

Financial Markets Daily

September 9, 2020

Main drivers for the financial markets today...

- Mixed stock markets, negative government bond yields, oil prices up, while the dollar remains stable. Asia underperformed extending losses yesterday, while US S&P futures are bouncing positive on opportunity purchases despite Astra Zeneca halting testing of its COVID-19 vaccine and concerns about Brexit negotiations
- In this context, regarding pandemic issues, AstraZeneca paused tests of its experimental vaccine, developed with researchers from the University of Oxford, after a patient became ill. Just this week drugmakers pledged to make safety a priority and take the time necessary to let science prevail, as politicians are promising that a Covid-19 vaccine is around the corner
- In the UK, Brexit concerns are rising again, in a context where no progress has been made in trade negotiations with the European Union. This is a key week, with the beginning of a new round of face-to-face talks between both parties
- In Canada, the central bank will announce the monetary policy decision. Consensus expects they will keep their reference rate unchanged at 0.25% for a prolonged period
- As for economic figures, the inflation report for August was released in Brazil, standing at 0.24% m/m, in line with Consensus estimate. The annual variation is at 2.44%, above 2.31% the previous month
- In Mexico, INEGI published inflation for August, which showed a 0.39% m/m increase with the core component at 0.32% m/m. With this result, the annual comparison stands slightly above the upper bound of Banxico's target of 4.05%

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
7:00	Consumer prices - Aug	% m/m	0.37	0.39	0.66
7:00	Core - Aug	% m/m	0.30	0.28	0.40
7:00	Consumer prices - Aug	% y/y	4.02	4.04	3.62
Brazil					
8:00	Consumer prices - Aug	% m/m	--	0.2	0.4
8:00	Consumer prices - Aug	% y/y	--	2.4	2.3

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	3,357.50	0.7%
Euro Stoxx 50	3,295.36	0.9%
Nikkei 225	23,032.54	-1.0%
Shanghai Composite	3,254.63	-1.9%
Currencies		
USD/MXN	21.74	-0.2%
EUR/USD	1.18	-0.1%
DXY	93.61	0.2%
Commodities		
WTI	37.38	1.7%
Brent	40.20	1.1%
Gold	1,925.23	-0.4%
Copper	300.60	-0.2%
Sovereign bonds		
10-year Treasury	0.69	1pb

Source: Bloomberg

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Equities

- Stock markets with mixed movements, while investors assimilate the suspension of AstraZeneca's vaccine trials, higher tensions between the US and China, concerns about Brexit negotiations and, after the sharp fall in technology sector shares yesterday, there is a rebound in the price of such shares in the pre-market for cheap-stock buying
- US futures point to a positive opening, highlighting the recovery of the Nasdaq by rising 1.6% after falling 10% in the last three sessions. Likewise, in Europe the Stoxx 600 is up 0.6%, led by the telecommunications sector. On the other hand, in Asia, the stock markets closed negative, following the technology companies' adjustment
- On the corporate front, ASUR announced its total passenger traffic for August with a reduction of 71.4% y/y, continuing a sequential improvement in passengers, but less than the estimated

Sovereign fixed income, currencies and commodities

- Positive movements in sovereign bonds with an adjustment of -2bps in European securities, while Asia printed a 3bps rally. US Treasuries register a gain of 1bp in the long-end of the yield. In Mexico, the Mbonos' curve closed yesterday with a 1bp sell-off in short-term securities
- USD trades with gains (DXY +0.2%) amid a mixed performance in G10 currencies with losses for up to 0.3%. In EM, bias is also mixed with IDR and CZK as the weakest (-0.3%), while MXN trades at 21.70 per dollar (+0.4%) after a 0.8% depreciation yesterday
- Crude-oil trades with gains (~1.0%) pairing five negative days in a row after sharp pressures yesterday (WTI -7.8% and Brent -5.3%) due to lower optimism in demand recovery. In metals, gold adjusts -0.5% to 1,922 \$/oz t, while industrials print a mixed balance

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	27,500.89	-2.2%
S&P 500	3,331.84	-2.8%
Nasdaq	10,847.69	-4.1%
IPC	36,071.43	-1.5%
Ibovespa	100,050.40	-1.2%
Euro Stoxx 50	3,267.37	-1.4%
FTSE 100	5,930.30	-0.1%
CAC 40	4,973.52	-1.6%
DAX	12,968.33	-1.0%
Nikkei 225	23,274.13	0.8%
Hang Seng	24,624.34	0.1%
Shanghai Composite	3,316.42	0.7%
Sovereign bonds		
2-year Treasuries	0.14	0pb
10-year Treasuries	0.68	-4pb
28-day Cetes	4.41	-5pb
28-day TIE	4.75	0pb
2-year Mbono	4.62	2pb
10-year Mbono	6.03	1pb
Currencies		
USD/MXN	21.78	0.8%
EUR/USD	1.18	-0.3%
GBP/USD	1.30	-1.4%
DXY	93.45	0.8%
Commodities		
WTI	36.76	-7.6%
Brent	39.78	-5.3%
Mexican mix	35.50	-7.7%
Gold	1,932.03	-0.1%
Copper	302.50	-1.2%

Source: Bloomberg

Corporate Debt

- Yesterday Grupo Traxión debuted in the corporate debt market with issuance TRAXION 20 in which an amount of MXN 2.5 billion was allocated at a fixed rate of 8.98% (MBono 2027 + 350pb)
- S&P Global Ratings ratified the national scale long-term rating of issuance ACTLECB 19 at 'mxAA (sf)' and removed it from its Negative CreditWatch list, where the agency placed it on June 18, 2020
- According to the agency, the rating action reflects its opinion of the issuance's level of credit protection available, which are enough to withstand stress scenarios consistent with its current rating. Also, the rating confirmation considers the stable levels of collection, delinquency and credit protection observed in its portfolio during the last few months

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