

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets positive, USD and government bond yields down after a slew of positive earnings surprises in Europe and blowout results from Tesla. Traders are bracing for more results from US tech giants, US elections, and the Fed's next rate decision**
- **Today, attention is on Fed's Hammack's comments. As for economic figures in the US, jobless claims were released at 227k in the week ending October 19, below the consensus estimate and the previous week. This contributes to the expectation that the strength in the labor market prevails. Later, the manufacturing and services PMI for October and new home sales for September will be released**
- **In Brazil, inflation for the first half of October was 0.54% m/m, above the consensus estimate of +0.50%, with the annual variation going from 4.12% to 4.47%, supporting the expectation that the rate hike cycle will continue**
- **In Mexico, INEGI released inflation for 1H-October at 0.43% 2w/2w –surprising slightly higher–, with the core at 0.23%. As such, the annual print accelerated to 4.69% from 4.50% in the previous fortnight, with the core lower at 3.87% (previous: 3.88%)**

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



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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Brazil					
8:00	Consumer prices -Oct	% m/m	--	0.51	0.13
8:00	Consumer prices - Oct	% y/y	--	4.44	4.12
México					
8:00	Consumer prices - Oct 15	% 2w/2w	0.55	0.40	-0.02
8:00	Core - Oct 15	% 2w/2w	0.18	0.18	0.05
8:00	Consumer prices - Oct 15	% y/y	4.83	4.66	4.50
8:00	Core - Oct 15	% y/y	3.82	3.82	3.88
United States					
8:30	Initial jobless claims* - Oct 19	thousands	245	242	241
8:45	Fed's Hammack Gives Welcome Remarks				
9:45	Manufacturing PMI* - Oct (P)	index	47.2	47.5	47.3
9:45	Services PMI* - Oct (P)	index	--	55.0	55.2
9:45	Composite PMI* - Oct (P)	index	--	53.6	54.0
10:00	New home sales** - Sep	millions	--	720	716

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

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,867.50	0.5%
Euro Stoxx 50	4,959.22	0.7%
Nikkei 225	38,143.29	0.1%
Shanghai Composite	3,280.26	-0.7%
Currencies		
USD/MXN	19.83	-0.1%
EUR/USD	1.08	0.1%
DXY	104.19	-0.2%
Commodities		
WTI	71.30	0.7%
Brent	75.46	0.7%
Gold	2,740.18	0.9%
Copper	437.20	0.8%
Sovereign bonds		
10-year Treasury	4.21	-3pb

Source: Bloomberg

Equities

- Stocks markets are positive for the first time this week, due to optimism in corporate earnings. Tesla surprised favorably by exceeding expectations –highest profits in a year– and is up ~13% premarket trading. Also, of the 40 S&P500 companies that publish earnings today, 23 have already done so, with the majority better than expected
- As a result, US futures Nasdaq and S&P500 are above their theoretical value by +0.9% and +0.5%. Also, the Eurostoxx is positive (+0.7%), supported by the strong results from Barclays, Unilever and Hermes. Finally, Asia closed mixed
- In Mexico, Gentera's report stood out with profits above expectations; Lab confirmed a positive quarter, we expect a favorable reaction; while Walmex and Chdraui reflected greater pressures on profitability. TToday AC, Televisa, Mega and Vesta will report; the extraordinary meeting of Alfa to spin off Alpek is also expected

Sovereign fixed income, currencies and commodities

- Positive bias in sovereign bonds. The 10-year European rates decline 4bps, on average. Meanwhile, the Treasuries' yield curve adjust -3bps. Yesterday, Mbonos' curve averaged losses of 2bps, with the 10-year benchmark closing at 10.09% (+2bps). The local risk premium remained unchanged at 586bps due to a similar adjust in Treasuries
- Dollar weakens against most G10 currencies, with NOK (+0.5%) as the weakest. In EM, the bias is positive with gains of up to 0.6% in CLP. Meanwhile, the MXN trades at 19.80 per dollar (+0.2%), scoring three favorable sessions in a row
- Crude-oil futures rebound as traders continue to await a retaliatory Israeli strike on Iran, with the US pushing for a cease-fire in Gaza and Lebanon. Mixed balance in metals, but gold trades close to all-time highs (+0.9%)

Corporate Debt

- PCR Verum placed the 'B/M' ratings of Grupo GICSA and its outstanding issues on Watch. The rating action follows the changes in the terms and conditions of the GICSA 18U and 16U bonds, which include full prepayment of the former and modifications to the guarantee, source of payment and payment obligation of the latter
- HR Ratings affirmed Industrias Bachoco's rating at 'HR AAA' with Stable outlook based on the strong liquidity position it has historically shown and the low level of leverage it expects in the following years

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	42,514.95	-1.0%
S&P 500	5,797.42	-0.9%
Nasdaq	18,276.65	-1.6%
IPC	52,142.13	-0.4%
Ibovespa	129,233.11	-0.6%
Euro Stoxx 50	4,922.55	-0.3%
FTSE 100	8,258.64	-0.6%
CAC 40	7,497.48	-0.5%
DAX	19,377.62	-0.2%
Nikkei 225	38,104.86	-0.8%
Hang Seng	20,760.15	1.3%
Shanghai Composite	3,302.80	0.5%
Sovereign bonds		
2-year Treasuries	4.08	5pb
10-year Treasuries	4.25	4pb
28-day Cetes	10.21	1pb
28-day TIIE	10.73	-1pb
2-year Mbono	10.30	1pb
10-year Mbono	10.11	2pb
Currencies		
USD/MXN	19.85	-0.5%
EUR/USD	1.08	-0.2%
GBP/USD	1.29	-0.5%
DXY	104.43	0.3%
Commodities		
WTI	70.77	-1.8%
Brent	74.96	-1.4%
Mexican mix	66.22	-1.1%
Gold	2,715.55	-1.2%
Copper	433.65	-1.0%

Source: Bloomberg

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