

Financial Markets Daily

October 27, 2022

Main drivers for the financial markets today...

- **Negative stock markets, S&P Futures with small changes, USD and government bond yields up with investors prepared for another ECB rate hike, digesting negative earnings results by some corporates and waiting for key economic data in the US**
- **Attention on the ECB's decision where we expect a 75bp hike, while it is possible that there will be signs of when the balance sheet reduction could begin. Also, the Bank of Japan will announce its monetary policy decision**
- **In the US, 3Q22 GDP will be released, where we estimate +2.0% q/q, after the contraction observed in 1Q22 and 2Q22. We expect a moderation in the pace of growth in consumption and a contraction in fixed investment, with the impetus coming from net exports**
- **In Mexico, INEGI published September's employment report. The unemployment rate fell to 3.34% (-20bps), with a loss of 120.2 thousand jobs. With seasonally adjusted figures we saw a decline to 3.14% (-12bps)**
- **INEGI also released September trade balance, posting a US\$895.4 million deficit. Exports rose 5.0% m/m (25.3% y/y), with a favorable performance in manufacturing. Imports backtracked 0.7% m/m (20.8% y/y), with generalized declines**

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Winners of the award for best economic
forecasters for Mexico in 2021, granted
by Refinitiv



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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Unemployment rate - Sep	%	3.42	3.50	3.53
7:00	Trade balance - Sep	US\$mn	-4,829.6	-4,530.5	-5,498.2
<i>Eurozone</i>					
8:15	Monetary policy decision (ECB)	%	2.00	2.00	1.25
<i>United States</i>					
8:30	Initial jobless claims* - Oct 22	thousands	220	225	214
8:30	Durable goods orders* - Sep (P)	% m/m	--	0.6	-0.2
8:30	Ex transportation* - Sep (P)	% m/m	--	0.2	0.3
8:30	Gross domestic product** - 3Q22	% q/q	2.0	2.3	-0.6
8:30	Personal consumption** - 3Q22	% q/q	1.0	0.8	2.0
<i>Japan</i>					
	Monetary policy decision (BoJ)	%	--	-0.10	-0.10

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	3,843.75	0.1%
Euro Stoxx 50	3,576.30	-0.8%
Nikkei 225	27,345.24	-0.3%
Shanghai Composite	2,982.90	-0.6%
<i>Currencies</i>		
USD/MXN	19.95	0.1%
EUR/USD	1.00	-0.3%
DX	110.06	0.3%
<i>Commodities</i>		
WTI	88.21	0.3%
Brent	96.03	0.4%
Gold	1,662.20	-0.1%
Copper	350.85	-1.0%
<i>Sovereign bonds</i>		
10-year Treasury	4.06	6pb

Source: Bloomberg

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Equities

- **Equity markets with negative bias, as investors digesting corporate reports and a tighter monetary policy from the ECB. US futures anticipate a negative opening, with the Nasdaq trading 0.3% below its theoretical value. After Meta Platforms yesterday missed expectations and in turn cut its revenue guidance due to a weaker advertising market in the middle of a possible economic slowdown. The stock falls 21% on pre-market**
- **On the corporate front, of 61 S&P500 companies releasing their numbers today, 27 have already done so, most with positive surprises. At market close, attention will be on the results of Apple and Amazon. In the meanwhile, in Mexico, Lab and Gentera's figures stood out favorably, while Orbia and Lacomer presented profitability pressures. Today, Cemex reported higher profitability pressures than expected, a drop in its cash flow, and reduced its 2022 guidance; which will pressure the stock price. Alsea will report later today**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European rates adjust up to +9bps. Meanwhile, the Treasury curve registers pressures of 5bps, on average. Yesterday, the Mbonos curve gained 8bps, on average, and the 10-year benchmark ended at 9.77% (-9bps)**
- **The dollar rises, as developed currencies trade with negative returns with AUD (-0.7%) as the weakest. In EM, the bias is negative with KRW (+0.6%) and HUF (-0.8%) at the extremes. Meanwhile, MXN depreciates 0.1% to 19.96 per dollar, after losing 0.3% yesterday**
- **Crude-oil extends the previous session's gains (+3.0%) boosted by a record high in US crude exports. In this sense, WTI approaches 90 \$/bbl and Brent trades at 96 \$/bbl. Metals trade with negative bias with copper and silver falling 1.1% and 0.6%, respectively**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,839.11	0.0%
S&P 500	3,830.60	-0.7%
Nasdaq	10,970.99	-2.0%
IPC	49,327.11	1.4%
Ibovespa	112,763.79	-1.6%
Euro Stoxx 50	3,605.31	0.6%
FTSE 100	7,056.07	0.6%
CAC 40	6,276.31	0.4%
DAX	13,195.81	1.1%
Nikkei 225	27,431.84	0.7%
Hang Seng	15,317.67	1.0%
Shanghai Composite	2,999.50	0.8%
<i>Sovereign bonds</i>		
2-year Treasuries	4.40	-7pb
10-year Treasuries	4.00	-10pb
28-day Cetes	9.21	21pb
28-day TIE	9.59	1pb
2-year Mbono	10.28	-8pb
10-year Mbono	9.80	-9pb
<i>Currencies</i>		
USD/MXN	19.94	0.3%
EUR/USD	1.01	1.2%
GBP/USD	1.16	1.3%
DXY	109.70	-1.1%
<i>Commodities</i>		
WTI	87.91	3.0%
Brent	95.69	2.3%
Mexican mix	82.38	2.3%
Gold	1,664.57	0.7%
Copper	354.50	4.4%

Source: Bloomberg

Corporate Debt

- **S&P Global Ratings confirmed Banco Compartamos global and local scale ratings at 'BB+' and 'mxAA', respectively, and changed the outlook to Stable from Negative. The agency considers that Gentera and Compartamos' capital levels will remain stable, backed by its internal capital, after the acquisition of 74.91% of Concrédito**
- **Also, the agency mentions that Compartamos' asset quality ratios will continue to reflect the higher risk nature of its business profile, which is slightly countered by its above average profitability**
- **Comercializadora Círculo CCK (Circle K) informed that the early total call of its unsecured issuance CIRCLEK 18 was moved to November 1st, 2022, due to the change on the settlement dates for new issuances CIRCLEK 22 and 22-2**

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 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
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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