

Financial Markets Daily

November 8, 2022

Main drivers for the financial markets today...

- **Stock market mixed, government bond yields positive, and the USD appreciates slightly, with investors optimistic given hopes of a rebound after the elections in the US and awaiting inflation from that country on Thursday, possibly offering more clues of future Fed actions**
- **Attention will center on mid-term elections in the US, where the House of Representatives will be renewed (435 seats), a third of the Senate (34 out of a 100 seats), and 36 out of the 50 Governors. Polls point to a Republican win in the lower house, with the race for the upper house being much closer**
- **The possibility of Sweden joining NATO seems to have increased, showing willingness to accept some of the conditions set by Turkey. In Brazil, President-elect, Lula, delayed the announcement of their fiscal plan, as efforts to restructure spending continue**
- **The economic agenda is light, awaiting October's inflation in China tonight, were a slight moderation to 2.4% is expected. On the monetary policy front, yesterday, Thomas Barkin (Richmond Fed) stated that inflation should decelerate, but "its decline will not be immediate or predictable"**
- **COVID-19 contagions remain to the upside in China, with new cases climbing to 7,323, a new high since April. As such, lockdown measures are expected to continue and possibly exacerbate in zones like Zhengzhou**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>United States</i>					
	Midterm elections				
<i>Eurozone</i>					
5:00	Retail sales* - Sep	% m/m	--	0.4	-0.3
<i>Mexico</i>					
10:00	International reserves - Nov 4	US\$bn	--	--	196.9
12:30	Government weekly auction: 1-, 3-, 6-, and 24- month CETES; 10-year Mbono (May'31); 30-year Udlbono (Nov'50) and 1-, and 3-year Bondes F				
<i>China</i>					
21:30	Consumer prices - Oct	% y/y	--	2.4	2.8

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	3,821.25	0.2%
Euro Stoxx 50	3,717.81	0.2%
Nikkei 225	27,872.11	1.3%
Shanghai Composite	3,064.49	-0.4%
<i>Currencies</i>		
USD/MXN	19.46	0.0%
EUR/USD	1.00	-0.3%
DXY	110.40	0.3%
<i>Commodities</i>		
WTI	91.14	-0.7%
Brent	97.48	-0.4%
Gold	1,670.71	-0.3%
Copper	362.50	0.6%
<i>Sovereign bonds</i>		
10-year Treasury	4.21	-1pb

Source: Bloomberg

Equities

- **Mixed movements in equity markets ahead of the US midterm elections, where investors are analyzing different scenarios but betting on an outcome that could boost risk appetite, while still awaiting Thursday's inflation data**
- **In Asia the markets closed mixed. In Europe most stocks indices advance, the Eurostoxx adds 0.2%. In turn, in the US the futures of main indices point to a positive open by rising 0.3% on average**
- **On the corporate front, out of the 10 S&P500 companies scheduled to report today, 4 have already updated investors with outperforming estimates, including DuPont de Nemours. Walt Disney will publish their figures after the market closes. In Mexico, Asur showed favorable demand in October, mainly in international passengers, while Femsa announced the acquisition of NetPay to strengthen its ecosystem of financial solutions**

Sovereign fixed income, currencies and commodities

- **Slightly negative balance in sovereign bonds. European assets adjust +2bps, on average, while Treasuries register few changes. Yesterday, the Mbonos' curve closed with a 2bps sell-off in mid and long-term securities. Moreover, the 10-year benchmark closed at 9.82% (+2bps)**
- **Dollar slightly positive against most of the G10 currencies, excluding JPY (+0.1%), with NOK (-0.7%) as the weakest. In EM, the bias is mixed with RUB (+1.3%) and BRL (-1.3%) at the extremes. Meanwhile, MXN trades virtually unchanged at 19.46 per dollar, after gaining 0.3% yesterday**
- **Crude-oil falls due to strict anti-Covid policies in China, this country reported more than 7,000 cases, the highest daily number in more than six months. The grains record widespread losses, while the balance in metals is mixed**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	32,827.00	1.3%
S&P 500	3,806.80	1.0%
Nasdaq	10,564.52	0.9%
IPC	50,760.17	-0.8%
Ibovespa	115,342.40	-2.4%
Euro Stoxx 50	3,708.80	0.6%
FTSE 100	7,299.99	-0.5%
CAC 40	6,416.61	0.0%
DAX	13,533.52	0.5%
Nikkei 225	27,527.64	1.2%
Hang Seng	16,595.91	2.7%
Shanghai Composite	3,077.82	0.2%
<i>Sovereign bonds</i>		
2-year Treasuries	4.72	6pb
10-year Treasuries	4.21	6pb
28-day Cetes	9.64	6pb
28-day TIIE	9.61	0pb
2-year Mbono	10.34	-1pb
10-year Mbono	9.84	2pb
<i>Currencies</i>		
USD/MXN	19.46	-0.3%
EUR/USD	1.00	0.6%
GBP/USD	1.15	1.2%
DXY	110.12	-0.7%
<i>Commodities</i>		
WTI	91.79	-0.9%
Brent	97.92	-0.7%
Mexican mix	85.22	-0.7%
Gold	1,675.63	-0.4%
Copper	360.35	-2.3%

Source: Bloomberg

Corporate Debt

- **Grupo Aeroportuario del Pacífico (GAP) informed the use of a line of credit for MXN 1.5 billion with a 12-month term, with the possibility of a 6-month extension. Proceeds from the credit will be used to finance capital investments**
- **FEMSA announced that it signed an agreement to acquire the totality of NetPay's shares, a payments aggregator that offers diverse payment services and solutions for micro, small and medium companies in Mexico**
- **Fitch Ratings upgraded the ratings for Compañía Minera Autlán's ST program to 'F1(mex)' from 'F2(mex)', reflecting the strengthening of its capital structure and liquidity position, backed by a strong cash flow generation**

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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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