

Financial Markets Daily

October 28, 2022

Main drivers for the financial markets today...

- **Negative stock markets, government bond yields and USD up, while investors continue assimilating mixed economic data, trying to assess Fed's path for interest rate hikes, and with disappointing corporate earnings from big techs, also damping sentiment**
- **Regarding monetary policy, Colombia's central bank is expected to announce a 100bp hike**
- **In economic figures, in the US personal spending and income will be published, with special attention to the PCE core deflator, pending home sales for September and October's University of Michigan consumer sentiment**
- **In Germany, 3Q22 GDP was published, at +0.3% q/q and 1.1% a/a (from 1.7% a/a previously). Although better than the expected contraction of 0.2% q/q, it confirms the region's slowdown, after Lagarde said yesterday that the chances of a recession are increasing. While, in the Eurozone, industrial production in October deepened its contraction, standing at -1.2% from the previous -0.3%**
- **In Mexico, attention will center on the Public Balance and Public Sector Borrowing Requirements (PSBR), which accumulated a year-to-date deficit of \$362.1 billion (until August). We do not expect much changes despite being a quarterly report –in which updates to macroeconomic and fiscal estimates are released– as the General Economic Policy Criteria were released a relatively short-time ago (in early September)**

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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>United States</i>					
8:30	Personal income* - Sep	% m/m	--	0.4	0.3
8:30	Personal spending* - Sep	% m/m	0.3	0.4	0.4
8:30	Real personal spending* - Sep	% m/m	--	0.1	0.1
8:30	PCE Deflator* - Sep	% m/m	--	0.3	0.3
8:30	Core* - Sep	% m/m	--	0.5	0.6
8:30	PCE Deflator - Sep	% y/y	--	6.3	6.2
8:30	Core - Sep	% y/y	--	5.2	4.9
10:00	U. of Michigan Confidence* - Oct (F)	index	59.8	59.7	59.8
<i>Colombia</i>					
14:00	Monetary policy decision (Banco de la República)	%	--	11.00	10.00
<i>Mexico</i>					
15:30	Public finances (PSBR, year-to-date) - Sep	MXNm	--	--	-362.1

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	3,795.25	-0.6%
Euro Stoxx 50	3,580.57	-0.7%
Nikkei 225	27,105.20	-0.9%
Shanghai Composite	2,915.93	-2.2%
<i>Currencies</i>		
USD/MXN	19.86	0.1%
EUR/USD	1.00	-0.1%
DXY	110.91	0.3%
<i>Commodities</i>		
WTI	88.56	-0.6%
Brent	96.63	-0.3%
Gold	1,649.35	-0.8%
Copper	345.90	-1.7%
<i>Sovereign bonds</i>		
10-year Treasury	4.01	9pb

Source: Bloomberg

Equities

- **Widespread falls in the stock markets, while corporate profits show the impact of the restrictive stance of central banks, after the disappointing results of big technology companies *Apple* and *Amazon***
- **In the U.S., the reporting season is right in the middle. We have ~50% of the results of S&P500 companies and a decrease in profits of -3.3% vs +2.6%e has been accumulated. The positive surprises rate stands at 71.2%. Today 12 companies will release its figures, highlighting *Exxon* and *Chevron*, already above expectations**
- **Today concludes the reporting season in Mexico, and we await figures from Femsas, Osa and Pemex. Yesterday afternoon Gmexico stood out, with significant falls and pressures in profitability greater than expected; Alsea, reflecting relevant pressures in Europe; and Televisa, aligned with expectations, while spinning off 'Other Businesses'**

Sovereign fixed income, currencies and commodities

- **Negative performance in sovereign bonds. European assets post losses of up to 18bps and the Treasuries yield curve trades with losses of 8bps on average, concentrated in the short- and mid-end. Yesterday, the Mbonos' curve ended the session with gains of 4bps and the 10-year benchmark at 9.72% (-5bps)**
- **The dollar strengthens with the DXY up 0.3% while G-10 currencies trade with losses and emerging currencies with mixed movements. In the first group, JPY (-0.9%) is the weakest and in the second, PHP (+0.4%) and ZAR (-1.1%) are at the extremes. The Mexican peso trades at 19.85 per dollar, equivalent to a 0.1% depreciation**
- **Crude oil futures fall 0.4% due to a complicated outlook in China as a result of lockdowns and the risks of a global recession. In metals, the negative bias prevails, except for nickel, which advances 0.8%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,033.28	0.6%
S&P 500	3,807.30	-0.6%
Nasdaq	10,792.67	-1.6%
IPC	48,892.56	-0.9%
Ibovespa	114,640.76	1.7%
Euro Stoxx 50	3,604.51	0.0%
FTSE 100	7,073.69	0.2%
CAC 40	6,244.03	-0.5%
DAX	13,211.23	0.1%
Nikkei 225	27,345.24	-0.3%
Hang Seng	15,427.94	0.7%
Shanghai Composite	2,982.90	-0.6%
<i>Sovereign bonds</i>		
2-year Treasuries	4.27	-13pb
10-year Treasuries	3.92	-8pb
28-day Cetes	9.44	23pb
28-day TIIE	9.59	0pb
2-year Mbono	10.20	-8pb
10-year Mbono	9.72	-7pb
<i>Currencies</i>		
USD/MXN	19.83	-0.5%
EUR/USD	1.00	-1.2%
GBP/USD	1.16	-0.5%
DXY	110.59	0.8%
<i>Commodities</i>		
WTI	89.08	1.3%
Brent	96.96	1.3%
Mexican mix	83.65	1.5%
Gold	1,663.31	-0.1%
Copper	351.95	-0.7%

Source: Bloomberg

Corporate Debt

- **Today we expect the auction of two unsecured bonds from Comercializadora Círculo CCK (Circle K), CIRCLEK 22 / 22-2, for up to MXN 1.5 billion and 3 and 5 year terms. The assigned local scale ratings were 'HR A+' from HR Ratings and 'A+/M' from PCR Verum**
- **Fitch Ratings upgraded Grupo Axa's local scale ratings at 'A+(mex)' from 'A(mex)' with a Stable outlook. According to the agency, the rating action reflects the solidification of Axa's business position during the last ten years and its proven experience successfully operating different brands in Mexico**

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