

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets with negative bias, government bond yields up, while the dollar trades at a loss amid more hawkish commentary from central banks as oil prices fuel inflation, leaving investors expecting tight monetary policy will remain in place for longer
- Regarding monetary policy, attention will be on Banxico's decision, where we expect the central bank to maintain its pause, leaving the reference rate at 11.25% for the fourth consecutive meeting. We anticipate revisions in inflation forecasts and a hawkish narrative, reaffirming our view that they will not be able to cut the rate this year and caution going forward
- Additionally, markets will focus on comments by Powell, Goolsbee, Cook and Barkin from the Fed
- In economic figures, in the US the final GDP figure for 2Q23 was published (in addition to revisions to the National Accounts series), remaining the same as the second estimate data at 2.1% q/q saar, but with the consumption showing a strong downward revision from 1.7% q/q saar to 0.8% q/q saar. Additionally, the initial jobless claims were published for the week ending September 23, which resulted in 204k, slightly above the 202k of the previous week
- In Mexico, INEGI released August's employment report. The unemployment rate fell to 2.96% (-17bps), with 269.6 thousand jobs gained. With seasonally adjusted figures the rate came in at 2.72% (-15bps)

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Unemployment rate - Aug	%	3.17	3.10	3.13
15:00	Monetary policy decision (Banxico)	%	11.25	11.25	11.25
United States					
8:30	Revisions: GDP/National Economic Accounts				
8:30	Initial jobless claims* - Sep 23	thousands	210	215	201
8:30	Gross domestic product** - 2Q23 (F)	% q/q	2.3	2.3	2.1
8:30	Personal consumption** - 2Q23 (F)	% q/q	1.7	1.7	1.7
9:00	Fed's Goolsbee Speaks at Peterson Institute in Washington				
13:00	Fed's Cook Speaks at Minorities in Banking Forum				
16:00	Fed's Powell Hosts Town Hall With Educators				
19:00	Fed's Barkin Gives Speech on Monetary Policy Outlook				

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 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	4,307.75	-0.1%
Euro Stoxx 50	4,131.82	0.0%
Nikkei 225	31,872.52	-1.5%
Shanghai Composite	3,110.48	0.1%
Currencies		
USD/MXN	17.67	0.0%
EUR/USD	1.05	0.3%
DX	106.47	-0.2%
Commodities		
WTI	92.86	-0.9%
Brent	95.73	-0.8%
Gold	1,876.28	0.1%
Copper	368.00	1.5%
Sovereign bonds		
10-year Treasury	4.64	4pb

Source: Bloomberg

Equities

- Equity markets with negative bias, reflecting a cautious sentiment on the expectation that high interest rates will continue for longer than expected, impacting growth
- Futures in the US anticipate a negative opening with the Nasdaq declining 0.3% below its theoretical value. Micron Technology falls more than 4.3% on pre-market due to mixed outlook for the quarter; in contrast, Peloton Interactive rises more than 13% after announcing a business partnership with Lululemon Athletica. Although Europe trades mixed, the increase in the energy sector stands out (+1.4%)
- S&P Dow Jones Indices announced the changes in the Mexbol Index methodology, which will be carried out in two phases (the first on March 18, 2024 and the second on June 7). It was confirmed that the cumulative weight of the 5 largest companies would be limited to 45% vs. the current 51.8%

Sovereign fixed income, currencies and commodities

- Mixed balance in sovereign bonds. 10-year European rates increase up to 14bps. The Treasuries' curve steepens with 2bps losses on the long-end, while the short-end gains 3bps. Yesterday, Mbonos lost 12bps, on average, and the 10-year benchmark rate trades at new highs since 2008 at 10.11%
- The dollar retreats, allowing all developed currencies to trade in positive territory with AUD (+0.7%) leading the gains. In EM, the bias is also positive with ZAR (+0.6%) as the strongest. Meanwhile, MXN appreciates 0.2% to 17.63 per dollar, after losing 0.7% yesterday
- Crude-oil halts the rally of the past days with a 0.4% drop. US inventories fell 2.17 million barrels and the Cushing, Oklahoma, storage hub recorded the lowest levels since July 2022. Metals trade positive, with copper (+1.3%) standing out

Corporate Debt

- HR Ratings confirmed Grupo Radio Centro's rating at 'HR D' and modified the rating of its current issues RCENTRO 16 / 17 / 17-2 to 'HR D' from 'HR DT', maintaining the In Process Review. According to the agency, the rating action is based on the fact that the company remains in default of payment of principal and interest on its Notes in accordance with the latest agreements reached
- PCR Verum affirmed the long-term corporate ratings of Comercializadora Círculo CCK and its CIRCLEK 22 issue at 'A+/M', and the short-term corporate rating at '1/M'. The outlook for the long-term ratings remains 'Stable'. According to the agency, the ratings are based on the adequate level of indebtedness with a downward trend and the expectation that it will be sustained, in view of the improvement in operating cash flow generation

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,550.27	-0.2%
S&P 500	4,274.51	0.0%
Nasdaq	13,092.85	0.2%
IPC	51,427.27	0.6%
Ibovespa	114,327.05	0.1%
Euro Stoxx 50	4,131.68	0.1%
FTSE 100	7,593.22	-0.4%
CAC 40	7,071.79	0.0%
DAX	15,217.45	-0.3%
Nikkei 225	32,371.90	0.2%
Hang Seng	17,611.87	0.8%
Shanghai Composite	3,107.32	0.2%
Sovereign bonds		
2-year Treasuries	5.14	1pb
10-year Treasuries	4.61	7pb
28-day Cetes	11.15	10pb
28-day TIIE	11.50	0pb
2-year Mbono	10.82	6pb
10-year Mbono	10.10	14pb
Currencies		
USD/MXN	17.67	0.7%
EUR/USD	1.05	-0.7%
GBP/USD	1.21	-0.2%
DX	106.67	0.4%
Commodities		
WTI	93.68	3.6%
Brent	96.55	2.8%
Mexican mix	89.43	3.1%
Gold	1,875.12	-1.3%
Copper	363.65	-0.3%

Source: Bloomberg

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