

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets positive, government bond yields mixed & USD down with investors assimilating the US inflation data, which helps shape the Fed's next steps, also digesting that a Chinese sovereign wealth fund invests in the nation's largest banks**
- **Oil rebounds after OPEC+ leaders, Saudi Arabia and Russia reaffirmed their close cooperation to support the crude market**
- **Regarding monetary policy, the ECB minutes were published showing that the probabilities of a new hike are low. The attention is now on comments of Bostic, Logan and Collins of the Fed, as well as on the minutes of the BoE and Banxico. In the latter, we expect the hawkish tone to be reaffirmed**
- **September inflation in the US came in at 0.4% m/m slightly above estimates (0.3%), while CPI Core remained at 0.3% in line with expectations. With this, the annual metric remained unchanged at 3.7%, with the core falling to 4.1% (previous: 4.3%)**
- **In Mexico, INEGI published industrial production for August, climbing 0.3% m/m (5.2% y/y). Gains centered in construction (2.4% m/m), with an uptick in mining (1.6%) and a setback in manufacturing (0.7%)**

October 12, 2023



Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com



Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com



Manuel Jiménez Zaldivar
Director of Market Strategy
manuel.jimenez@banorte.com



www.banorte.com/analisiseconomico
[@analisis_fundam](https://twitter.com/analisis_fundam)



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

Document for distribution among public

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Industrial production - Aug	% y/y	4.9	4.6	4.8
8:00	Industrial production* - Aug	% m/m	0.2	0.4	0.5
8:00	Manufacturing output - Aug	% y/y	0.2	--	0.8
11:00	Banxico's minutes				
United States					
8:30	Initial jobless claims* - Oct 7	thousands	215	210	207
8:30	Consumer prices* - Sep	% m/m	0.3	0.3	0.6
8:30	Ex. food & energy* - Sep	% m/m	0.3	0.3	0.3
8:30	Consumer prices - Sep	% y/y	3.6	3.6	3.7
8:30	Ex. food & energy - Sep	% y/y	4.1	4.1	4.3
China					
21:00	Consumer prices - Sep	% y/y	--	0.2	0.1
23:00	Trade balance - Sep	USDbn	--	73.7	68.2
23:00	Exports - Sep	% y/y	--	-7.1	-8.8
23:00	Imports - Sep	% y/y	--	-6.0	-7.3

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	4,418.00	0.2%
Euro Stoxx 50	4,219.97	0.5%
Nikkei 225	32,494.66	1.7%
Shanghai Composite	3,107.90	0.9%
Currencies		
USD/MXN	17.80	-0.2%
EUR/USD	1.06	-0.4%
DXY	105.98	0.1%
Commodities		
WTI	84.87	1.7%
Brent	87.43	1.9%
Gold	1,878.70	0.2%
Copper	361.20	0.0%
Sovereign bonds		
10-year Treasury	4.61	5pb

Source: Bloomberg

Equities

- Positive bias in equity markets, where investors are evaluating the upcoming central banks' next moves. Meanwhile, investors' attention will be focused on the upcoming earnings reports from major banks at the end of the week
- In the US, futures anticipate a positive opening and the S&P500 rises 0.2% above its theoretical value. Europe trades mainly with gains and the Eurostoxx reached a three-week high with a 0.5% advance, driven by the technology and energy sectors. Asia also closed with gains, with the Hang Seng climbed 1.9% and the Nikkei 1.8%
- In corporate news, Ford Motor falls (-2.0%) on pre-market after the workers' union announced a strike at the Kentucky truck plant. On the other hand, easyJet falls (-3.8%) on the announcement of increased aircraft purchases

Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. 10-year European rates adjust up to +6bps. The Treasuries' curve loses up to 8bps on the 2-year benchmark, and adjusts +3bps at the long-end. Yesterday, Mbonos' curve flattened as a result of 4bps losses at the short- and mid-end, while the long-end gained 2bps
- The dollar advances, causing the majority of developed currencies to trade in negative territory with NZD (-0.7%) leading the losses. In EM, the bias is mixed with RUB (+1.0%) and PLN (-0.4%) at the extremes. Meanwhile, MXN depreciates 0.1% to 17.85 per dollar, after gaining 0.6% yesterday
- Crude-oil gains more than 1.0%, after Saudi Arabia and Russia reaffirmed their close cooperation in maintaining a balanced market. Metals trade with a positive bias, gold (+0.5%) and copper (+0.4%)

Corporate Debt

- HR Ratings affirmed Minera Frisco's rating at 'HR A' with a Stable outlook and at 'HR2' for the short term. According to the agency, the ratification is based primarily on the expected levels of Free Cash Flow (FCF) as a result of an expected reduction in tonnage processed, as well as volatility in average metal sales prices. Likewise, HR's scenarios consider the company's refinancing capacity, since all of its debt matures in the projected period (2023-2026)
- CIBanco (Trustee) reported that FOVISSSTE will exercise its right to reacquire the entire trust assets of the TFOVIS 13-3U issuance, due to the fact that the outstanding principal balance of the bond reached a level below 10% of the outstanding balance of principal at the closing date. The liquidation of the notes will take place on October 27

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,804.87	0.2%
S&P 500	4,376.95	0.4%
Nasdaq	13,659.68	0.7%
IPC	50,344.74	0.1%
Ibovespa	117,050.74	0.3%
Euro Stoxx 50	4,200.80	-0.1%
FTSE 100	7,620.03	-0.1%
CAC 40	7,131.21	-0.4%
DAX	15,460.01	0.2%
Nikkei 225	31,936.51	0.6%
Hang Seng	17,893.10	1.3%
Shanghai Composite	3,078.96	0.1%
Sovereign bonds		
2-year Treasuries	4.98	1pb
10-year Treasuries	4.56	-9pb
28-day Cetes	11.04	-1pb
28-day TIIE	11.50	0pb
2-year Mbono	10.54	3pb
10-year Mbono	9.71	-1pb
Currencies		
USD/MXN	17.83	-0.6%
EUR/USD	1.06	0.1%
GBP/USD	1.23	0.2%
DX	105.82	0.0%
Commodities		
WTI	83.49	-2.9%
Brent	85.82	-2.1%
Mexican mix	78.96	-2.5%
Gold	1,874.36	0.8%
Copper	361.20	-0.6%

Source: Bloomberg

This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Apertura de Mercados Financieros" was released earlier today.

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora and Andrea Muñoz Sánchez, 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	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.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document up dated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

Directory

Research and Strategy



Raquel Vázquez Godínez
Assistant
raquel.vazquez@banorte.com
(55) 1670 - 2967



María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Market Strategy



Manuel Jiménez Zaldívar
Director of Market Strategy
manuel.jimenez@banorte.com
(55) 5268 - 1671



José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com
(55) 1670 - 2249



Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698



Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Quantitative Analysis



Alejandro Cervantes Llamas Executive
Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972



José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000



Andrea Muñoz Sánchez
Analyst, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1103 - 4000



Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043



Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1103 - 4000



Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719



Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com (55) 1670 - 2250



Isaías Rodríguez Sobrino
Analyst, Fixed Income, FX and Commodities
isaias.rodriguez.sobrino@banorte.com
(55) 1670 - 2144



Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611



Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821



Luis Leopoldo López Salinas
Economist, Global Internacional
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707



Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800



Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugoa.gomez@banorte.com
(55) 1670 - 2247



Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248



Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220



Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1103 - 4000



José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608



Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124