Financial Markets Daily

Main drivers for the financial markets today...

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- Stock markets lower, with government bond yields and the USD up. Higher risk aversion on a new escalation in Middle East tensions after a drone exploded near the private residence of Israel's prime minister, with investors waiting for corporate earnings and more cautious ahead of the US election

- No economic data releases are scheduled today. As such, investors will be focused on corporate earnings and comments from Fed members, among them Logan, Kahskari, and Schmid

- Investors' attention this week on the strength of the global economy as important regional divergences persist. We will know October's PMIs in the Eurozone, Germany, UK, and the US. In this backdrop, the IMF will release its flagship report "World Economic Outlook"

- Monetary policy decisions only in Canada and Hungary. Plethora of speeches from the Fed, ECB, and BoE, along with several key authorities and investors as the Fall Meetings of the IMF and World Bank will take place

- The rest of the US agenda includes new and existing home sales, durable goods orders (Sep), and the Beige Book

- In other regions, we highlight consumer confidence (Oct) in the Eurozone; inflation in Brazil (1st half of Oct); and the IFO survey (Oct) in Germany

- In Mexico, September's Timely Indicator of Economic Activity stood at -0.1% m/m (0.5% y/y sa). Inside, industry would fall 0.1% m/m, with services weaker at -0.2%. Releases in coming days include the monthly GDP-proxy IGAE, retail sales (Aug), inflation (1H-Oct), and the banking sector survey

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,890.00	-0.3%
Euro Stoxx 50	4,948.61	-0.8%
Nikkei 225	38,954.60	-0.1%
Shanghai Composite	3,268.11	0.2%
Currencies		
USD/MXN	19.99	0.6%
EUR/USD	1.09	-0.1%
DXY	103.58	0.1%
Commodities		
WTI	70.67	2.1%
Brent	74.12	1.5%
Gold	2,737.54	0.6%
Copper	441.90	0.8%
Sovereign bonds		
10-year Treasury	4.13	5pb

Source: Bloomberg

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
8:55	Fed's Logan Speaks at SIFMA Annual Meeting				
13:00	Fed's Kashkari Participates in Townhall Event				
17:05	Fed's Schmid Speaks on Economic and Monetary Policy Outlook				

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

Equities

- **Negative bias in main stock indices as investors prepare for a week full of earnings reports. 112 S&P500 companies are expected to present results, among the most anticipated: Tesla (October 23rd)**

- **US futures pointing to a negative open. The S&P500 trades 0.3% below its theoretical value after six consecutive weeks of gains. Europe trades negative, pressured by earnings that have so far presented fewer positive surprises than usual. Asia closed mixed**

- **In Mexico, the flow of reports will intensify with 24 Mexbol companies scheduled to present their results. Today, attention will be focused on Gap, which will present earnings at the market's close**

Sovereign fixed income, currencies and commodities

- **Treasuries with a steepening bias on upward pressures ranging between 2-5bps. The movement follows weaker performance in Europe amid issuance in Germany and Belgium. The rebound in oil prices also has an impact. This context could weigh on local dynamics, which have also shown a high correlation with MXN pressures in recent sessions**

- **The USD strengthens, extending gains from the past three weeks. Within G10, most currencies are down and the bias in EM is broadly negative, with Asia underperforming. The MXN (-0.6%) trades at 19.99 and is the weakest in LatAm**

- **Oil rises after an 8% drop last week, driving gains in other energy sectors. The Middle East context remains in focus. Broad positive performance in metals, with gold reaching new highs**

Corporate Debt

- **This week we expect debt offerings to continue, with the auction of a structured bond from Vanrenta for up to MXN 500 million, as well as three banking bonds from BBVA Mexico**

- **Grupo Aeroportuario del Pacífico announced the refinancing of the bank credit line that matured on October 18 for MXN 1.5 billion, extending the maturity for an additional 12 months**

- **HR Ratings upgraded Javer's rating to 'HR AA' from 'HR AA-', and changed the Under Review status to Stable outlook. The upgrade is based on the continuity of the company's strategy of focusing on the sale of residential housing units, which have a higher gross margin than mid-market units**

Previous closing levels		
	Last	**Daily chg.**
Equity indices		
Dow Jones	43,275.91	0.1%
S&P 500	5,864.67	0.4%
Nasdaq	18,489.55	0.6%
IPC	53,027.42	1.1%
Ibovespa	130,499.26	-0.2%
Euro Stoxx 50	4,986.27	0.8%
FTSE 100	8,358.25	-0.3%
CAC 40	7,613.05	0.4%
DAX	19,657.37	0.4%
Nikkei 225	38,981.75	0.2%
Hang Seng	20,804.11	3.6%
Shanghai Composite	3,261.56	2.9%
Sovereign bonds		
2-year Treasuries	3.95	-2pb
10-year Treasuries	4.08	-1pb
28-day Cetes	10.36	0pb
28-day TIIE	10.74	0pb
2-year Mbono	10.13	0pb
10-year Mbono	9.91	8pb
Currencies		
USD/MXN	19.88	0.2%
EUR/USD	1.09	0.3%
GBP/USD	1.31	0.3%
DXY	103.49	-0.3%
Commodities		
WTI	69.22	-2.1%
Brent	73.06	-1.9%
Mexican mix	64.31	-1.9%
Gold	2,721.46	1.1%
Copper	438.45	1.4%

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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