

Financial Markets Daily

Main drivers for the financial markets today...

- Stock markets mixed, government bond yields higher, and USD stronger. Optimism prevails that the Fed and other DM central banks have finished increasing interest rates, with sentiment also helped by positive surprises in earnings reports
- No more relevant economic data today in Mexico and the US. At night, China will release October's trade balance, with investors focused on the evolution of activity given additional stimulus measures to lift growth
- Market attention this week will remain on monetary policy. We highlight Banxico's decision, which we expect to keep the reference rate unchanged at 11.25% and to reaffirm its cautious tone due to lingering risks for price dynamics and a strong domestic economy
- In addition, a plethora of speeches from Fed members, including Powell, along with Bailey of the BoE, and Lagarde of the ECB. Monetary policy decisions in Australia, Poland, Romania, and Peru
- Other US data includes trade balance, consumer credit (Sep), and U. of Michigan consumer confidence (Dec). In other regions, industrial production (Sep) in Germany; retail sales (Sep) in the Eurozone; inflation (Oct) in China; 3Q23 GDP in the UK; and inflation (Oct) in Brazil
- In Mexico, October's consumer confidence stood at 46.0pts from 46.7pts in the previous month. Other releases include industrial production (Sep), wage negotiations, inflation (Oct) and the banking sector survey

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
4:00	EZ Services PMI* - Oct (F)	index	--	47.8	47.8
4:00	EZ Composite PMI* - Oct (F)	index	--	46.5	46.5
Mexico					
7:00	Consumer confidence* - Oct	index	47.0	--	46.8
China					
22:00	Trade balance - Oct	USDbn	--	84.2	77.8
22:00	Exports - Oct	% y/y	--	-2.9	-6.2
22:00	Imports - Oct	% y/y	--	--	-6.3

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

November 6, 2023



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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	4,386.25	0.2%
Euro Stoxx 50	4,166.01	-0.2%
Nikkei 225	32,708.48	2.4%
Shanghai Composite	3,058.41	0.9%
Currencies		
USD/MXN	17.45	-0.1%
EUR/USD	1.08	0.2%
DXY	104.88	-0.1%
Commodities		
WTI	81.83	1.6%
Brent	86.17	1.5%
Gold	1,987.41	-0.3%
Copper	371.65	1.0%
Sovereign bonds		
10-year Treasury	4.59	2pb

Source: Bloomberg

Equities

- Caution reflected in a mixed performance among major indices after last week's dip-buying, with investors assessing the possibility of less monetary tightening. On the other hand, markets in Asia closed higher (Nikkei +2.4%) after financial regulators in South Korea banned short selling until the end of June 2024
- US futures anticipate a slightly upward opening, with the S&P500 up 0.2%. Europe trades mostly lower, with the Eurostoxx falling 0.2%. Finally, for the Mexbol Index, we anticipate a weekly trading range between 50,650 and 52,300pts
- On the corporate front, earnings information will slow down with 52 S&P500 companies reporting this week, highlighting: Walt Disney and Devon Energy

Sovereign fixed income, currencies and commodities

- Slightly negative balance in sovereign bonds. 10-year European rates increase 5bps on average, while short-term yields on Treasuries adjust +3bps. Last week, Mbonos outperformed Treasuries, with the 10-year benchmark rallying 36bps to 9.75%. Thus, the local risk premium declined to 517bps (-10bps)
- Dollar weakened against most developed and emerging currencies. In the former, SEK (+0.4%) and NZD (-0.3%) stand at the extremes. In EM, MXN trades virtually unchanged at 17.45 per dollar after its best weekly appreciation since June 2021 of 3.7%
- Crude-oil advances 1.5% after Saudi Arabia and Russia reaffirmed they will stick with oil supply curbs of more than 1 Mbbl/d through the end of the year. In metals, gold is losing steam, trading below 2,000 \$/t oz (-0.4%), but copper prints a 1.0% rally, reaching 1-month highs

Corporate Debt

- This week, we expect the first long-term placements of November, with three bonds from Fonadin (FONADIN 23U / 23-2U / 22-2U (Retap), MXN 20.0 billion), as well as an unsecured note from Fortaleza Materiales (FORTALE 23, MXN 2.0 billion)
- Grupo Lamosa informed that it concluded the acquisition process of Baldocer, after obtaining the required approvals. The acquisition will be settled in two payments: the first for €354 million, financed mainly with debt, and the second for a variable amount of at least €71 million in 2025
- Fitch Ratings affirmed Compañía Minera Autlán's short-term rating at 'F1(mex)' based on its leading position as the sole producer of manganese ferroalloys in Mexico

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,061.32	0.7%
S&P 500	4,358.34	0.9%
Nasdaq	13,478.28	1.4%
IPC	51,266.73	3.0%
Ibovespa	118,159.97	2.7%
Euro Stoxx 50	4,174.67	0.1%
FTSE 100	7,417.73	-0.4%
CAC 40	7,047.50	-0.2%
DAX	15,189.25	0.3%
Nikkei 225	31,949.89	0.0%
Hang Seng	17,664.12	2.5%
Shanghai Composite	3,030.80	0.7%
Sovereign bonds		
2-year Treasuries	4.84	-15pb
10-year Treasuries	4.57	-9pb
28-day Cetes	11.04	0pb
28-day TIIE	11.51	0pb
2-year Mbono	10.74	-21pb
10-year Mbono	9.79	-31pb
Currencies		
USD/MXN	17.47	-0.3%
EUR/USD	1.07	1.0%
GBP/USD	1.24	1.5%
DX	105.02	-1.0%
Commodities		
WTI	80.51	-2.4%
Brent	84.89	-2.3%
Mexican mix	76.64	-2.3%
Gold	1,992.65	0.3%
Copper	368.15	0.2%

Source: Bloomberg

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