

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets mixed, while government bond yields and USD are up. Caution on mixed corporate results in the technology sector. Investors continue to look for evidence of the impact of higher interest rates on corporate earnings and prospects, as well as on the consumer
- China would issue sovereign bonds worth 1 trillion yuan (US\$137 billion) in 4Q23, as an additional measure to boost the economy. The funds will be distributed to local governments to support construction, as well as national disaster prevention and recovery. Due to this, in an unusual decision, Congress approved an increase in 2023 fiscal deficit to 3.8% of GDP from 3.0%
- In the US, Mike Johnson (Louisiana) was nominated for the role of Speaker of the House of Representatives, although it is unclear whether he has the support of the Republican party. If the *impasse* is not resolved, the risk of a shutdown and an impact on the economy will increase
- Christine Lagarde of the ECB will speak at an event of Greece's central bank. Investors will focus on whether she advances anything on the monetary stance in an environment with stagflation risks and concerns about rising energy prices
- Regarding economic figures, new home sales for September will be published in the US. Consensus estimates an increase of 0.7% m/m, after -8.7% the previous month. This in a context in which the residential sector faces risks due to high mortgage rates and the drop in homebuilder's sentiment

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
4:00	GER IFO Survey (business climate)* - Oct	index	--	85.9	85.7
4:00	EZ Monetary aggregates (M3)* - Sep	EURbn	--	-1.8	-1.3
United States					
10:00	New home sales** - Sep	thousands	--	682	675

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	4,257.50	-0.3%
Euro Stoxx 50	4,074.29	0.2%
Nikkei 225	31,269.92	0.7%
Shanghai Composite	2,974.11	0.4%
Currencies		
USD/MXN	18.29	0.2%
EUR/USD	1.06	-0.2%
DX	106.43	0.2%
Commodities		
WTI	83.96	0.3%
Brent	88.43	0.4%
Gold	1,973.39	0.1%
Copper	360.75	-0.5%
Sovereign bonds		
10-year Treasury	4.88	6pb

Source: Bloomberg

Equities

- Mixed movements in equity markets with investors weighing corporate results with diverging signals, particularly in large tech companies: yesterday Alphabet (-6% on pre-market) reported better than estimated, but disappointed in the cloud business, while Microsoft (+4%) beat expectations
- In Asia most markets closed positive. In Europe gains predominate, the Eurostoxx adds 0.2%. In turn, in the US the futures of main indices are mixed (-0.1% on average)
- Out of the 45 S&P500 companies scheduled to report today, 19 have already updated investors with most outperforming estimates, including T-Mobile US. IBM and Meta will release their figures after the market close. In Mexico, Alsea, Chdraui and Livepol showed margin advances; Gcc and Gmexico exceeded expectations; and Volar's profitability increase was limited. Figures from Cuervo, Bbajio, Gentera, Kof, Lab, Lacomer, Orbia, and Walmex are expected today

Sovereign fixed income, currencies and commodities

- Negative performance in sovereign bonds. European rates adjusts by up to 6bps on 10-year benchmarks. Meanwhile, the Treasuries yield curve steepens with -3bps adjustments on the short-end and +6bps on the long-end. Yesterday, the Mbonos curve closed with losses of 6bps on average and the 10-year benchmark ended at 10.05% (+6bps)
- The USD strengthens and the BBDXY rises 0.2%. G10 currencies lose ground with NZD (-0.4%) as the weakest. In emerging markets, negative bias prevails, trading is capped by CLP (+0.3%) and HUF (-0.7%). The Mexican peso trades at 18.29 per dollar, representing a 0.2% depreciation
- Crude-oil futures are up 0.4% with investors weighing the risks of the conflict in Israel and the fiscal stimulus in China. In metals, the positive bias prevails, with aluminum gaining 0.9%

Corporate Debt

- Moody's Local Mexico assigned a 'AAA.mx' rating to América Móvil's proposed issuance of AMX 23-3. According to the agency, the rating reflects its strong competitive position as one of the world's largest telecommunications companies, its broad geographic diversification with presence in the Americas and Europe, and its solid participation in Latin America's most important markets
- HR Ratings affirmed its 'HR AA' and 'HR1' ratings, modifying its In-Process Review to Stable outlook, to Fundación Dondé. According to the agency, the ratification of the ratings and modification to Stable outlook is based on the funding structure, maturity profile and cost that it maintains after the refinancing of its public notes during the month of October 2023

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	33,141.38	0.6%
S&P 500	4,247.68	0.7%
Nasdaq	13,139.88	0.9%
IPC	48,278.80	0.2%
Ibovespa	113,761.90	0.9%
Euro Stoxx 50	4,065.37	0.6%
FTSE 100	7,389.70	0.2%
CAC 40	6,893.65	0.6%
DAX	14,879.94	0.5%
Nikkei 225	31,062.35	0.2%
Hang Seng	16,991.53	-1.1%
Shanghai Composite	2,962.24	0.8%
Sovereign bonds		
2-year Treasuries	5.11	6pb
10-year Treasuries	4.82	-3pb
28-day Cetes	11.26	-7pb
28-day TIIE	11.51	0pb
2-year Mbono	11.07	3pb
10-year Mbono	10.05	5pb
Currencies		
USD/MXN	18.25	0.6%
EUR/USD	1.06	-0.7%
GBP/USD	1.22	-0.7%
DX	106.27	0.7%
Commodities		
WTI	83.74	-2.0%
Brent	88.07	-2.0%
Mexican mix	80.36	-2.5%
Gold	1,970.97	-0.1%
Copper	362.40	1.0%

Source: Bloomberg

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