

Financial Markets Daily

Main drivers for the financial markets today...

- **Stock markets positive, with government bond yields and the USD negative, as recent economic data and corporate earnings continue supporting the view that policy tightening cycles from central banks are finally ending, while investors keep assessing comments from various Fed speakers**
- **Announcements of agreements and other measures continue within the APEC summit in San Francisco. These include the removal of a Chinese agency accused of violating human rights from the trade blacklist in exchange for China taking action to eliminate fentanyl trade. In addition, we will be focused on the meeting between Presidents Joe Biden and Andrés Manuel López Obrador this morning**
- **On economic figures, October's data on the US real estate market will be released, specifically building permits and housing starts. Earlier, in the Eurozone, the final print for October's CPI was released, unchanged at 2.9% y/y, with the core at 4.2%**
- **On the monetary policy front, we will be paying attention to the speeches from Collins (Boston), Daly (San Francisco) and Goolsbee (Chicago). In the Eurozone, the Governor of the Bank of France, Francois Villeroy, explained that with the current slowdown in inflation, the ECB can be confident that it will return to 2% by 2025, and that the central bank will be patient and maintain rates at the current level for a time proportional to the total transmission**
- **In the UK, October's retail sales data surprised to the downside at -0.3% m/m (-2.7% y/y), with the market reading this as another sign that the central bank may start cutting rates. It is worth noticing that at the beginning of the week the inflation figures were also favorable**

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
3:30	ECB's Lagarde speaks in Frankfurt				
4:00	Current account* - Sep	EURbn	--	--	27.7
5:00	Consumer prices - Oct (F)	% y/y	--	2.9	4.3
5:00	Core - Oct (F)	% y/y	--	4.2	4.2
United States					
8:30	Housing starts**-Oct	thousands	--	1,347	1,358
8:30	Building permits**-Oct	thousands	--	1,450	1,471
8:45	Fed's Collins Delivers Welcoming Remarks in labor market conference				
9:30	Fed's Daly Speaks in Frankfurt				
9:45	Fed's Goolsbee Speaks on Economy				

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

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	4,533.50	0.2%
Euro Stoxx 50	4,338.53	0.8%
Nikkei 225	33,585.20	0.5%
Shanghai Composite	3,054.37	0.1%
Currencies		
USD/MXN	17.22	-0.1%
EUR/USD	1.09	0.1%
DXY	104.12	-0.2%
Commodities		
WTI	73.93	1.4%
Brent	78.57	1.5%
Gold	1,988.77	0.4%
Copper	370.40	0.0%
Sovereign bonds		
10-year Treasury	4.41	-2pb

Source: Bloomberg

Equities

- The week concludes with positive sentiment in the stock markets, while investors continue to bet that the rate hikes are over. Futures in the US anticipate a positive opening, with the S&P 500 trading 0.2% above its theoretical value. Gap Inc. shares rise ~17% after reporting earnings that beat expectations
- In Europe, we see widespread gains averaging close to 0.8% across the major indices. In Asia, we observed mixed closes, although the Hang Seng fell 2.1%, after Alibaba shares fell ~10% after scrapping plans to list its cloud business as tensions between China and the US for technological dominance continue escalating
- Already in the final stretch of corporate reports, with 94% of the results of S&P 500 companies, there is an increase in profits of 2.9% vs -1.1%e. The positive surprise rate stands at 82.1%

Sovereign fixed income, currencies and commodities

- Sovereign bonds extend the rally of last few days. European 10-year rates trade with gains of up to 7bps. The Treasuries yield curve appreciates by 2bps on average. Yesterday, the Mbonos' curve closed with gains of 7bps on average and the 10-year benchmark at 9.39% (-9bps)
- The dollar weakens (BBDXY -0.3%) while G10 and most emerging currencies trade in positive territory. In the former group, JPY (+0.8%) is the strongest and in the latter, trading is capped by THB (+1.1%) and TRY (-0.1%). The Mexican peso trades at 17.21 per dollar, printing an appreciation of 0.1%
- Crude-oil futures are up 1.4% after yesterday's sharp losses. Investors continue to weigh a scenario of uncertain demand, high inventories and stable production. Metals prices are mostly higher, except for aluminum, which falls 0.7%

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	34,945.47	-0.1%
S&P 500	4,508.24	0.1%
Nasdaq	14,113.67	0.1%
IPC	52,469.36	-0.6%
Ibovespa	124,639.24	1.2%
Euro Stoxx 50	4,302.45	-0.3%
FTSE 100	7,410.97	-1.0%
CAC 40	7,168.40	-0.6%
DAX	15,786.61	0.2%
Nikkei 225	33,424.41	-0.3%
Hang Seng	17,832.82	-1.4%
Shanghai Composite	3,050.93	-0.7%
Sovereign bonds		
2-year Treasuries	4.84	-7pb
10-year Treasuries	4.44	-10pb
28-day Cetes	10.80	-6pb
28-day TIIE	11.51	0pb
2-year Mbono	10.23	-7pb
10-year Mbono	9.42	-8pb
Currencies		
USD/MXN	17.23	-0.4%
EUR/USD	1.09	0.0%
GBP/USD	1.24	0.0%
DX	104.35	0.0%
Commodities		
WTI	72.90	-4.9%
Brent	77.42	-4.6%
Mexican mix	69.23	-4.8%
Gold	1,980.90	1.1%
Copper	373.70	-0.5%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings downgraded GF Mega's global scale rating to 'CCC+' from 'B'. The outlook is Negative. The downgrade reflects GFMega's limited liquidity position in the face of increasing refinancing risk
- Fitch Ratings placed Fibra Uno's 'BBB-' international and 'AAA(mex)' national ratings Under Review, reflecting the substantial transaction-related risk the REIT faces in executing the spin-off of its industrial assets, the subsequent bond exchange and the Fibra NEXT IPO

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