

Financial Markets Daily

Main drivers for the financial markets today...

- Government bond yields and stock markets mixed –albeit with S&P500 futures up–, with the USD showing small changes as investors assimilate some positive corporate earnings and process inflation data released in the US today
- On the monetary front, attention will center on comments from Michael Barr (Fed's Board). This after a tight schedule today in terms of decisions, where in the evening we got a surprise from the central bank in Chile, with a 50bps cut to 9.00% (forecast: -75bps)
- In the US, September's personal income and spending report was released, noting that the PCE deflator –the Fed's preferred inflation measure– showed a 0.4% m/m increase (3.4% y/y) –slightly above expectations–. with the core component at +0.3% m/m (3.7% y/y). Later we await figures from the University of Michigan's consumer sentiment indicator for October
- In Mexico, September's trade balance posted a US\$1,481.4 million deficit. Exports grew 0.3% m/m, with imports up 1.7% m/m
- According to Treasury Secretary, Janet Yellen, the increase in long-term bond yields is explained by the strength in economic activity and not by the widening fiscal deficit. In addition, she stated that it is likely that interest rate will remain higher for longer
- In the geopolitical front, the US attacked to bases in eastern Syria. Although US Defense Secretary, Lloyd Austin, mentioned that this is not related to the Israel-Hamas conflict, it does highlight the tensions that prevail in the region

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
8:00	Trade balance - Sep	US\$m	-223.8	-371.9	-1,377.1
United States					
8:30	Personal income* - Sep	% m/m	--	0.4	0.4
8:30	Personal spending* - Sep	% m/m	0.6	0.5	0.4
8:30	Real personal spending* - Sep	% m/m	0.3	0.3	0.1
8:30	PCE Deflator* - Sep	% m/m	0.3	0.3	0.4
8:30	Core* - Sep	% m/m	0.2	0.3	0.1
8:30	PCE Deflator - Sep	% y/y	3.4	3.4	3.5
8:30	Core - Sep	% y/y	3.7	3.7	3.9
10:00	U. of Michigan Confidence* - Oct (F)	index	63.0	63.0	63.0

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	4,166.25	0.2%
Euro Stoxx 50	4,022.15	-0.7%
Nikkei 225	30,991.69	1.3%
Shanghai Composite	3,017.78	1.0%
Currencies		
USD/MXN	18.10	-0.3%
EUR/USD	1.05	-0.2%
DXY	106.78	0.2%
Commodities		
WTI	84.46	1.5%
Brent	89.24	1.5%
Gold	1,982.46	-0.1%
Copper	363.00	1.3%
Sovereign bonds		
10-year Treasury	4.87	2pb

Source: Bloomberg

Equities

- Mixed returns in the stock markets due to some divergent signals in corporate earnings. Futures in the US anticipate a positive opening, with the S&P 500 trading 0.2% above its theoretical value. Positive results from *Amazon* and *Intel* add some optimism after negative signals in previous days in other technology earnings
- In the US today we have the results of 12 S&P 500 companies, highlighting *Exxon* with positive signs and *Chevron* which reported below expectations. With ~49% of the results, an increase in profits of 6.4% vs -1.1%e has been accumulated. The positive surprises rate stands at 79.3%
- Today is the last official day of reporting in Mexico. Figures from Femsa, Oma, Pemex and Pe&oles are awaited. Televisa stood out among yesterday's results, with weak figures, although in line with expectations, while we continue to see a lot of uncertainty surrounding the *Cable* and *Sky* businesses, and few catalysts except the appealing valuation

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds. European 10-year yields post adjustments of 2bps on average. Meanwhile, the Treasuries yield curve trades with few changes on the short-end and losses of up to 4bps on the long-end. Yesterday, the Mbonos' curve closed with gains of 13bps on average and the 10-year benchmark ended at 10.11% (-13bps)
- The USD trades little changed on the BBDXY. Meanwhile, advanced economy currencies are mixed, with AUD (+0.3%) and SEK (-0.5%) at the ends. In emerging markets, trading is capped by RUB (+0.7%) and PLN (-0.6%). The Mexican peso extends yesterday's gains and is the second strongest among its peers as it trades at 18.08 per dollar, representing an appreciation of 0.4%
- Crude-oil futures are up 1.6% on risks of an escalation in the Middle East conflict. In metals, the bias is positive, except for gold and silver, which shows a slight profit-taking

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	32,784.30	-0.8%
S&P 500	4,137.23	-1.2%
Nasdaq	12,595.61	-1.8%
IPC	49,173.43	0.8%
Ibovespa	114,776.86	1.7%
Euro Stoxx 50	4,049.40	-0.6%
FTSE 100	7,354.57	-0.8%
CAC 40	6,888.96	-0.4%
DAX	14,731.05	-1.1%
Nikkei 225	30,601.78	-2.1%
Hang Seng	17,044.61	-0.2%
Shanghai Composite	2,988.30	0.5%
Sovereign bonds		
2-year Treasuries	5.04	-8pb
10-year Treasuries	4.84	-11pb
28-day Cetes	11.25	-2pb
28-day TIIE	11.51	0pb
2-year Mbono	11.00	-12pb
10-year Mbono	10.13	-13pb
Currencies		
USD/MXN	18.15	-0.9%
EUR/USD	1.06	0.0%
GBP/USD	1.21	0.1%
DX	106.60	0.1%
Commodities		
WTI	83.21	-2.6%
Brent	87.93	-2.4%
Mexican mix	79.91	-2.4%
Gold	1,984.71	0.3%
Copper	358.45	-0.2%

Source: Bloomberg

Corporate Debt

- Fibra Shop announced the signing of an MXN 806 million bilateral bank credit facility for a 8-year term, maturing in 2031. According to the press release, the proceeds will be used to prepay a portion of the MXN 2.4 billion syndicated revolving credit line
- HR Ratings upgraded the rating of VIVAACB 22L to 'HR AA+ (E)' from 'HR AA (E)' with a Stable outlook. According to the agency, the upgrade is based mainly on the low level of indebtedness in general, as well as the negative level of net debt shown in recent periods, which is expected to remain negative during the forecast period
- HR Ratings affirmed the rating of four Mexico City Government issuances (GDFECB 15-2, GCDMXCB 17X / 18V, CDMXCB 19) at 'HR AAA (E)' with Stable outlook, as they consider the Federal Government's support to the CDMX's debt obligations

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