore, today Ac, Gentera, Lab, Lacomar and Orbia figures are expected**

Sovereign fixed income, currencies and commodities

- **Mixed performance in sovereign bonds. European assets post losses of up to 8bp while the Treasuries yield curve trades with a flattening bias, as a result of gains of 3bps on the short-end and 6bps on the long-end. Yesterday, the Mbonos' curve closed with gains of 7bps on average and the 10-year benchmark at 9.86% (-8bps)**
- **The dollar weakens with the DXY retreating 0.6%. Meanwhile, developed and EM currencies trade in positive territory. In the former group, AUD (+1.3%) leads the risers and in the latter HUF (+2.3%) is the strongest. The Mexican peso extends yesterday's gains by appreciating 0.3% to 19.82 per dollar**
- **Crude-oil futures are up 0.3% on average due to the support provided by the OPEC+ production cut, counteracting the effects of the release of strategic reserves in the US. Metals print gains, with aluminum standing out with an advance of 2.8%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,836.74	1.1%
S&P 500	3,859.11	1.6%
Nasdaq	11,199.12	2.3%
IPC	48,641.27	1.8%
Ibovespa	114,625.59	-1.2%
Euro Stoxx 50	3,585.58	1.6%
FTSE 100	7,013.48	0.0%
CAC 40	6,250.55	1.9%
DAX	13,052.96	0.9%
Nikkei 225	27,250.28	1.0%
Hang Seng	15,165.59	-0.1%
Shanghai Composite	2,976.28	0.0%
<i>Sovereign bonds</i>		
2-year Treasuries	4.48	-3pb
10-year Treasuries	4.10	-14pb
28-day Cetes	9.00	-57pb
28-day TIE	9.58	1pb
2-year Mbono	10.36	-9pb
10-year Mbono	9.89	-6pb
<i>Currencies</i>		
USD/MXN	19.88	-0.3%
EUR/USD	1.00	0.9%
GBP/USD	1.15	1.7%
DXY	110.95	-0.9%
<i>Commodities</i>		
WTI	85.32	0.9%
Brent	93.52	0.3%
Mexican mix	80.54	-0.3%
Gold	1,653.17	0.2%
Copper	339.70	-1.0%

Source: Bloomberg

Corporate Debt

- **Crediclub and L Catterton announced the arrival of International Financial Corporation (IFC) and Saron Asset Management as co-investors in the US\$80 million capital round announced in May by both institutions**
- **Moody's Local MX assigned a 'AAA.mx' rating to Comisión Federal de Electricidad's proposed issuances (CFE 22S / 22-2S / 22UV / 22-2UV) for up to MXN 10.0 billion, based on the close link of CFE with the Federal Government through its state-owned productive company status**
- **Fitch Ratings affirmed Almacénadora Mercader's ratings at 'A(mex)' with a Stable outlook and its short-term rating at 'F1(mex)', highly influenced by the entity's business profile**

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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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