BANORTE

Economic and Financial Markets Research

Economic Research and Market Strategy

Financial Markets Daily

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Main drivers for the financial markets today…

- **Stock markets lower, with government bond yields and USD up. Investors react to the last-minute deal by US Congress (on Saturday) to avoid a government shutdown, increasing their bets that the Fed could hike rates as soon as November**
- **In China, the PMI manufacturing and services indicators (Caixin) for September stood at at 50.6pts and 50.2pts, in the same order. On the other hand, the Eurozone's unemployment rate in August reached 6.4%, marginally below the 6.5% of the previous month**
- **Today, September's ISM manufacturing in the US, comments from Powell and Williams of the Fed. In Mexico, remittances (Aug), Banxico's survey, and IMEF's PMI indicators for September**
- **Attention this week on September's nonfarm payrolls report in the US, in which we estimate 150k new jobs and the unemployment rate at 3.7% from 3.8%. This will be especially relevant given increased market volatility and fears about 'higher for longer' interest rates**
- **Monetary policy decisions in Australia, New Zealand, Poland, Peru, India, and Romania. Also, minutes in Colombia and speeches from ECB members, including Lagarde**
- **The rest of US data includes trade balance, consumer credit, factory orders (Aug), vehicle sales, ADP employment, and ISM services (Sep). In other regions, retail sales (Aug) in the Eurozone; and industrial production (Aug) in Brazil**
- **In Mexico, gross fixed investment, private consumption (Jul), consumer confidence (Sep), and the banking sector survey**

The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
United States					
9:45	Manufacturing PMI - Sep (F)	index	48.9	48.9	48.9
10:00	ISM manufacturing* - Sep	index	--	47.8	47.6
10:00	Fed's Powell and Harker Participate in Roundtable Discussion				
13:30	Fed's Williams Moderates Discussion on Climate Risk				
19:30	Fed's Mester Speaks on Economic Outlook				
Mexico					
11:00	Family remittances - Aug	US$bn	5,563.2	--	5,651.5
11:00	Survey of expectations (Banxico)				
14:00	PMI manufacturing (IMEF)* - Sep	index	51.5	--	52.3
14:00	PMI non-manufacturing (IMEF)* - Sep	index	52.9	--	52.1

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	4,319.75	-0.1%
Euro Stoxx 50	4,166.11	-0.2%
Nikkei 225	31,759.88	-0.3%
Shanghai Composite	3,110.48	0.0%
Currencies		
USD/MXN	17.51	0.5%
EUR/USD	1.05	-0.4%
DXY	106.54	0.3%
Commodities		
WTI	91.22	0.5%
Brent	92.77	-2.7%
Gold	1,837.32	-0.6%
Copper	367.65	-1.6%
Sovereign bonds		
10-year Treasury	4.63	6pb

Source: Bloomberg

Equities

- **The week kicks off with negative movements, continuing with some caution as investors await signals of the Fed's upcoming moves**

- **US futures anticipate a slightly negative opening, with the S&P500 trading 0.1% below its theoretical value. Meanwhile, Europe trades mainly lower, with the Eurostoxx falling 0.2%, dragged by the material and utilities sectors. In turn, we recall that markets in China remain closed for a week due to a local holiday, but in Japan the Nikkei fell 0.3%**

- **In Mexico, we anticipate a trading range for the Mexbol Index this week between 50,300 and 52,300pts, after Friday's close at 50,875pts**

Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European 10-year rates increase 3bps on average, while the US Treasuries' curve records a sell-off of up to 7bps at the belly. Mbonos yields rose 10bps on average last week, with the 10-year benchmark closing at 9.87% (+8bps w/w)**

- **Dollar jumps against all DM and EM currencies after government shutdown averted. The USD/MXN trades at 17.51 (-0.5%), extending losses in the two previous weeks. We expect a weekly trading range between USD/MXN 17.25 and 17.75**

- **Crude-oil prices remain high, buoyed by widespread bets that global demand will continue to run ahead of supply. Both Brent and WTI rallied almost 30% in 3Q23, fully diluting losses seen in the first half of the year**

Corporate Debt

- **In October's first week, we expect the auction of four sustainability-linked bonds by Cemex -which returns to the market- and GAP, for an amount of MXN 10 billion. Moving forward, we expect dynamism in October and November, with a robust pipeline close to MXN 28 billion**

- **HR Ratings downgraded Total Play's rating to 'HR A' from 'HR A+' and changed the outlook to Negative from Stable. It also downgraded its international rating to 'HR BB- (G)' from 'HR BB (G)' with a Stable outlook. According to the agency, the downgrade is based on higher Capex investments observed during 2022, which were above the rating agency's projections and financed through short-term debt**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,507.50	-0.5%
S&P 500	4,288.05	-0.3%
Nasdaq	13,219.32	0.1%
IPC	50,874.98	-1.3%
Ibovespa	116,565.17	0.7%
Euro Stoxx 50	4,174.66	0.3%
FTSE 100	7,608.08	0.1%
CAC 40	7,135.06	0.3%
DAX	15,386.58	0.4%
Nikkei 225	31,857.62	0.0%
Hang Seng	17,809.66	2.5%
Shanghai Composite	3,110.48	0.0%
Sovereign bonds		
2-year Treasuries	5.04	-1pb
10-year Treasuries	4.57	0pb
28-day Cetes	11.19	9pb
28-day TIIE	11.50	0pb
2-year Mbono	10.64	-10pb
10-year Mbono	9.88	-8pb
Currencies		
USD/MXN	17.42	-0.7%
EUR/USD	1.06	0.1%
GBP/USD	1.22	0.0%
DXY	106.17	0.0%
Commodities		
WTI	90.79	-1.0%
Brent	95.31	-0.1%
Mexican mix	87.64	-0.5%
Gold	1,848.63	-0.9%
Copper	373.75	0.8%

Source: Bloomberg

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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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