Economic and Financial Markets Research
Economic Research and Market Strategy

# Financial Markets Daily

November 7, 2024

## Main drivers for the financial markets today…

- **Stock markets positive, USD down and government bond yields up as US equity futures maintain yesterday's gains assessing the newly elected US President's expected pro-growth policies and its effects for the Fed's interest-rate path**

- **Attention is on the Fed's monetary policy decision, where we estimate a 25bps rate cut after the -50bps reduction announced in September. We do not expect any surprises in Powell's statement or press conference, making it clear that the next movements will be at a gradual pace, but without opening the door to a pause**

- **As widely expected, the Bank of England cut the reference rate by -25bp, placing it at 4.75%, but warned that the budget could push inflation up. Later, the central bank of Peru will announce its monetary policy decision, where a reduction in the reference rate is estimated**

- **In Mexico, INEGI released October's inflation at 0.55% m/m –in line with our forecast–, with the core at 0.28%. As such, the annual print accelerated to 4.83% from 4.58% in the previous month, with the core at 3.80% (previous: 3.91%)**



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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

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## The most relevant economic data…

| | Event/Period | Unit | Banorte | Survey | Previous |
|---|---|---|---|---|---|
| ***Eurozone and UK*** | | | | | |
| **2:00** | GER Industrial production* - Sep | % m/m | -- | -1.0 | 2.9 |
| **5:00** | EZ Retail sales* - Sep | % m/m | -- | 0.4 | 0.2 |
| **7:00** | UK Monetary policy decision (BoE) | % | -- | 4.75 | 5.00 |
| ***Mexico*** | | | | | |
| **7:00** | Consumer prices - Oct | % m/m | 0.55 | 0.53 | 0.05 |
| **7:00** | Core - Oct | % m/m | 0.33 | 0.33 | 0.28 |
| **7:00** | Consumer prices - Oct | % y/y | 4.76 | 4.74 | 4.58 |
| **7:00** | Core - Oct | % y/y | 3.85 | 3.85 | 3.91 |
| ***United States*** | | | | | |
| **8:30** | Initial jobless claims* - Nov 2 | thousands | 220 | 223 | 216 |
| **14:00** | FOMC Rate Decision (Upper Bound) | % | 4.75 | 4.75 | 5.00 |
| **14:00** | FOMC Rate Decision (Lower Bound) | % | 4.50 | 4.50 | 4.75 |
| **14:00** | Interest Rate on Excess Reserves (IOER) | % | 4.65 | 4.65 | 4.90 |
| **14:30** | Fed Chair Powell Holds Post-Meeting Press Conference | | | | |
| **15:00** | Consumer credit* - Sep | US$bn | -- | 14.0 | 8.9 |
| ***Peru*** | | | | | |
| **18:00** | Monetary policy decision (BCRP) | % | -- | 5.00 | 5.25 |

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 | 5,974.00 | 0.3% |
| Euro Stoxx 50 | 4,838.50 | 0.8% |
| Nikkei 225 | 39,381.41 | -0.3% |
| Shanghai Composite | 3,470.66 | 2.6% |
| ***Currencies*** | | |
| USD/MXN | 19.93 | -0.8% |
| EUR/USD | 1.08 | 0.4% |
| DXY | 104.75 | -0.3% |
| ***Commodities*** | | |
| WTI | 70.96 | -1.0% |
| Brent | 74.34 | -0.8% |
| Gold | 2,668.23 | 0.3% |
| Copper | 433.95 | 2.2% |
| ***Sovereign bonds*** | | |
| 10-year Treasury | 4.44 | 1pb |

Source: Bloomberg

## Equities

- **Positive movements in the main indices extend for a second day after the results of the US elections, with investors betting that US companies will be boosted by pro-growth policies and attentive to the trajectory of interest rates**

- **As a result, US futures are above their theoretical value with the Nasdaq up 0.4% and the S&P500 up 0.3%. Similarly, the Eurostoxx is up 0.8%, reacting to the possibility of new elections in Germany and their implications for growth. Finally, the Chinese stock markets reacted positively to the optimism of more stimulus measures**

- **Also, of 33 S&P500 companies reporting today, 12 have released their results, most of them better than expected, including Moderna. MSCI announced that for the rebalancing effective November 26th, Orbia and BanBajío will be removed from the Mexican index**

## Sovereign fixed income, currencies and commodities

- **Mixed balance in sovereign bonds. 10-year rates in Europe rise by 8bps on average, except for the United Kingdom, which appreciates by 1bp after a 25bps cut to its reference rate. The Treasury curve prints a steepening bias, with gains of 1pb at the short-end and a +1bp adjustment at the long-end**

- **USD is down against all G10 currencies, with NOK (+1.4%) as the strongest. In EM, performance is positive, with HUF (+1.6%) leading the gains. The MXN appreciates by 0.8% to 19.93 per dollar**

- **Mixed performance in commodities. Crude-oil futures drop by nearly 1%, with investors weighing the victory of Trump, which could lead to higher oil supply and possible trade tariffs on China that could slow its growth. Metals are up, with industrials performing better**

## Corporate Debt

- **S&P Global Ratings affirmed Fovissste's 'mxAAA' and 'mxA-1+' ratings; the outlook remained Stable**

- **The rating reflects a very high probability of extraordinary support from the Mexican government in a stress scenario given that Fovissste plays a fundamental role for the government and the housing sector in the country**

- **The agency also mentions that due to the implementation of IFRS-9 accounting rules during 2024, Fovissste's non-performing assets increased 30% in 2Q24, compared to the end of 2023, which generated a non-performing assets ratio of 8.8%**

**Previous closing levels**

| | Last | Daily chg. |
|---|---|---|
| ***Equity indices*** | | |
| Dow Jones | 43,729.93 | 3.6% |
| S&P 500 | 5,929.04 | 2.5% |
| Nasdaq | 18,983.46 | 3.0% |
| IPC | 51,732.46 | 1.8% |
| Ibovespa | 130,340.92 | -0.2% |
| Euro Stoxx 50 | 4,800.63 | -1.4% |
| FTSE 100 | 8,166.68 | -0.1% |
| CAC 40 | 7,369.61 | -0.5% |
| DAX | 19,039.31 | -1.1% |
| Nikkei 225 | 39,480.67 | 2.6% |
| Hang Seng | 20,538.38 | -2.2% |
| Shanghai Composite | 3,383.81 | -0.1% |
| ***Sovereign bonds*** | | |
| 2-year Treasuries | 4.26 | 9pb |
| 10-year Treasuries | 4.43 | 16pb |
| 28-day Cetes | 10.09 | -1pb |
| 28-day TIIE | 10.70 | -1pb |
| 2-year Mbono | 10.13 | -12pb |
| 10-year Mbono | 9.97 | -4pb |
| ***Currencies*** | | |
| USD/MXN | 20.09 | -0.1% |
| EUR/USD | 1.07 | -1.8% |
| GBP/USD | 1.29 | -1.2% |
| DXY | 105.09 | 1.6% |
| ***Commodities*** | | |
| WTI | 71.69 | -0.4% |
| Brent | 74.92 | -0.8% |
| Mexican mix | 66.53 | -0.8% |
| Gold | 2,659.06 | -3.1% |
| Copper | 424.60 | -5.1% |

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** |
|---|---|
| **BUY** | When the share expected performance is greater than the MEXBOL estimated performance. |
| **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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