

# Financial Markets Daily

November 14, 2022

## Main drivers for the financial markets today...

- **Stock markets mixed, government bond yields biased lower except in the US, and USD up. More caution after last week's rally and hawkish comments from Waller of the Fed. Nevertheless, some tailwinds as China supports the real estate sector and lessens COVID-19 restrictions**
- **September's industrial production in the Eurozone stood at 0.9% m/m, above consensus. Considering this result and revisions to previous months, the level of activity in the sector stands at its strongest since the end of 2017**
- **Market attention this week on 3Q22 GDP in Japan and the Eurozone, as well as October activity figures in China given fears of a global recession. In the political front, the G20 will meet in Indonesia, with a special focus on the gathering between Joe Biden and Xi Jinping**
- **Moreover, the continuation of the UN 2022 COP27 Climate Change Summit in Egypt, the announcement of new fiscal plans in the UK, and the likely launch by President Trump of his candidacy for the 2024 presidential election**
- **Monetary policy decisions only in Indonesia, with China announcing 1- and 5-year prime loan rates, and the RBA latest minutes. Speeches by several Fed members and from Lagarde of the ECB, among others**
- **In the US, data includes housing starts and sales, building permits, retail sales, industrial production, producer prices (Oct) and regional indicators Philly Fed and Empire Manufacturing (Nov)**
- **In Mexico, the Lower House approved the Spending Budget late on Friday. Only the *Timely Indicator of Economic Activity* (Oct) will be released**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Eurozone</i>					
5:00	Industrial production* - Sep	% m/m	--	-	1.5
<i>United States</i>					
11:30	Fed's Brainard discusses the economic outlook				
18:30	Fed's Williams Moderates Panel at the Economic Club of New York				
<i>China</i>					
21:00	Industrial production - Oct	% y/y	--	5.2	6.3
21:00	Retail sales - Oct	% y/y	--	0.7	2.5
21:00	Gross fixed investment (YTD) - Oct	% y/y	--	5.9	5.9

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	3,986.00	-0.4%
Euro Stoxx 50	3,881.93	0.3%
Nikkei 225	27,963.47	-1.1%
Shanghai Composite	3,083.40	-0.1%
<i>Currencies</i>		
USD/MXN	19.56	0.3%
EUR/USD	1.03	-0.6%
DXY	107.19	0.8%
<i>Commodities</i>		
WTI	87.84	-1.3%
Brent	94.99	-1.0%
Gold	1,755.97	-0.9%
Copper	382.80	-2.2%
<i>Sovereign bonds</i>		
10-year Treasury	3.89	8pb

Source: Bloomberg

## Equities

- **Equity markets mixed after strong gains last week, with investors digesting comments from a Fed member that the hiking cycle will continue. Meanwhile, the corporate earnings season is in its final stretch, with figures from just 15 companies of the S&P500 this week, including some big retailers. Today DENTSPLY SIRONA and Tyson Foods released results below estimates**
- **In Asia most markets closed negative, albeit with Chinese stocks up on the announcement of a rescue package for the property sector and the easing of some measures against COVID-19. In Europe markets trade higher, with the Eurostoxx adding 0.3%. In turn, US futures point to a negative open as they fall 0.3% on average**
- **In Mexico, following the Mexbol's closing at 51,959pts last Friday, we expect this week a trading range between 50,400 - 52,400pts**

## Sovereign fixed income, currencies and commodities

- **Mixed balance in sovereign bonds. Europe rates fall 3bps on average, while the US Treasuries' curve print a sell-off of up to 7bps at the belly. Locally, Mbonos' yields recorded a 55bps rally last week, with the 10-year benchmark closing at 9.18%**
- **Dollar rebounds amid a negative performance in developed currencies, with JPY (-1.1%) as the weakest. In EM, the bias is also negative with TWD (+0.9%) and HUF (-1.0%) at the extremes. Meanwhile, MXN trades at 19.56 per dollar (-0.3%), after four positive weeks in a row**
- **Crude-oil started the week on the downside, with OPEC reducing its forecast for global demand as the group implements output cuts. Industrial metals fall, assimilating LME's decision against banning Russian metal supplies last Friday, easing fears of supply shortages**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,747.86	0.1%
S&P 500	3,992.93	0.9%
Nasdaq	11,323.33	1.9%
IPC	51,959.20	1.8%
Ibovespa	112,253.49	2.3%
Euro Stoxx 50	3,868.50	0.6%
FTSE 100	7,318.04	-0.8%
CAC 40	6,594.62	0.6%
DAX	14,224.86	0.6%
Nikkei 225	28,263.57	3.0%
Hang Seng	17,325.66	7.7%
Shanghai Composite	3,087.29	1.7%
<i>Sovereign bonds</i>		
2-year Treasuries	4.33	0pb
10-year Treasuries	3.81	0pb
28-day Cetes	9.71	43pb
28-day TIIE	10.22	57pb
2-year Mbono	9.78	-5pb
10-year Mbono	9.22	-4pb
<i>Currencies</i>		
USD/MXN	19.50	1.0%
EUR/USD	1.03	1.4%
GBP/USD	1.18	1.0%
DX	106.29	-1.8%
<i>Commodities</i>		
WTI	88.96	2.9%
Brent	95.99	2.5%
Mexican mix	82.79	3.3%
Gold	1,771.24	0.9%
Copper	391.35	4.1%

Source: Bloomberg

## Corporate Debt

- **Notice of total voluntary early amortization of the CIRCLEK 18 issuance on November 22th, which will be carried out as long as the CIRCLEK 22 and 22-2 issuances are placed for a combined amount of MXN 1.5 billion. It is important to remember that on September 7th, HR Ratings upgraded Circle K's rating to 'HR A+' from 'HR A-' due to the generation of Free Cash Flow expected during the projected period (2022-2025)**
- **HR Ratings downgraded BONHITO F1039 issue (Hipotecaria Total RMBS) rating to 'HR D (E)' from 'HR C- (E)' and changed the outlook to Stable from Negative. According to the agency, the downgrade revision is due to the partial failure to pay interest on the bond**

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

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