

## Financial Markets Daily

### Main drivers for the financial markets today...

- Stock markets and government bond yields up, with the USD biased lower. Some relief as investors follow closely diplomatic efforts to avoid an escalation of the war between Israel and Hamas. In addition, they are waiting for corporate earnings, which accelerate this week
- On the other hand, the US is planning to tighten restrictions, announced in October, to prevent China from acquiring advanced semiconductors and other gear. In addition, the PBoC kept its benchmark rate unchanged at 2.50%, but injected liquidity at its highest pace since December 2020
- Today's agenda includes only a speech about the economic outlook from Harker of the Fed. No relevant data in Mexico
- Market attention this week on a plethora of public appearances of Fed members, including Chair Powell. Also, on 3Q23 GDP in China along with other activity indicators for September as nervousness about growth prospects in the country remain high
- In monetary policy, the Fed will publish its *Beige Book*, while decisions will be held in Korea and Indonesia. The PBoC will inform 1- and 5-year prime loan rates, the minutes in Australia will be released, and there will be several speeches from ECB members
- The rest of US data includes retail sales, industrial production, housing starts and permits, existing home sales (Sep), and the Philly Fed manufacturing indicator (Oct)
- In other regions, the unemployment rate (Aug) and inflation (Sep) in the UK; ZEW survey in Germany (Oct); economic activity and retail sales (Aug) in Brazil; and the current account (Aug) in the Eurozone
- In Mexico, retail sales (Aug), the *Timely Indicator of Eco Activity* (Sep), and banking sector survey. The limit date for the approval of the Revenue Law by the Lower House will be on Friday, October 20th

### The most relevant economic data...

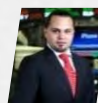
	Event/Period	Unit	Banorte	Survey	Previous
<b>Eurozone</b>					
5:00	Trade balance* - Aug	EURbn	--	-	2.9
<b>United States</b>					
8:30	Empire manufacturing* - Oct	index	-4.0	-6.0	1.9
10:30	Fed's Harker Speaks on the Economic Outlook				

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.
<b>Equity indices</b>		
S&P 500 Futures	4,371.25	0.3%
Euro Stoxx 50	4,142.32	0.1%
Nikkei 225	31,659.03	-2.0%
Shanghai Composite	3,073.81	-0.5%
<b>Currencies</b>		
USD/MXN	17.97	-0.7%
EUR/USD	1.05	0.2%
DX	106.41	-0.2%
<b>Commodities</b>		
WTI	87.59	-0.1%
Brent	90.68	-0.2%
Gold	1,916.86	-0.8%
Copper	359.75	0.7%
<b>Sovereign bonds</b>		
10-year Treasury	4.70	8pb

Source: Bloomberg

## Equities

- Mixed markets, with caution on the economic implications of the Middle East conflicts. On the corporate front, the flow of reports will increase with 55 S&P500 companies this week, continuing with banks, and highlighting some tech companies
- US futures anticipate a positive opening, with the S&P500 up 0.3%. Although Europe trades mostly higher, gains are modest and the Eurostoxx is climbing 0.1%. Shell's share price hits a record high due to recent increases in oil. Asia closed lower
- In Mexico, the 2Q23 earnings season begins tomorrow with Amx and Bolsa, while 3 other IPC companies are expected for the rest of the week. Following the Mexbol's closing at 49,380pts last Friday, we expect this week trading range between 48,700 and 50,500pts

## Sovereign fixed income, currencies and commodities

- Negative balance in sovereign bonds. European 10-year rates up 3bps on average, while the US Treasuries' curve bear steepens with losses of up to 9bps at the long-end. Last week, Mbonos and Treasuries with maturities larger than 10 years rallied 10bps and 20bps, respectively
- Dollar falls against all DM currencies, with SEK as the strongest (+0.7%). In EM, the bias is mixed, with PLN (+1.7%) leading. MXN is the third strongest, trading slightly below its psychological level of 18.00 (+0.7%). We expect a weekly trading range between USD/MXN 17.85 and 18.50
- Crude-oil prices remain high after surging almost 6% on Friday buoyed by the confrontation following Hamas' initial offensive against Israel amid concern that other states, especially Iran, may be drawn in. In metals, copper gains 0.7%, but gold falls 0.8%

## Corporate Debt

- Given changes in book closing dates and the deserted auctions of some issuances, we anticipate that the issued amount by the end of the month will be below our expectations. However, we maintain our view that the market will see dynamism in the rest of 4Q23, with issuers bringing forward their funding needs prior to the low liquidity at the start of each year, and uncertainty inherent to the election year
- S&P Global Ratings affirmed Banco Inbursa's long-term and short-term ratings of 'BBB' and 'A-2' on a global scale and 'mxAAA' and 'mxA-1+' on a national scale. The outlook remained stable. According to the agency, the bank benefits from a solid capital base, supported by rising profitability, growing operating income generation, and a manageable amount of assets, factors that should support capital generation

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	33,670.29	0.1%
S&P 500	4,327.78	-0.5%
Nasdaq	13,407.23	-1.2%
IPC	49,379.58	-0.7%
Ibovespa	115,754.08	-1.1%
Euro Stoxx 50	4,136.12	-1.5%
FTSE 100	7,599.60	-0.6%
CAC 40	7,003.53	-1.4%
DAX	15,186.66	-1.5%
Nikkei 225	32,315.99	-0.5%
Hang Seng	17,813.45	-2.3%
Shanghai Composite	3,088.10	-0.6%
<b>Sovereign bonds</b>		
2-year Treasuries	5.05	-1pb
10-year Treasuries	4.61	-8pb
28-day Cetes	11.20	1pb
28-day TIIE	11.50	0pb
2-year Mbono	10.77	9pb
10-year Mbono	9.78	-4pb
<b>Currencies</b>		
USD/MXN	18.09	0.6%
EUR/USD	1.05	-0.2%
GBP/USD	1.21	-0.3%
DX	106.65	0.0%
<b>Commodities</b>		
WTI	87.69	5.8%
Brent	90.89	5.7%
Mexican mix	83.24	5.8%
Gold	1,932.82	3.4%
Copper	357.10	-0.6%

Source: Bloomberg

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