

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets positive –but with S&P500 futures negative– government bond yields to the upside and the USD slightly stronger, with all eyes on 3Q24 earnings season, highlighted by Alphabet's results, the second of the 'Magnificent Seven' tech giants to report
- The Chinese government is considering approving the issuance of over 10 trillion yuan in extra debt next week in coming years, Reuters reported. However, this has still generated some discontent among investors, who expected more forceful measures
- Japan's labor market tightened last month, increasing pressures on companies to raise wages. In this context, the unemployment rate fell to 2.4%, its lowest level since January
- Taiwan will buy up to 1,000 attack drones from the US, aiming to discourage a potential Chinese assault, according to people familiar with the matter
- In the US, the government finalized restrictions on US investments in Chinese chips and AI tech, which will take effect on January 2nd, 2025
- On the economic agenda, in the US, September's trade balance showed a deficit of US\$108.2 billion. Later, also in the US, September's job vacancies (JOTLS) and October's consumer confidence will be published. In the latter, the consensus expects an improvement
- Israel passed a bill to ban the UN Palestine Refugees Agency (UNRWA) from operating, although it is not entirely clear the implications that this would be for the organization

The most relevant economic data...

| | Event/Period | Unit | Banorte | Survey | Previous |
|----------------------|--|-----------|---------|--------|----------|
| United States | | | | | |
| 8:30 | Trade balance* - Sep | US\$bn | -- | -96.0 | -94.3 |
| 9:00 | S&P/CoreLogic housing prices - Aug | % y/y | -- | 5.0 | 5.9 |
| 10:00 | JOLTS Job Openings - Sep | thousands | -- | 8,000 | 8,040 |
| 10:00 | Consumer confidence* - Oct | index | -- | 99.5 | 98.7 |
| Mexico | | | | | |
| 11:00 | International reserves Oct 25 | US\$bn | -- | -- | 226.4 |
| 13:30 | Government weekly auction: 1-, 3-, 6-, and 12-month Cetes, 10-year Mbono (Nov'34), 3-year Udibono (Dec'26) and, 2- and 5-year Bondes F | | | | |

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. |
|------------------------|-----------|------------|
| Equity indices | | |
| S&P 500 Futures | 5,850.75 | -0.2% |
| Euro Stoxx 50 | 4,977.48 | 0.2% |
| Nikkei 225 | 38,903.68 | 0.8% |
| Shanghai Composite | 3,286.41 | -1.1% |
| Currencies | | |
| USD/MXN | 20.06 | 0.1% |
| EUR/USD | 1.08 | -0.2% |
| DX | 104.46 | 0.1% |
| Commodities | | |
| WTI | 68.31 | 1.4% |
| Brent | 72.33 | 1.3% |
| Gold | 2,752.30 | 0.4% |
| Copper | 437.95 | 0.4% |
| Sovereign bonds | | |
| 10-year Treasury | 4.31 | 3pb |

Source: Bloomberg

Equities

- Mixed bias in the main stock markets with investors assessing recent corporate reports. Out of 39 S&P500 companies releasing results today, 13 have already released them, with McDonald's (-), PayPal (-), and Pfizer (+) standing out. The focus will be on Alphabet and AMD's figures after the market closes
- In the US, futures anticipate a negative opening with the Dow declining 0.3% below its theoretical value. In Europe, gains prevail and the Eurostoxx is climbing 0.2%, highlighted by the rise in HSBC shares (+4.0%) in London after announcing that it will repurchase up to US\$3 billion in shares. Asia closed mixed
- In Mexico, yesterday Alfa published figures that already reflect Alpek's discontinued operations and would enter the final phase of the 'Value Strategy'. Today, being the last day to report, Banorte, Bimbo, Fibrapl, Lacomex, Peñoles, and Pemex numbers are expected

Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. In Europe, 10-year rates increase 5bps, on average. Meanwhile, the Treasuries' curve records a steepening bias with losses of 2bps at the long-end. Yesterday, Mbonos printed few changes, although with a negative bias (+1bp). The 10-year benchmark closed at 10.11% (+2bps) and the local risk premia moved to 583bps from 587bps last week
- Dollar advances against most of the G10 currencies, except NOK (+0.2%) and GBP (+0.1%). In EM, the bias is also negative but CLP (+0.3%) overperformed. Meanwhile, the MXN trades at 20.06 per dollar (-0.1%), scoring three negative sessions in a row
- Crude-oil futures recover after tumbling the most in more than two years on Monday, following the wipeout of a geopolitical premium in prices. Favorable balance in metals, with gold reaching fresh record levels

Corporate Debt

- FEMSA announced the agreement with AMMI (a subsidiary of Milenio Capital) to divest its plastic solutions operations for a total amount of MXN 3.2 billion, net of cash and debt
- HR Ratings affirmed the rating of four structured issues of Mexico City at 'HR AAA' with Stable outlook. The rating is based on Mexico City's unsecured rating and the Stress Target Rate for each issue
- HR Ratings affirmed the ratings for Invex Arrendadora at 'HR A+' with Stable outlook, and its short-term rating at 'HR1'. The ratification was based on the financial and operative backing granted by its holding company, Invex Controladora

Previous closing levels

| | Last | Daily chg. |
|------------------------|------------|------------|
| Equity indices | | |
| Dow Jones | 42,387.57 | 0.6% |
| S&P 500 | 5,823.52 | 0.3% |
| Nasdaq | 18,567.19 | 0.3% |
| IPC | 51,816.30 | 0.1% |
| Ibovespa | 131,212.58 | 1.0% |
| Euro Stoxx 50 | 4,969.83 | 0.5% |
| FTSE 100 | 8,285.62 | 0.4% |
| CAC 40 | 7,556.94 | 0.8% |
| DAX | 19,531.62 | 0.3% |
| Nikkei 225 | 38,605.53 | 1.8% |
| Hang Seng | 20,599.36 | 0.0% |
| Shanghai Composite | 3,322.20 | 0.7% |
| Sovereign bonds | | |
| 2-year Treasuries | 4.14 | 3pb |
| 10-year Treasuries | 4.28 | 4pb |
| 28-day Cetes | 10.47 | 0pb |
| 28-day TIIE | 10.72 | 0pb |
| 2-year Mbono | 10.29 | 2pb |
| 10-year Mbono | 10.14 | 3pb |
| Currencies | | |
| USD/MXN | 20.04 | 0.3% |
| EUR/USD | 1.08 | 0.1% |
| GBP/USD | 1.30 | 0.1% |
| DX | 104.32 | 0.1% |
| Commodities | | |
| WTI | 67.38 | -6.1% |
| Brent | 71.42 | -6.1% |
| Mexican mix | 62.55 | -6.5% |
| Gold | 2,742.46 | -0.2% |
| Copper | 436.25 | -0.2% |

Source: Bloomberg

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|------|---|
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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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