

Financial Markets Daily

November 18, 2022

Main drivers for the financial markets today...

- **Stock markets and government bond yields positive, while the USD declines, as investors seem to have already digested hawkish comments from several Fed speakers, which remain persistent in their fight against inflation and warned of its implications ahead on growth**
- **On the monetary policy front, in the US, James Bullard (St. Louis Fed) stated that the Fed's target rate should be at least between 5 and 5.25% to reach a sufficiently restrictive level. The hawkish tone of was echoed, in another forum, by Neel Kashkari (Minneapolis Fed) saying that the level the rate should reach is still "an open question"**
- **Meanwhile, ECB President Christine Lagarde said interest rates will probably need to rise to levels that restrict economic activity. She assured that the risk of a recession has increased, but that it will not be enough to control the rise in prices**
- **In China, the government announced 16-measures to support real estate companies, looking to help the sector. Actions are mostly aimed at improving loan conditions and debt issuance for real estate projects**
- **In the UK, the Chancellor of the Exchequer, Jeremy Hunt, presented the new government's tax plan. This implies USD\$65 billion in tax increases and spending cuts. He stresses that government austerity measures will be postponed for two years**
- **On economic figures, in Mexico, INEGI published its Timely Indicator of Economic Activity for October, with 0.1% m/m increase (5.0% y/y sa) in activity. By sectors, they expect both industry and services to grow 0.1% m/m. Meanwhile, markets will looking into existing home sales in the US for October**

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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>Mexico</i>					
7:00	Timely Indicator of Economic Activity* - Oct	% y/y	--	--	3.3
<i>United States</i>					
10:00	Existing home sales** - Oct	millions	--	4.4	4.7

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	3,985.00	0.8%
Euro Stoxx 50	3,926.68	1.2%
Nikkei 225	27,899.77	-0.1%
Shanghai Composite	3,097.24	-0.6%
<i>Currencies</i>		
USD/MXN	19.45	0.2%
EUR/USD	1.04	0.1%
DXY	106.57	-0.1%
<i>Commodities</i>		
WTI	81.33	-0.4%
Brent	89.12	-0.7%
Gold	1,760.36	0.0%
Copper	366.45	-0.6%
<i>Sovereign bonds</i>		
10-year Treasury	3.80	4pb

Source: Bloomberg

Equities

- **Positive bias on main stock indices on dip-buying after the recent adjustments. Futures in the US anticipate an upward opening with the S&P500 trading 0.8% and the Nasdaq 0.7% both above its theoretical values Tech stocks advance after *Applied Materials* raised revenue forecasts**
- **Europe trades with gains close to 1% on average, with the energy, banking and utilities sectors leading the advance, although the Eurostoxx is on track to break 4 consecutive weeks of gains after recent declines. In Asia, the stock markets closed mixed, although the bias was slightly negative, on par with the behavior of their international peers yesterday**
- **The reporting season is all but over in the US. With 95% of the figures, an increase in profits of 2.9% vs 2.6%e is accumulated, while positive surprises rate stands at 68.8%, a level not seen since 1Q20**

Sovereign fixed income, currencies and commodities

- **Sovereign bonds with negative performance. European assets trade with losses of up to 7bps while the Treasuries yield curve records pressures of 4bps on the short-end and 2bp on long-term tenors. Yesterday, the Mbonos' curve closed with losses of 14bps on average and the 10-year benchmark ended the session at 9.24% (+15bps)**
- **The dollar trades with a negative bias (DXY -0.2%) while most G-10 currencies trade with gains and emerging currencies with mixed changes. NZD (+1.0%) is the strongest among developed currencies while in EM trading is capped by HUF (+0.9%) and CLP (-1.1%). Mexican peso falls 0.2% to 19.45 per dollar**
- **Crude-oil futures are down 0.5% being pressured by a low demand on a rise of COVID-19 contagions in China. Metals performance is mixed, with nickel dropping 2.2%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	33,546.32	0.0%
S&P 500	3,946.56	-0.3%
Nasdaq	11,144.96	-0.3%
IPC	51,360.87	-0.4%
Ibovespa	109,702.78	-0.5%
Euro Stoxx 50	3,878.42	-0.1%
FTSE 100	7,346.54	-0.1%
CAC 40	6,576.12	-0.5%
DAX	14,266.38	0.2%
Nikkei 225	27,930.57	-0.3%
Hang Seng	18,045.66	-1.2%
Shanghai Composite	3,115.44	-0.1%
<i>Sovereign bonds</i>		
2-year Treasuries	4.45	10pb
10-year Treasuries	3.77	8pb
28-day Cetes	9.72	28pb
28-day TIE	10.24	0pb
2-year Mbono	10.02	19pb
10-year Mbono	9.26	16pb
<i>Currencies</i>		
USD/MXN	19.42	0.4%
EUR/USD	1.04	-0.3%
GBP/USD	1.19	-0.4%
DXY	106.69	0.4%
<i>Commodities</i>		
WTI	81.64	-4.6%
Brent	89.78	-3.3%
Mexican mix	75.91	-4.3%
Gold	1,760.44	-0.8%
Copper	369.40	-2.1%

Source: Bloomberg

Corporate Debt

- **S&P Global Ratings ratified Volkswagen Leasing's long and short-term ratings at 'mxAAA' and 'mxA-1+'. According to the agency, the ratings on VW Leasing's debt issuances are based on the unconditional and irrevocable guarantee given by its Germany-based holding company, Volkswagen Financial Services AG (VW FS; BBB+/Stable/A- two). In this way, the credit ratings of the bonds will move in line with those of VW FS as it is the guarantor**
- **Fitch Ratings affirmed Daimler México's rating at 'AAA(mex)' with a stable outlook and at 'F1+(mex)' for the short term. According to the agency, Daimler México's ratings are supported by the irrevocable and unconditional guarantee valid until maturity by Mercedes-Benz Group AG (Mercedes, formerly DaimlerAG) with an international issuer debt risk rating of 'A-' with Outlook Positive**

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