

## Financial Markets Daily

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

- Stock markets mixed –with negative bias in Europe and the US, but positive in Japan–, government bond yields and USD positive. There is lower risk appetite due to a potential escalation of the conflict in the Middle East, ahead of economic data that could shed more light on the Fed's policy path
- On the US port workers' strike, President Biden increased pressures on employers and shipping lines to restart talks with dock workers, warning that the unfolding stoppage could turn into a disaster
- On the economic agenda, in the US we highlight the final figures for September's PMIs and the services ISM. In addition, August's factory orders and durable goods will be published. In Switzerland, inflation cooled to 0.8% y/y in September, the slowest pace in more than three years, supporting the outlook for further rate cuts. On the monetary front, we will be looking into speeches from Kashkari (Minneapolis), Bostic (Atlanta) and Schmid (Kansas). In the UK, BoE governor, Andrew Bailey, said that the institution's rate cuts could become a "bit more aggressive" if inflation figures maintain a favorable trend
- In other news, France plans to raise as much as 12 billion euros from bond sales in a context of uncertainty regarding public finances. Moreover, President Macron spoke of the possibility of increasing taxes on the country's richest persons and companies for one year in an attempt to reduce the fiscal deficit
- Finally, in China, according to Jia Kang, the former head of a research institute affiliated with the Ministry of Finance, the country has room to ramp up fiscal support, by issuing as much as US\$1.4 trillion in special debt

### The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>United States</b>					
4:30	Initial jobless claims* - Sep 28	thousands	222	221	218
9:45	Services PMI* - Sep (F)	index	--	55.4	55.4
9:45	Composite PMI* - Sep (F)	index	--	--	54.4
10:00	Factory orders* - Aug	% m/m	--	0.1	5.0
10:00	Ex transportation* - Aug	% m/m	--	--	0.4
10:00	Durable goods orders* - Aug (F)	% m/m	--	0.0	0.0
10:00	Ex transportation* - Aug (F)	% m/m	--	--	0.5
10:00	Services PMI* - Sep	index	51.3	51.6	51.5
10:40	Fed's Kashkari Moderates Chat w/ Bostic on Inclusive Economy				

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.
<b>Equity indices</b>		
S&P 500 Futures	5,751.25	-0.2%
Euro Stoxx 50	4,929.02	-0.7%
Nikkei 225	38,552.06	2.0%
Shanghai Composite	3,336.50	0.0%
<b>Currencies</b>		
USD/MXN	19.55	0.7%
EUR/USD	1.10	-0.1%
DX	101.91	0.2%
<b>Commodities</b>		
WTI	71.52	2.0%
Brent	75.26	1.8%
Gold	2,645.83	-0.5%
Copper	455.60	-2.0%
<b>Sovereign bonds</b>		
10-year Treasury	3.81	2pb

Source: Bloomberg

## Equities

- The escalation of the conflict in the Middle East has encouraged profit-taking among the main indexes, increasing concerns about the impact it could have on growth
- As a result, US futures are below their theoretical value with the Nasdaq, Dow and S&P 500 falling on average 0.2%, with Chinese companies falling the most. Similarly, the Eurostoxx fell 0.7%, dragged down by the technology sector. Finally, Asia closed mixed, with the Nikkei up 2.0% and the Hang Seng down 1.5%
- In Mexico, Gap preliminarily reported that total passenger traffic declined 3.6% y/y in September, mostly affected by domestic (-5.5% y/y). Also, Lab received GMP (Good Manufacturing Practices) certifications for the Mexican market, which we believe will support the company's increased profitability

## Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. 10-year rates in Europe rise by an average of 5bps, while the Treasury curve shows losses of 1-3bps, with a larger adjustment at the belly. Yesterday, Mbonos had a loss of 4bps. The 10-year reference (Nov '34) closed at 9.37% (+3bps)
- USD positive against G10 currencies, with GBP (-1.2%) being the weakest. In EM, the bias is also negative, with MYR (-1.1%) leading the losses. The MXN depreciates 0.7% to 19.55 per dollar, diluting part of the previous day's gain (+1.0%)
- Mixed performance in commodities. Crude-oil futures rise nearly 2%, despite the Libyan government ordering the resumption of oil production. Precious metals are down, with gold and silver falling by 0.3% and 0.8%, respectively

## Corporate Debt

- Fitch Ratings affirmed Portafolio de Negocios' long- and short-term credit ratings at 'A(mex)' and 'F1(mex)'. The outlook is Stable. The ratings consider the company's growing business profile and good financial profile, with high profitability and low tangible leverage metrics that have a positive influence
- HR Ratings affirmed Grupo Traxión's ratings at 'HR AA' with a Stable outlook. The ratification is based on the growth of operations and improved profitability within the company's three divisions, which resulted in a Free Cash Flow generation of MXN 2.2 billion in 2023, above the agency's estimates

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	42,196.52	0.1%
S&P 500	5,709.54	0.0%
Nasdaq	17,925.12	0.1%
IPC	52,199.66	-0.5%
Ibovespa	133,514.94	0.8%
Euro Stoxx 50	4,963.29	0.2%
FTSE 100	8,290.86	0.2%
CAC 40	7,577.59	0.0%
DAX	19,164.75	-0.3%
Nikkei 225	37,808.76	-2.2%
Hang Seng	22,443.73	6.2%
Shanghai Composite	3,336.50	0.0%
<b>Sovereign bonds</b>		
2-year Treasuries	3.64	4pb
10-year Treasuries	3.78	5pb
28-day Cetes	10.35	5pb
28-day TIIE	10.74	0pb
2-year Mbono	9.66	4pb
10-year Mbono	9.38	2pb
<b>Currencies</b>		
USD/MXN	19.41	-1.0%
EUR/USD	1.10	-0.2%
GBP/USD	1.33	-0.1%
DX	101.68	0.5%
<b>Commodities</b>		
WTI	70.10	0.4%
Brent	73.90	0.5%
Mexican mix	65.27	1.1%
Gold	2,658.69	-0.2%
Copper	464.90	1.3%

Source: Bloomberg

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	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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