

Financial Markets Daily

September 2, 2020

Main drivers for the financial markets today...

- Positive stock markets, while the dollar and government bond yields with small changes amid the perception that monetary stimulus will continue particularly in the US and the Eurozone and good corporate news, despite market participants starting to worry about the electoral process in the US
- In the US, Treasury Secretary, Steven Mnuchin, tried to promote the stalled negotiations on a relief package. But he stuck to the current Republican negotiating line favoring a slimmed-down stimulus as the next step. Senate Republicans have been pulling a narrow \$500 billion COVID-19 relief package
- Chile's central bank left monetary policy unchanged, with the reference rate at a record low of 0.5% amid tame inflation and hinted that borrowing costs may start to rise again earlier than previously forecast, but the is still a long way for a hike
- Regarding economic figures, in the US, the ADP private sector employment report for August posted a 428k jobs gain, well below consensus estimate of 1 million jobs. The previous month was revised upwards to 212k (167k previous). The service sector created 389k jobs, while the goods producing sector posted a gain of only 40k. Later, the Beige Book will be released. On the Fed speakers' agenda, the participation of Williams, Mester and Daly is expected
- In China, at night the PMI (Caixin) indices of the services sector and the composite will be released, where the consensus expects them to remain in expansion ground above the neutral threshold of 50 points

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
8:15	ADP employment* - Aug	thousands	1,000	900	167
10:00	Factory orders* - Jul	% m/m	--	4.2	6.2
10:00	Ex transportation* - Jul	% m/m	--	--	4.4
10:00	Durable goods orders* - Jul (F)	% m/m	--	11.2	11.2
10:00	Ex transportation* - Jul (F)	% m/m	--	--	2.4
11:00	Fed's Williams Discusses Covid-19 in Webinar				
12:00	Fed's Mester to Discuss U.S. Outlook and Monetary Policy				
14:00	Beige Book				
China					
21:45	Services PMI (Caixin)* - Aug	index	--	54.0	54.1
21:45	Composite PMI (Caixin)* - Aug	index	--	--	54.5

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	3,550.00	0.7%
Euro Stoxx 50	3,352.62	2.3%
Nikkei 225	23,247.15	0.5%
Shanghai Composite	3,404.80	-0.2%
Currencies		
USD/MXN	21.85	0.3%
EUR/USD	1.18	-0.5%
DX	92.68	0.4%
Commodities		
WTI	43.00	0.6%
Brent	45.88	0.7%
Gold	1,957.60	-0.6%
Copper	301.40	0.1%
Sovereign bonds		
10-year Treasury	0.67	0pb

Source: Bloomberg

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Equities

- Equity markets with mostly positive movements, while maintaining the optimism which has led the US stock market to reach record highs, as investors await the ADP employment data to confirm that recovery is underway
- For the ninth consecutive session, US futures point to a positive opening, with the S&P500 trading at +0.6%, while the Dow Jones and Nasdaq are up 0.6% and 1.0%, respectively, driven by the technology sector
- In Europe, the Euro Stoxx 600 is up 2.3%, driven mainly by the chemical and technology sectors, following the main US indices' rally. The indices in Asia closed mixed, with the Shanghai composite at -0.2% and the Nikkei at +0.5%

Sovereign fixed income, currencies and commodities

- Mixed movements in sovereign bonds with a 5bps rally in European securities, and a 1bp sell-off in US Treasuries with stronger incidence in the long-end of the yield curve. In Mexico, the Mbonos' curve closed yesterday with gains of 3bps, on average
- USD trades with gains (BBDXY +0.3%) amid a favorable performance in G10 currencies. In EM, bias is also positive with HUF as the weakest (-1.3%), while MXN trades at 21.87 per dollar (-0.4%) diluting yesterday's appreciation (+0.5%)
- Crude-oil trades positive (0.6%) amid optimism in demand recovery. Focus today on EIA's inventory report at 10:30am after a sharp decrease in API data. In metals, gold adjusts -0.6% to 1,958 \$/oz t, while industrials print a positive balance

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	28,645.66	0.8%
S&P 500	3,526.65	0.8%
Nasdaq	11,939.67	1.4%
IPC	37,487.99	1.8%
Ibovespa	102,167.60	2.8%
Euro Stoxx 50	3,277.58	0.2%
FTSE 100	5,862.05	-1.7%
CAC 40	4,938.10	-0.2%
DAX	12,974.25	0.2%
Nikkei 225	23,138.07	0.0%
Hang Seng	25,184.85	0.0%
Shanghai Composite	3,410.61	0.4%
Sovereign bonds		
2-year Treasuries	0.13	0pb
10-year Treasuries	0.67	-4pb
28-day Cetes	4.42	-3pb
28-day TIE	4.76	0pb
2-year Mbono	4.64	-3pb
10-year Mbono	6.06	-2pb
Currencies		
USD/MXN	21.78	-0.5%
EUR/USD	1.19	-0.2%
GBP/USD	1.34	0.1%
DX	92.30	0.2%
Commodities		
WTI	42.76	0.4%
Brent	45.79	1.1%
Mexican mix	41.12	0.7%
Gold	1,970.18	0.1%
Copper	302.85	-1.1%

Source: Bloomberg

Corporate Debt

- Fitch Ratings downgraded the local scale, long-term ratings for Fibra Inn and its unsecured note FINN 18 to 'A(mex)' from 'A+(mex)'; the outlook remained Negative
- Fitch Ratings affirmed the local scale ratings for Future Flow LEPCB 18 at 'AA+(mex)vra'. Simultaneously, the agency withdrew the Negative Review and assigned a Negative Outlook
- Fitch Ratings affirmed the ratings for Banco Actinver at 'AA(mex)' and for Corporación Actinver and Arrendadora Actinver at 'AA-(mex)'. The outlook is Negative
- Fitch Ratings confirmed Gruma's local scale rating at 'AAA(mex)' with a Stable outlook

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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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