

Financial Markets Daily

November 4, 2022

Main drivers for the financial markets today...

- **Stock markets positive, government bond yields also positive and USD lower, after signs from China where authorities are trying to ease the impact of COVID-zero policy, and reacting to good results in the US employment report and its implications for monetary policy**
- **October's employment report in the US showed a creation of 261 thousand jobs, with the unemployment rate at 3.7%, surprising to the upside. This result supports our view that tightening by the Fed will continue**
- **In other economic figures, in the Eurozone the final data for October's PMIs was released –not showing significant changes relative to the preliminary figures–, remaining in contraction territory**
- **Christine Lagarde reaffirmed her commitment to continue monetary tightening in the Eurozone, underlining that “we must not allow high levels of inflation to take root” and “we are committed to bringing inflation down to our medium-term target, and we are determined to take the necessary steps to do so”**
- **Global food prices hit a nine-month low in October, according to the FAO index. The reasons include a slowdown in global demand for commodities and good weather, offsetting some negative factors**
- **In China, President Xi Jinping received German Chancellor Olaf Scholz. The meeting focused on trade issues between the two nations and human rights. According to statements, the visit could increase mutual trust, in addition to making progress in terms of COVID-19 vaccines and the purchase of Airbus aircraft**

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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>Eurozone</i>					
4:55	GER Services PMI* - Oct (F)	index	--	44.9	44.9
4:55	GER Composite PMI* - Oct (F)	index	--	44.1	44.1
5:00	EZ Services PMI* - Oct (F)	index	--	48.2	48.2
5:00	EZ Composite PMI* - Oct (F)	index	--	47.1	47.1
<i>United States</i>					
8:30	Nonfarm payrolls* - Oct	thousands	215	190	263
8:30	Unemployment Rate* - Oct	%	3.6	3.6	3.5

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	3,755.00	0.7%
Euro Stoxx 50	3,659.84	1.9%
Nikkei 225	27,199.74	-1.7%
Shanghai Composite	3,070.80	2.4%
<i>Currencies</i>		
USD/MXN	19.53	-0.6%
EUR/USD	0.98	0.8%
DX	112.23	-0.6%
<i>Commodities</i>		
WTI	91.75	4.1%
Brent	98.07	3.6%
Gold	1,657.29	1.7%
Copper	364.05	6.2%
<i>Sovereign bonds</i>		
10-year Treasury	4.18	3pb

Source: Bloomberg

Equities

- We conclude the week with almost widespread gains in the stock markets, reacting to news about the possibility of a reopening plan in China, looking to ease the impact of the Covid-zero strategy. US futures anticipate a positive opening, with the S&P500 trading 0.7% above its theoretical value, reacting to recently released labor market figures
- In Asia, we observe mixed closings, with Japan posting losses, but with China showing significant gains. The advance of the Hang Seng of 5.4% stands out, while the Shanghai stock market closed with a rise of 2.4%. For its part, Europe trades with increases of more than 1%, led by the advance in mining
- In corporate news, today the results of 8 companies of the S&P500 are expected, among which Duke Energy and Dominion Energy stand out. We already have ~84% of the reports and an increase in profits of 3.2% vs 2.6% is accumulated. The positive surprises rate stands at 70.2%

Sovereign fixed income, currencies and commodities

- Negative performance in sovereign bonds. European assets post 4bps losses and the Treasury curve trades with 2bps pressure on average, concentrated on the short-end. Yesterday, the Mbonos' curve ended the session with losses of 5bps on average and the 10-year benchmark at 9.85% (-4bps)
- The dollar weakens with the DXY retreating 0.5% as G-10 and most emerging currencies trade in positive territory. In the former group AUD (+1.4%) is the strongest and in the latter, ZAR (+1.2%) and IDR (-0.3%) are at the ends of the spectrum. The Mexican peso trades at 19.61 per dollar, equivalent to an appreciation of 0.2%
- Crude-oil futures are up 3.6% on the possibility that China may relax its COVID-zero policies, which would boost energy demand. Metals print widespread gains, copper rises 4.3%

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,001.25	-0.5%
S&P 500	3,719.89	-1.1%
Nasdaq	10,342.94	-1.7%
IPC	50,215.87	-1.3%
Ibovespa	116,896.36	0.0%
Euro Stoxx 50	3,593.18	-0.8%
FTSE 100	7,188.63	0.6%
CAC 40	6,243.28	-0.5%
DAX	13,130.19	-1.0%
Nikkei 225	27,663.39	0.0%
Hang Seng	15,339.49	-3.1%
Shanghai Composite	2,997.81	-0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	4.71	9pb
10-year Treasuries	4.15	5pb
28-day Cetes	9.58	15pb
28-day TIIE	9.61	1pb
2-year Mbono	10.39	6pb
10-year Mbono	9.87	4pb
<i>Currencies</i>		
USD/MXN	19.65	-0.1%
EUR/USD	0.97	-0.7%
GBP/USD	1.12	-2.0%
DXY	112.93	1.4%
<i>Commodities</i>		
WTI	88.17	-2.0%
Brent	94.67	-1.5%
Mexican mix	81.84	0.6%
Gold	1,629.49	-0.4%
Copper	342.70	-1.2%

Source: Bloomberg

Corporate Debt

- CIBanco (Trustee) informed that on November 1st, the validity of the Standby Agreement entered into between the Trustee and the Issuer ended, which obliged the Bondholders to refrain from exercising any legal action derived from the Issuer's breach of the obligations established in title UNIFIN 00122. According to the statement, the Bondholders are evaluating the different alternatives against the Issuer's default, among which are the negotiation of the financial restructuring with the issuer and the exercise of actions leading to the protection of their interests
- Orbia announced a joint venture with Solvay for the distribution of materials for the battery market. The alliance will combine Orbia's raw material assets and production expertise with Solvay's innovations. The total investment is estimated in the range of US\$850 million

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
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
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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