

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets mixed with US futures down, government bonds under pressure and USD strengthening. Investors are assimilating last night's debate between Harris and Trump and August's US CPI report which is key to finish calibrating expectations on the Federal Reserve, ahead of its meeting due next week
- According to CNN, 63% of registered voters believe that Kamala Harris won the debate, while 37% consider that Trump performed better. The debate centered in the economy, foreign policy, abortion and immigration among others
- In the US, August inflation was published at +0.2% m/m, in line with the consensus. With this, the annual variation fell from 2.9% to 2.5%. The core CPI stood at +0.3% m/m (consensus +0.2%), with the annual change remaining at 3.2%. Within the report, the prices of goods remained in contraction, while services accelerated their pace of advance. We think that the report reinforces our expectation that the conditions are now in place to start the rate cut cycle, but at a gradual pace. We reaffirm our estimate of a -25bp cut at the FOMC meeting next week
- In Mexico, INEGI published July's industrial production at +0.2% m/m (+2.1% y/y), surprising higher. Strength centered in construction (+2.6%), with mining also positive (+1.4%). On the contrary, manufacturing fell 0.8%

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
UK					
2:00	Industrial production* - Jul	% y/y	--	0.3	0.8
Mexico					
8:00	Industrial production - Jul	% m/m	0.9	0.6	-0.7
8:00	Industrial production* - Jul	% y/y	-0.4	-0.3	0.4
8:00	Manufacturing output - Jul	% m/m	1.1	1.3	-0.9
United States					
8:30	Consumer prices* - Aug	% m/m	0.2	0.2	0.2
8:30	Ex. food & energy* - Aug	% y/y	0.3	0.2	0.2
8:30	Consumer prices - Aug	% y/y	2.7	2.5	2.9
8:30	Ex. food & energy - Aug	0.0	3.2	3.2	3.2

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

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Winners of the award as the best economic forecasters in Mexico by LSEG in 2023



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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,488.75	-0.3%
Euro Stoxx 50	4,780.62	0.7%
Nikkei 225	35,619.77	-1.5%
Shanghai Composite	2,721.80	-0.8%
Currencies		
USD/MXN	19.80	-1.5%
EUR/USD	1.10	-0.1%
DXY	101.78	0.1%
Commodities		
WTI	67.24	2.3%
Brent	70.30	1.6%
Gold	2,508.83	-0.3%
Copper	415.30	1.3%
Sovereign bonds		
10-year Treasury	3.68	4pb

Source: Bloomberg

Equities

- Mixed equity markets, with some stock indexes' movements reflecting caution in light of the recently published US inflation figures
- Europe trades with gains, with the Eurostoxx up 0.5%. Shares of companies in the technology and consumer discretionary sectors drive the index. Inditex, owner of Zara, rises 4.2% after reporting a recovery in sales in the current quarter. In the US, futures of the main stock markets point to a negative opening, falling 0.5% on average. Asia closed negative, with the Nikkei down 1.5%
- In Mexico, Cemex announced the sale of its operations in Guatemala for a total amount of ~US\$200 million. This transaction is in line with its plan to divest non-core assets

Sovereign fixed income, currencies and commodities

- Sharp flattening in UTSs following the inflation report. The short-end pressures by up to 9bps in the 2-year zone, while longer maturities sell-off 2-5bps. These adjustments reverse gains of up to 4bps seen prior to the release. The pricing for next Wednesday's Fed meeting is now at -29bps from -33bps yesterday
- The USD strengthens, with the entire G10 trading lower, gains before CPI induced by last night's debate and a hawkish tone from the BoJ. The MXN is holding onto gains, trading at 19.80 per dollar (-1.5%), leading among major currencies
- Oil is up nearly 2% in key benchmarks due to potential production disruptions in the Gulf of Mexico as Hurricane Francine approaches. Metals are mixed, with better performance in the base sector. Gold is down 0.3%, while silver is up 0.5%

Corporate Debt

- PCR Verum affirmed Grupo HYCSA's 'A+/M' and '1/M' ratings and revised the long-term rating outlook to Positive from Stable. The outlook change follows the solid growth observed in Grupo HYCSA's backlog, mainly reflecting its strengthened competitive position
- HR Ratings affirmed Corporativo GBM's ratings at 'HR AA+' with a Stable outlook and the short-term rating at 'HR+1'. The ratification is based on the solvency position of the corporation, which received a MXN 1.5 billion capital injection in August 2022, which allowed it to offset generated losses, increase its solvency position and allow for the expected growth

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	40,736.96	-0.2%
S&P 500	5,495.52	0.4%
Nasdaq	17,025.88	0.8%
IPC	50,973.11	-0.3%
Ibovespa	134,319.58	-0.3%
Euro Stoxx 50	4,747.20	-0.7%
FTSE 100	8,205.98	-0.8%
CAC 40	7,407.55	-0.2%
DAX	18,265.92	-1.0%
Nikkei 225	36,159.16	-0.2%
Hang Seng	17,234.09	0.2%
Shanghai Composite	2,744.19	0.3%
Sovereign bonds		
2-year Treasuries	3.59	-7pb
10-year Treasuries	3.64	-6pb
28-day Cetes	10.49	-21pb
28-day TIIE	10.97	0pb
2-year Mbono	10.01	3pb
10-year Mbono	9.52	8pb
Currencies		
USD/MXN	20.10	1.1%
EUR/USD	1.10	-0.1%
GBP/USD	1.31	0.0%
DX	101.63	0.1%
Commodities		
WTI	65.75	-4.3%
Brent	69.19	-3.7%
Mexican mix	61.39	-3.9%
Gold	2,516.73	0.4%
Copper	409.80	-1.1%

Source: Bloomberg

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