

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets with positive bias, government bond yields down and USD mixed. We see some relief in performance despite the risk of an escalation of the Middle East conflict turning into a regional war with disruptions in crude-oil supply. Janet Yellen does not rule out sanctions vs Iran**
- **Slightly *dovish* comments from some Fed members for tighter financial conditions give a slight boost to stocks, though others still see a further 25bps hike to bring inflation to 2% target**
- **The attention will be on the release of the minutes of the last FOMC meeting. We expect the document to confirm the *hawkish* bias suggested by the *dot plot*, and in comments during Powell's press conference. Fed's Bowman will participate in an IMF panel in Morocco**
- **Today the Republican vote is expected to elect the president of the House of Representatives. A very low probability is assigned that they can reach an agreement on who will fill the position**
- **Regarding economic figures, in the US, producer prices for September were released at +0.5% m/m (consensus +0.3%). With this the annual variation stood at 2.2% (previous 1.6%)**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Germany					
2:00	Consumer prices - Sep (F)	% y/y	--	4.5	4.5
Brazil					
8:00	Consumer prices - Sep	% m/m	--	0.34	0.23
8:00	Consumer prices - Sep	% y/y	--	5.25	4.61
United States					
4:15	Fed's Bowman Speaks in Morocco				
8:30	Producer prices* - Sep	% m/m	--	0.3	0.7
8:30	Ex. food & energy* - Sep	% m/m	--	0.2	0.2
14:00	FOMC Meeting Minutes				

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

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,400.00	0.2%
Euro Stoxx 50	4,203.77	0.0%
Nikkei 225	31,936.51	0.6%
Shanghai Composite	3,078.96	0.1%
Currencies		
USD/MXN	17.89	-0.3%
EUR/USD	1.06	0.0%
DXY	105.87	0.0%
Commodities		
WTI	85.30	-0.8%
Brent	86.88	-0.9%
Gold	1,871.72	0.6%
Copper	362.00	-0.4%
Sovereign bonds		
10-year Treasury	4.59	-7pb

Source: Bloomberg

Equities

- Positive bias in equity markets on investors' hopes that the Fed will maintain its current pause. Futures for the main US stock indexes anticipate a positive opening, rising 0.3% on average
- Europe trades mostly higher, with little change in the Eurostoxx, although registering the largest adjustment in the consumer discretionary sector, primarily attributed to a decline in luxury stocks following weak sales reported by LVMH. Asia closed positive, with the Hang Seng rising for the fifth consecutive session by 1.3%
- In corporate news, Exxon Mobil confirmed the acquisition of Pioneer for ~\$59.5 billion. The transaction is intended to position Exxon as an industry leader and the largest shale oil producer in the US

Sovereign fixed income, currencies and commodities

- Positive balance in sovereign bonds. European rates post gains of up to 9bps on 10-year benchmarks. Treasuries yield curve flattens with 5bps appreciation and the biggest adjustments on the long-end. Yesterday, Mbonos' curve closed with gains of 6bps on average and the 10-year benchmark ended at 9.70% (-7bps)
- The USD trades with a negative bias on the BBDXY. G10 currencies show a negative bias, with NZD (-0.4%) leading decliners. In emerging markets, gains dominate with THB (+0.9%) the strongest. The Mexican peso extends yesterday's gains by trading at 17.86, representing an appreciation of 0.4%
- Crude-oil futures fall 0.6% with investors very attentive to the evolution of the conflict in the Middle East. In metals, the positive bias prevails, with gold standing out with an advance of 0.7%

Corporate Debt

- Fitch Ratings affirmed Operadora de Sites Mexicanos' international rating at 'BBB' with a Positive outlook and its national rating at 'AAA(mex)' with a Stable outlook. According to the agency, the ratings are supported by Opsimex's stable and sustainable operating performance, aided by the significant scale of business and favorable demand outlook given mobile industry trends
- Fitch Ratings affirmed Grupo Rotoplas' 'AA(mex)' rating. The outlook is Stable. According to the agency, the ratings reflect Rotoplas' strong competitive position. This position is supported by Rotoplas' brand recognition, market leadership, extensive distribution network and broad portfolio of solutions

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,739.30	0.4%
S&P 500	4,358.24	0.5%
Nasdaq	13,562.84	0.6%
IPC	50,289.86	2.0%
Ibovespa	116,736.95	1.4%
Euro Stoxx 50	4,205.23	2.3%
FTSE 100	7,628.21	1.8%
CAC 40	7,162.43	2.0%
DAX	15,423.52	2.0%
Nikkei 225	31,746.53	2.4%
Hang Seng	17,664.73	0.8%
Shanghai Composite	3,075.24	-0.7%
Sovereign bonds		
2-year Treasuries	4.97	-11pb
10-year Treasuries	4.65	-15pb
28-day Cetes	11.05	-15pb
28-day TIIE	11.50	0pb
2-year Mbono	10.51	-2pb
10-year Mbono	9.72	-8pb
Currencies		
USD/MXN	17.94	-1.5%
EUR/USD	1.06	0.4%
GBP/USD	1.23	0.4%
DXY	105.83	-0.2%
Commodities		
WTI	85.97	-0.5%
Brent	87.65	-0.6%
Mexican mix	80.99	-0.4%
Gold	1,860.40	-0.1%
Copper	363.40	-0.3%

Source: Bloomberg

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