

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets and government bond yields mixed, USD with small changes, as investors continue assimilating recent economic data in the US, highlighting challenges for the Federal Reserve after the first rate cut, which may help to define the path for cuts going forward
- In the US, September producer prices were released at +0.0% m/m (consensus +0.1%), with the annual change going from 1.7% to 1.8%. The Core CPI was at +0.2%, in line with the consensus, with the annual variation rising from 2.4% to 2.8%. The report was slightly better than expected, but we consider that the overall balance of inflation figures shows that some pressures remain. The focus is now on the PCE and Core PCE deflators to be released on October 31
- Later preliminary consumer sentiment figures for October from the University of Michigan will also be published. On the monetary policy front, the attention is on comments from the Fed's Goolsbee, Logan and Bowman
- In Mexico, INEGI published August's industrial production at -0.5% m/m (-0.9% y/y), surprising lower. Weakness centered in construction (-3.7%), albeit with modest upticks in manufacturing (+0.3%) and mining (+0.1%)

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Germany and UK					
2:00	GER Consumer prices - Sep (F)	% y/y	--	1.6	1.6
2:00	UK Industrial production* - Aug	% m/m	--	0.2	-0.8
Mexico					
8:00	Industrial production - Aug	% y/y	0.3	0.4	2.1
8:00	Industrial production* - Aug	% m/m	0.2	0.2	0.2
8:00	Manufacturing output - Aug	% y/y	1.3	0.5	1.6
United States					
8:30	Producer prices* - Sep	% m/m	--	0.1	0.2
8:30	Ex. food & energy* - Sep	% m/m	--	0.2	0.3
9:45	Fed's Goolsbee Speaks at the Community Bankers Symposium				
10:00	U. of Michigan confidence* - Oct (P)	index	69.0	71.0	70.1
10:45	Fed's Logan Participates in Panel Discussion				

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

October 11, 2024



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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	5,827.50	0.0%
Euro Stoxx 50	4,973.95	0.1%
Nikkei 225	39,605.80	0.6%
Shanghai Composite	3,217.74	-2.5%
Currencies		
USD/MXN	19.40	-0.3%
EUR/USD	1.09	0.1%
DX	102.89	-0.1%
Commodities		
WTI	75.10	-1.0%
Brent	78.67	-0.9%
Gold	2,647.13	0.7%
Copper	445.35	0.6%
Sovereign bonds		
10-year Treasury	4.09	3pb

Source: Bloomberg

Equities

- The week concludes with mixed returns in the main stock indexes. In Europe we observe moderate variations, although the prevailing bias is positive. Asia closed mostly negative, highlighting the Shanghai stock exchange's adjustment of 2.8%, while investors await greater stimulus. The Hang Seng remains closed for a holiday
- Futures in the US show small upward changes, as the official 3Q24 earnings kick-off is assimilated, with the figures of the main banks that have been positive, in general: Bank of New York Mellon(+), Blackrock(+), JPMorgan(+) and Wells Fargo (mixed). The Bloomberg consensus anticipates a 5.1% y/y increase in earnings per share of S&P500 companies vs. 14.0% in 2Q24
- In Mexico, the Mexbol Index may consolidate close to 52,500pts, awaiting the reporting season, starting next Tuesday, October 15th with Amx

Sovereign fixed income, currencies and commodities

- Negative bias in sovereign bonds. The 10-year European rates rise 5bps, on average. Meanwhile, the Treasuries' yield curve steepens due to higher losses at the long-end (+3bps). Yesterday, Mbonos' curve sold-off 10bps with the 10-year benchmark closing at 9.71% (+12bps). With this, the local risk premium moved to 565bps from 552bps the previous day
- Dollar weakens against most G10 currencies, except JPY (-0.2%). In EM, the bias is positive with gains of up to 0.8%. Meanwhile, the MXN trades at 19.42 per dollar (+0.2%), scoring two favorable sessions in a row
- Crude-oil declines while traders await Israel's potential retaliation against Iran and China's plans for fresh economic stimulus. Widespread gains in metals. Gold and copper advance 0.5% and 0.3%, respectively

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	42,454.12	-0.1%
S&P 500	5,780.05	-0.2%
Nasdaq	18,282.05	-0.1%
IPC	52,391.29	1.0%
Ibovespa	130,352.86	0.3%
Euro Stoxx 50	4,970.34	-0.2%
FTSE 100	8,237.73	-0.1%
CAC 40	7,541.59	-0.2%
DAX	19,210.90	-0.2%
Nikkei 225	39,380.89	0.3%
Hang Seng	21,251.98	3.0%
Shanghai Composite	3,301.93	1.3%
Sovereign bonds		
2-year Treasuries	3.96	-6pb
10-year Treasuries	4.06	-1pb
28-day Cetes	10.24	-6pb
28-day TIIE	10.74	0pb
2-year Mbono	10.05	12pb
10-year Mbono	9.73	11pb
Currencies		
USD/MXN	19.46	-0.2%
EUR/USD	1.09	0.0%
GBP/USD	1.31	-0.1%
DX	102.99	0.1%
Commodities		
WTI	75.85	3.6%
Brent	79.40	3.7%
Mexican mix	70.51	3.6%
Gold	2,629.74	0.8%
Copper	442.75	0.6%

Source: Bloomberg

Corporate Debt

- PCR Verum downgraded Internacional de Inversiones' (IDEI) rating to 'B+/M' from 'BBB/M' and for its outstanding bond IDEI 23+V to 'BB+/M' from 'A/M'. All ratings were maintained on Negative Watch. The downgrade reflects the continuing deterioration in IDEI's financial performance
- PCR Verum affirmed Navistar Financial's long-term ratings at 'AAA/M' and the short-term ratings at '1+/M'. The outlook is Stable. The ratings are based on the support and strong operational and commercial synergies with TRATON SE (Volkswagen AG), which, in PCR Verum's view, has the highest credit quality on a national scale

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