Economic and Financial Markets Research

Economic Research and Market Strategy

Financial Markets Daily

October 4, 2024

Main drivers for the financial markets today...

- **Stock markets with postive bias, government bond yields up and the USD strengthening, with investors weighing the prospects of the escalating conflict in the Middle East, while digesting the US labor market report, looking for signs of the economy's health, key for the Fed's path for interest rate cuts**

- **The US September labor market report showed signs of strength. 254k jobs were created (consensus 150k), with the revision to the previous two months adding 72k jobs. The unemployment rate surprisingly fell from 4.2% to 4.1%, with the participation rate remaining at 62.7%. Wages moderated their pace of growth to +0.4% m/m, after an upward revision the previous month from +0.4% to +0.5%, with the annual variation rising from 3.9% to 4.0%, showing that price pressures from wages continue. We consider that the report makes it clear that after the aggressive -50bp rate cut by the Fed, going forward, it is better to be cautious and implement a gradual rate cut cycle. We maintain our expectation of two more -25bp cuts in the remainder of the year**

- **Regarding monetary policy, attention is on Fed's Williams and Goolsbee interventions**

- **In Mexico, INEGI released August's employment report. The unemployment rate climbed to 3.04% (+11bps), with 626,770 jobs lost. With seasonally adjusted figures the rate came in at 2.76% (+8bps)**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Unemployment rate - Aug	%	2.88	2.92	2.93
United States					
8:30	Nonfarm payrolls* - Sep	thousands	150	146	142
8:30	Unemployment rate* - Sep	%	4.2	4.2	4.2

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

LSEG STARMINE AWARD FOR REUTERS POLLS
Best Forecaster Economic Indicators for Mexico 2023

Document for distribution among public

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,777.50	0.5%
Euro Stoxx 50	4,935.30	0.3%
Nikkei 225	38,635.62	0.2%
Shanghai Composite	3,336.50	0.0%
Currencies		
USD/MXN	19.32	-0.2%
EUR/USD	1.10	0.0%
DXY	101.88	-0.1%
Commodities		
WTI	74.71	1.4%
Brent	78.63	1.3%
Gold	2,656.77	0.0%
Copper	456.40	0.2%
Sovereign bonds		
10-year Treasury	3.86	2pb

Source: Bloomberg

Equities

- **Main stock indices conclude the week with mixed variations, although a positive bias prevails, as the recently published employment data in the US is assimilated**

- **Futures anticipate a positive opening, with the S&P500 trading 0.5% above its theoretical value, also on some dip-buying. Europe trades mixed, with the energy sector rising, while shares of global shipping companies fell sharply after US dockworkers agreed to end a strike that had paralyzed trade on the East and Gulf coasts. In Asia, the Hang Seng rose 2.8%, while it continues to be supported by the advance of Chinese stocks**

- **In Mexico, the Mexbol Index could consolidate near 51,800pts. Volaris announced a 9.0% drop in total September´s passenger traffic**

Sovereign fixed income, currencies and commodities

- **Sovereign bonds are strongly pressured upwards, with a greater impact on short-term maturities following the US jobs surprise. Two-year Bunds adjust by +12bps, while Treasuries lose 17bps in this segment and 10bps in the 10-year reference. The market shifts the pricing towards a -25bps Fed rate cut in November**

- **The USD strengthens alongside the rebound in rates, resulting in losses across all G10 currencies, with the JPY (-0.8%) leading the declines. The bias in EM currencies is also broadly negative, although the MXN diverges, appreciating 0.3% to 19.28 per dollar**

- **Oil continues to rise for the fourth session, with WTI heading for its strongest weekly gain in two years amid escalating tensions in the Middle East. TThis benchmark is trading slightly above 74 $/bbl, its highest level in a month. Industrial metals remain positive**

Corporate Debt

- **S&P Global Ratings downgraded APPCVCB 17 (APP Coatzacoalcos-Villahermosa's Future Flow) to 'mxBBB-' from 'mxBBB+' and placed it on Negative CreditWatch. The agency mentioned that the project has reported significant delays in payments due to the availability of the Ministry of Infrastructure, Communications and Transport (SICT)**

- **HR Ratings affirmed Minera Frisco's rating at 'HR A' with Stable outlook. The ratification is based mainly on the estimated Free Cash Flow (FCF) levels during the forecast period, where they expect the company to reach MXN 4.3 billion in 2026, (vs. MXN 2.2 billion as of 2Q24)**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	42,011.59	-0.4%
S&P 500	5,699.94	-0.2%
Nasdaq	17,918.47	0.0%
IPC	51,674.54	-1.0%
Ibovespa	131,671.51	-1.4%
Euro Stoxx 50	4,921.33	-0.8%
FTSE 100	8,282.52	-0.1%
CAC 40	7,477.78	-1.3%
DAX	19,015.41	-0.8%
Nikkei 225	38,552.06	2.0%
Hang Seng	22,113.51	-1.5%
Shanghai Composite	3,336.50	0.0%
Sovereign bonds		
2-year Treasuries	3.71	6pb
10-year Treasuries	3.85	6pb
28-day Cetes	10.44	9pb
28-day TIIE	10.74	0pb
2-year Mbono	9.75	9pb
10-year Mbono	9.43	5pb
Currencies		
USD/MXN	19.35	-0.3%
EUR/USD	1.10	-0.1%
GBP/USD	1.31	-1.1%
DXY	101.99	0.3%
Commodities		
WTI	73.71	5.1%
Brent	77.62	5.0%
Mexican mix	68.54	5.0%
Gold	2,655.89	-0.1%
Copper	455.30	-2.1%

Source: Bloomberg

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Marcos Saúl García Hernandez, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, 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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	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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