

Financial Markets Daily

December 5, 2022

Main drivers for the financial markets today...

- **Stock markets to the downside, government bond yields mixed, and USD lower on fears of more persistent inflation in the US after last week's employment report. This happens despite China's announcement of easier COVID-19 testing requirements across major cities**
- **On the weekend, China's PMI services (Caixin) in November fell to 46.7pts from 48.4pts in the previous month, its lowest level since May. On the other hand, retail sales (Oct) in the Eurozone dropped 1.8% m/m, slightly weaker than expectations**
- **OPEC and allies met yesterday, announcing that production levels will remain unchanged in a backdrop of unusual volatility and high uncertainty about the outlook for global demand and supply. In this context, the next meeting will be held in February**
- **Market attention this week on November inflation data in China, Mexico – estimated at 0.69% m/m– and Brazil, as well as producer prices for the same month in the US. Other relevant releases also include final 3Q22 GDP data in the Eurozone and Japan**
- **In monetary policy, decisions in Australia, Chile, India, Canada, Brazil, Peru, and Poland. Speeches throughout the week by several members of the ECB**
- **The US data agenda includes only trade balance, consumer credit (Oct) and U. of Michigan consumer confidence (Dec). In other regions, we highlight trade balance (Nov) in China; industrial production (Oct) in Germany; and retail sales (Oct) in Brazil**
- **In Mexico, November's consumer confidence reached 41.7pts, up 0.6pts relative to the previous month. Releases in coming days include gross fixed investment, private consumption (Sep), wage negotiations (Nov), and the banking sector survey**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Mexico</i>					
7:00	Consumer confidence* - Nov	index	41.5	--	41.0
<i>United States</i>					
10:00	Factory orders* - Oct	% m/m	--	0.7	0.3
10:00	Ex transportation* - Oct	% m/m	--	--	-0.1
10:00	Durable goods orders* - Oct (F)	% m/m	--	1.0	1.0
10:00	Ex transportation* - Oct (F)	% m/m	--	0.5	0.5
10:00	ISM services* - Nov	index	54.0	53.3	54.4

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	4,062.75	-0.3%
Euro Stoxx 50	3,967.71	-0.3%
Nikkei 225	27,820.40	0.2%
Shanghai Composite	3,211.81	1.8%
<i>Currencies</i>		
USD/MXN	19.53	0.6%
EUR/USD	1.06	0.3%
DX	104.42	-0.1%
<i>Commodities</i>		
WTI	82.32	2.9%
Brent	87.87	2.7%
Gold	1,794.23	-0.2%
Copper	386.50	0.4%
<i>Sovereign bonds</i>		
10-year Treasury	3.52	3pb

Source: Bloomberg

Equities

- **Equity markets kick off the week with a negative bias as investors await more economic data that will help them determine a clearer macroeconomic scenario and the path of US monetary policy. This, after the strong jobs report and Powell's comments last week**
- **US futures anticipate a negative open, with the S&P500 and Nasdaq down -0.3%, after both indices came off their second positive week in a row. European markets adjust slightly lower, with the Eurostoxx declining -0.3% and the consumer discretionary sector leading losses at -1.2%. Asian markets rise, highlighting the Hang Seng at +4.5% as China relaxes its COVID-zero policy in some cities, signaling that it could become more flexible**
- **In Mexico, we anticipate a trading range for the Mexbol Index this week between 50,000 and 52,000pts**

Sovereign fixed income, currencies and commodities

- **Mixed bias in sovereign bonds. European assets gain 3bps on average. Treasuries pressured 5bps in the short-end, while longer duration nodes trade little changed. Last week, the Mbonos' curve flattened, gaining 25bps on the long-end**
- **The dollar retreats, allowing all DM currencies to gain with the exception of JPY (-0.7%). In EM, the bias is also positive, with ZAR (+1.6%) as the strongest. Meanwhile, MXN is the weakest of the group as it depreciates 0.6% to 19.53 per dollar after a weekly decline of 0.3%, breaking six consecutive weeks of gains**
- **Crude-oil futures advance near 3.0% after OPEC+ agreed to keep production unchanged, while the EU and G-7 countries agreed a price cap on Russian oil of US\$60 a barrel. In addition, metals register a mixed bias, with copper up 0.4%**

Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	34,429.88	0.1%
S&P 500	4,071.70	-0.1%
Nasdaq	11,461.50	-0.2%
IPC	51,234.37	-0.4%
Ibovespa	111,923.93	0.9%
Euro Stoxx 50	3,977.90	-0.2%
FTSE 100	7,556.23	0.0%
CAC 40	6,742.25	-0.2%
DAX	14,529.39	0.3%
Nikkei 225	27,777.90	-1.6%
Hang Seng	18,675.35	-0.3%
Shanghai Composite	3,156.14	-0.3%
<i>Sovereign bonds</i>		
2-year Treasuries	4.27	4pb
10-year Treasuries	3.49	-2pb
28-day Cetes	10.15	0pb
28-day TIE	10.31	1pb
2-year Mbono	10.17	-6pb
10-year Mbono	8.93	-7pb
<i>Currencies</i>		
USD/MXN	19.40	1.3%
EUR/USD	1.05	0.1%
GBP/USD	1.23	0.3%
DX	104.55	-0.2%
<i>Commodities</i>		
WTI	79.98	-1.5%
Brent	85.57	-1.5%
Mexican mix	69.88	-1.7%
Gold	1,797.63	-0.3%
Copper	385.05	0.9%

Source: Bloomberg

Corporate Debt

- **For this week, the placement of two unsecured bonds are expected by Orbia Advance Corporation, ORBIA 22L / 22-2L, which are intended to be issued through communicating vessels, for an amount of up to MXN 10 billion. The 22L series will pay a variable rate referenced to TIE-28 plus a spread and will have a 3-year term, while the 22-2L series will pay a fixed rate and will have a 10-year term**
- **HR Ratings upgraded the ratings from 'HR AA (E)' to 'HR AA+ (E)' and maintained the Stable Outlook for Volaris's VOLARCB 19 / 21L issuances. According to the agency, the upgrade revisions are based on Volaris's rating, which is mainly supported by its negative net debt balance reported for 3Q22, as well as positive FCF generation despite cost pressures from the increase in jet fuel prices**

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