

Financial Markets Daily

November 3, 2022

Main drivers for the financial markets today...

- **Stock markets negative, with the USD strengthening and government bond yields positive, with investors concerned after the Fed's decision yesterday (+75bps) -including more hawkish comments from Jerome Powell-, news about the virus in China, and the recession risk climbing**
- **In China, the Health Ministry mentioned that the 'zero-COVID' strategy will continue to be the base to fight the pandemic. This comes after unverified comments in the week that signaled that the government was gearing up to reduce restrictive measures**
- **In Brazil, tensions after the election seem to be decreasing, with incumbent President, Jair Bolsonaro, asking protestors to lift road blocks**
- **On the monetary policy front, the BoE hiked its reference rate by 75bps to 3.00%. In addition, within their forecast frame they stated that if implied trajectories for the bank rate in market instruments are followed, the economy will be in recession for the next two years. Meanwhile, ECB President Christine Lagarde mentioned that a recession would not be enough to contain inflation, although expectations are mostly anchored**
- **Regarding economic data, the final print for the services PMI in the UK was revised marginally higher to 48.8pts. In the US, weekly jobless claims came in at 217k, lower than expected. Later in that country we will be looking into factory and durable goods orders (Sep) and the services ISM and PMI (Oct)**

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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>UK</i>					
8:00	Monetary policy decision (BoE)	%	--	3.00	2.25
<i>United States</i>					
8:30	Trade balance* - Sep	US\$bn	--	-72.0	-67.4
8:30	Initial jobless claims* - Oct 29	thousands	220	220	217
9:45	Services PMI* - Oct (F)	index	46.6	46.6	46.6
9:45	Composite PMI* - Oct (F)	index	47.3	47.3	47.3
10:00	Factory orders* - Sep	% m/m	--	0.3	0.0
10:00	Ex transportation* - Sep	% m/m	--	--	0.2
10:00	Durable goods orders* - Sep (F)	% m/m	--	0.5	0.4
10:00	Ex transportation* - Sep (F)	% m/m	--	--	-0.5
10:00	ISM services* - Oct	index	55.0	55.1	56.7

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	3,732.50	-1.0%
Euro Stoxx 50	3,573.19	-1.3%
Nikkei 225	27,663.39	0.0%
Shanghai Composite	2,997.81	-0.2%
<i>Currencies</i>		
USD/MXN	19.76	0.5%
EUR/USD	0.98	-0.7%
DX	113.03	1.5%
<i>Commodities</i>		
WTI	88.77	-1.4%
Brent	95.09	-1.1%
Gold	1,620.57	-0.9%
Copper	338.50	-2.4%
<i>Sovereign bonds</i>		
10-year Treasury	4.19	9pb

Source: Bloomberg

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Equities

- Negative equity markets, following the monetary policy decision and with investors digesting a possible economic downturn, as it is very likely that it won't be any pivot or interest rate cuts in the short term
- US futures anticipate a lower opening, with the S&P 500 trading 0.9% below its theoretical value and the Nasdaq 1.2%. Meanwhile, Europe trades with generalized losses in stock markets, with the Eurostoxx falling 1.3%. Asia closed negative, with the Hang Seng down 3.1%. Finally, in Mexico, the Mexbol Index could hover around 50,000 pts
- On the international corporate front, of 48 S&P500 companies releasing their numbers today, 19 have already done so; most of them with positive surprises. Besides, Peloton stock tumbled 20% in pre-market after posting a bigger-than-expected loss and offered a weaker guidance for the current quarter. At market close, figures from PayPal and Starbucks are expected

Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. European rates adjust up to +15bps. Meanwhile, the Treasury curve registers pressures of 12bps at the short-end and the belly, while the 10-year benchmark trades at 4.22% (+12bps). Yesterday, local markets remained closed due to holidays
- The dollar rises, as developed currencies trade with negative returns with GBP (-1.9%) as the weakest. In EM, the bias is also negative with RUB (-1.4%) leading the losses. Meanwhile, MXN depreciates 0.4% to 19.75 per dollar, after gaining 0.4% yesterday
- Crude-oil falls more than 1.0% after Federal Reserve Chair Jerome Powell said interest rates will go higher than earlier projected. Metals and grains trade with negative bias after Russia announced the rejoin to the Ukrainian grain corridor

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,147.76	-1.5%
S&P 500	3,759.69	-2.5%
Nasdaq	10,524.80	-3.4%
IPC	50,864.85	0.0%
Ibovespa	116,928.66	0.0%
Euro Stoxx 50	3,622.01	-0.8%
FTSE 100	7,144.14	-0.6%
CAC 40	6,276.88	-0.8%
DAX	13,256.74	-0.6%
Nikkei 225	27,663.39	-0.1%
Hang Seng	15,827.17	2.4%
Shanghai Composite	3,003.37	1.2%
<i>Sovereign bonds</i>		
2-year Treasuries	4.62	8pb
10-year Treasuries	4.10	6pb
28-day Cetes	9.43	0pb
28-day TIIE	9.60	0pb
2-year Mbono	10.33	0pb
10-year Mbono	9.83	0pb
<i>Currencies</i>		
USD/MXN	19.67	-0.4%
EUR/USD	0.98	-0.6%
GBP/USD	1.14	-0.8%
DXY	111.35	-0.1%
<i>Commodities</i>		
WTI	90.00	1.8%
Brent	96.16	1.6%
Mexican mix	81.39	0.0%
Gold	1,635.24	-0.8%
Copper	346.85	-0.1%

Source: Bloomberg

Corporate Debt

- Grupo Bimbo informed that it concluded the sale of its candy business, Ricolino, to Mondelez International, Inc. for a total amount of MXN 27.0 billion (US\$1.37 billion). Bimbo will use the proceeds of the transaction for debt payments, capital expenses and will propose to the Annual General Meeting the payment of an extraordinary dividend
- HR Ratings affirmed the ratings for issuance HITOTAL 10U (HiTo's MBS) at 'HR AAA (E)' with a Stable outlook, based on the maximum default of 77.9% the structure can withstand in a stress scenario, explained by the issuance higher over-collateralization
- As of the end of October 2022, the structure has prepaid 88.8% of the issuance's principal, where the outstanding amount stands at 136.3 million Udis (MXN 1.03 billion)

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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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