

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets lower, government bond yields negative after reaching multi-year highs in the US and Europe while the USD strengthens. Investors continue to assimilate a period of higher interest rates for longer after comments from Fed speakers
- Senate Democrats and Republicans are close to reaching a deal to finance the government in the short-term (4 to 6 weeks) as discussions continue on the complete budget proposal. Nevertheless, the most conservative wing of the Republican party in the House of Representatives will likely oppose this plan
- On the monetary front, yesterday Kashkari (Minneapolis) mentioned that he expects an additional rate hike this year, on top of saying that rates could remain higher for longer. As such, attention today will center on comments from Bowman (Fed Board) on this subject
- On economic data, in the US we expect figures from the housing sector (house prices and new home sales) as well as September's consumer confidence, expecting a moderation to 106.0pts. In Brazil, CPI in the 1st half of September came in at 0.35%, with the annual print accelerating to 5.00% from 4.24%
- Problems in China's real estate sector continue, with a subsidiary from Evergrande failing to pay a local bond yesterday
- In other news, President Biden will visit a UAW picket line in Michigan today

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Brazil					
7:30	Central Bank Meeting Minutes				
8:00	Consumer prices - Sep	% m/m	--	0.39	0.28
8:00	Consumer prices - Sep	% y/y	--	5.02	4.24
United States					
9:00	S&P/CoreLogic housing prices - Jul	% y/y	--	--	-1.2
10:00	New home sales** - Aug	thousands	--	700	714
10:00	Consumer confidence* - Sep	index	106.0	105.5	106.1
13:30	Fed's Bowman Delivers Welcoming Remarks				
Mexico					
11:00	International reserves - Sep 22	US\$bn	--	--	204.2
13:30	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 5-year Mbono (Mar'29); 10-year Udibono (Nov'31) 1-, 3-, and 7-year Bondes F				

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

September 26, 2023



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Winners of the 2023 award for best Mexico economic, forecasters, granted by Focus Economics

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,351.50	-0.6%
Euro Stoxx 50	4,125.30	-1.0%
Nikkei 225	32,315.05	-1.1%
Shanghai Composite	3,102.27	-0.4%
Currencies		
USD/MXN	17.44	0.3%
EUR/USD	1.06	0.0%
DXY	105.97	0.0%
Commodities		
WTI	89.46	-0.2%
Brent	92.97	-0.3%
Gold	1,906.06	-0.5%
Copper	364.25	-0.2%
Sovereign bonds		
10-year Treasury	4.51	-2pb

Source: Bloomberg

Equities

- Negative movements in equity markets as investors continue to evaluate the monetary outlook, which points to higher interest rates for longer, and consequently, the adverse effect that this would have on company valuations
- In Asia the markets closed negative, with the Hang Seng down 1.5%, levels not seen since last November, as concerns about the situation in China's property sector remained. In Europe stocks decline, the Eurostoxx sheds 1.0%. Shares from technology and consumer discretionary sectors lead losses. In turn, in the US the futures of main indices point to a negative opening by falling 0.4% on average
- In corporate news, the EU may investigate whether Tesla (-0.8% on pre-market) and other electric vehicle makers have received unfair subsidies in China, which could lead to volatility in the sector's shares

Sovereign fixed income, currencies and commodities

- Slightly positive balance in sovereign bonds after a massive sell-off in the US and Europe with yields reaching new multiyear highs. 10-year Treasury traded at levels not seen in the last 16 years at 4.53%, while the European benchmark reached highs in more than a decade at 2.79%. In this context, the Mbonos lost of up to 14bps in Mar'29 term
- The dollar remains at its highest levels for the year and advances against most developed and emerging currencies. In EM, MXN trades at 17.44 per dollar (-0.3%), extending yesterday's depreciation (-1.1%)
- Widespread losses in commodities. Crude-oil slips as the impact of rapidly tightening supplies was offset by low risk appetite across the market. Copper falls 0.3%, reaching four-month lows

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,006.88	0.1%
S&P 500	4,337.44	0.4%
Nasdaq	13,271.32	0.5%
IPC	51,367.46	-0.6%
Ibovespa	115,924.61	-0.1%
Euro Stoxx 50	4,167.37	-0.9%
FTSE 100	7,623.99	-0.8%
CAC 40	7,123.88	-0.8%
DAX	15,405.49	-1.0%
Nikkei 225	32,678.62	0.9%
Hang Seng	17,729.29	-1.8%
Shanghai Composite	3,115.61	-0.5%
Sovereign bonds		
2-year Treasuries	5.12	2pb
10-year Treasuries	4.53	10pb
28-day Cetes	11.31	0pb
28-day TIIE	11.50	-1pb
2-year Mbono	10.68	4pb
10-year Mbono	9.89	12pb
Currencies		
USD/MXN	17.40	1.1%
EUR/USD	1.06	-0.6%
GBP/USD	1.22	-0.2%
DX	106.00	0.4%
Commodities		
WTI	89.68	-0.4%
Brent	93.29	0.0%
Mexican mix	86.51	-0.6%
Gold	1,915.92	-0.5%
Copper	367.00	-0.7%

Source: Bloomberg

Corporate Debt

- Fitch Ratings affirmed Sofoplus' long-term and short-term ratings at 'A-(mex)' and 'F2(mex)', respectively, and revised the outlook to Stable from Positive. According to the agency, the outlook revision is due to the fact that, under the conditions of the pressured environment for non-bank financial institutions, Sofoplus' funding structure has relied mostly on secured funding sources that include development bank funders with portfolio under press and bank funders with portfolio pledged as collateral
- PCR Verum ratified Navistar Financial ratings at 'AAA/M' and '1+/M'; outlook is Stable. According to the agency, the ratings are based on the support and strong synergies existing in operational and commercial terms with TRATON SE (Volkswagen AG)

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