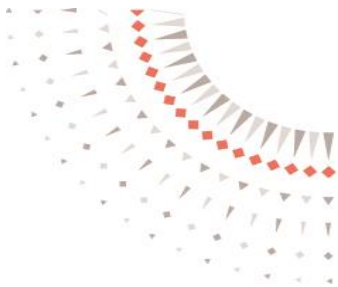


# Financial Markets Daily



September 4, 2020

## Main drivers for the financial markets today...

- Stock markets mixed, government bond yields higher and USD down while US-China tensions continue. Asia lower after yesterday’s tech selloff, although Europe is up on merger talks between two Spanish banks drove gains in the financial sector. S&P500 futures trendless, with investors cautious awaiting the jobs report
- Specifically, market attention on August’s non-farm payrolls and the unemployment rate in the US. This report will be more important than usual as it will help assess the strength of the economic recovery, given that it will be the first after extended unemployment benefits expired at the end of July
- In the fiscal front in the US, negotiations on further stimulus remain stalled. Nevertheless, the Speaker of the House, Nancy Pelosi, and the Treasury Secretary, Steven Mnuchin, agreed to work to avoid a government shutdown by October 1<sup>st</sup>, when the new fiscal year begins
- August’s factory orders in Germany fell 7.3% y/y (+2.8% m/m), below market expectations albeit still positive in sequential terms. This moderation was mostly on the back of lower demand, especially domestic orders of investment goods which declined strongly
- Tensions in Brazil remain high, with the Speaker of the Lower House, Rodrigo Maia, saying today he is no longer in speaking terms with the ministry of Economy, Paulo Guedes. This situation increases challenges for the government to approve reforms to rein in public spending, with members of Congress pushing against austerity measures as they aim to increase resources to fight the pandemic
- In Mexico, INEGI informed that auto production in August fell 13.2% y/y, with exports relatively stronger at -8.6% while domestic sales remain quite weak, at -28.7%

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>United States</b>					
8:30	Nonfarm payrolls* - Aug	thousands	2,000	1,456	1,763
8:30	Unemployment Rate* - Aug	%	9.5	9.8	10.2

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.
<b>Equity indices</b>		
S&P 500 Futures	3,454.00	-0.2%
Euro Stoxx 50	3,294.50	-0.3%
Nikkei 225	23,205.43	-1.1%
Shanghai Composite	3,355.37	-0.9%
<b>Currencies</b>		
USD/MXN	21.60	-0.2%
EUR/USD	1.18	0.0%
DX	92.80	0.1%
<b>Commodities</b>		
WTI	41.67	0.7%
Brent	44.30	0.5%
Gold	1,939.82	0.5%
Copper	298.80	1.0%
<b>Sovereign bonds</b>		
10-year Treasury	0.64	0pb

Source: Bloomberg

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## Equities

- We conclude the week with mixed movements in stock markets. Investors keep cautious, awaiting employment data to be published in the US, and preparing for Labor Day Holiday next Monday, while US-China tensions continue escalating
- Futures in the US without a clear trend, with the S&P500 trading 0.2% below its theoretical value, while technology stocks' selloff seems to have stopped. Asia closed with relevant losses, following yesterday's inertia, while Europe trades with gains boosted by the financial sector, after Caixabank and Bankia announced a possible €14 billion merger
- In Mexico, Amx cancelled the purchase agreement with Telefonica El Salvador (neutral), while GAP announced August's passengers' traffic which fell 51.4% y/y. Volaris confirmed an accelerated recovery, while its traffic only fell 35.1% y/y

## Sovereign fixed income, currencies and commodities

- Slight pressures in global fixed income with adjustments in Asia/Pacific and Europe of +1bp, while in the US the Treasuries' curve marks pressures of 1-2bps with greater incidence in long-term securities. The Mbonos' curve averages a 5bps gain as of yesterday's close
- The USD trades slightly negative and finds a mixed balance in the G10 group where CAD leads the gains at +0.3% and CHF losses 0.13%. In EM dynamics are similar with ZAR being the strongest (+1%) and MXN appreciating 0.3% to 21.60 per dollar
- Crude oil futures pair initial daily losses both in the WTI and Brent although heading for a negative week, the first one in a month for the former. Performance in the metals' space is mostly positive amid the USD dynamics, with silver and copper rising by around 1%

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	28,292.73	-2.8%
S&P 500	3,455.06	-3.5%
Nasdaq	11,458.10	-5.0%
IPC	36,429.66	-1.7%
Ibovespa	100,721.40	-1.2%
Euro Stoxx 50	3,304.22	-1.0%
FTSE 100	5,850.86	-1.5%
CAC 40	5,009.52	-0.4%
DAX	13,057.77	-1.4%
Nikkei 225	23,465.53	0.9%
Hang Seng	25,007.60	-0.4%
Shanghai Composite	3,384.98	-0.6%
<b>Sovereign bonds</b>		
2-year Treasuries	0.13	-1pb
10-year Treasuries	0.63	-1pb
28-day Cetes	4.44	3pb
28-day TIE	4.76	0pb
2-year Mbono	4.61	-2pb
10-year Mbono	6.02	-3pb
<b>Currencies</b>		
USD/MXN	21.65	-0.5%
EUR/USD	1.19	0.0%
GBP/USD	1.33	-0.5%
DX	92.74	-0.1%
<b>Commodities</b>		
WTI	41.37	-0.3%
Brent	44.07	-0.8%
Mexican mix	39.62	-1.4%
Gold	1,930.91	-0.6%
Copper	297.50	-1.5%

Source: Bloomberg

## Corporate Debt

- Today, the first reopening of issuance LAB 20 from Genomma Lab is expected to be auctioned for up to MXN 1.5 billion; after this transaction the issuance will reach an amount of MXN 2.5 billion
- The unsecured note is rated 'AA(mex)' and 'HR AA' by Fitch Ratings and HR Ratings, respectively, and will pay a floating rate of TIE 28 plus a 1.10% spread for 3 years
- S&P Global Ratings affirmed Banco Inbursa's the long-term global and national scale ratings at 'BBB' and 'mxAAA', respectively; the global scale rating outlook remains Negative reflecting the outlook for Mexico's sovereign rating

## Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega, and Juan Barbier Arizmendi certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

## Guide for investment recommendations.

	Reference
<b>BUY</b>	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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