

Financial Markets Daily

September 14, 2020

Main drivers for the financial markets today...

- Stock markets mixed, with US futures positive after favorable news terms of M&A and other corporate activity, as well as on optimism surrounding the vaccines of Pfizer and AstraZeneca by year-end. In Europe, adjustments are negative, dragged by declines in oil companies. USD lower with government bond yields mixed awaiting the Fed's decision later this week
- Market attention this week centered in the pace of the economic recovery and monetary policy decisions. We expect the Fed to keep the reference rate unchanged, increase GDP and adjust lower its unemployment rate forecasts for this year, modest adjustments in the dot plot and no significant changes in their forward guidance
- Decisions also in other countries, among them Brazil –with the Selic rate unchanged at 2%–, Japan, UK, South Africa, Indonesia and Russia. Broadly speaking, no rate changes are expected, although it will be important to see their assessments on the evolution of the economy and inflation given the persistence of COVID-19
- In coming days, global data for August includes industrial production and retail sales in China and the US, also with housing data in the latter country and inflation in UK. Also, September surveys such as the ZEW index in Germany, along the Empire, Philly Fed and University of Michigan consumer confidence in the US. Moreover, trade balance for July in the Eurozone
- Our country's agenda has scarce economic data this week, with markets closed on Wednesday due to the remembrance of Independence Day. Last Saturday, The Mexican Social Security Institute released its affiliations report for August with 92.4k net jobs created, breaking with five months in a row on the downside

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Industrial production* - Jul	% m/m	--	4.0	9.1
Brazil					
8:00	Economic activity - Jul	% y/y	--	-5.2	-7.1
8:00	Economic activity* - Jul	% m/m	--	3.4	4.9
Mexico					
12:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 3-year Mbono (Mar'23) and 3-year Udibono (Nov'23)				
China					
22:00	Industrial production - Aug	% y/y	--	5.1	4.8
22:00	Retail sales - Aug	% y/y	--	0.0	-0.1
22:00	Gross fixed investment (YTD) - Aug	% y/y	--	-0.5	-1.6

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

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Document for distribution among public

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	3,364.75	1.2%
Euro Stoxx 50	3,317.10	0.0%
Nikkei 225	23,559.30	0.7%
Shanghai Composite	3,278.81	0.6%
Currencies		
USD/MXN	21.19	-0.4%
EUR/USD	1.19	0.2%
DXY	93.02	-0.3%
Commodities		
WTI	37.24	-0.2%
Brent	39.81	-0.1%
Gold	1,943.59	0.2%
Copper	305.35	0.6%
Sovereign bonds		
10-year Treasury	0.67	1pb

Source: Bloomberg

Equities

- Mixed start of the week on a regional basis for global stock markets, though bias is positive. Risk appetite is being driven among investors on the back of Pfizer's CEO comments regarding the possible deployment of its COVID-19 vaccine before year-end in the US, coupled with news reports citing Oracle beating Microsoft in negotiations for acquiring the US operations of TikTok
- That said, US futures are set for a positive opening. S&P500 futures trade 1.2% above their fair value, while Oracle shares are up 10% in the pre-market. In Europe, the Stoxx erased early losses and now is flat, as airlines shares advance, offsetting drops in energy stock prices due to lower crude oil prices
- Asian trading session ended green. The Nikkei advanced 0.7% as the Shanghai Composite gained 0.6%

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds, European securities are trading with gains of 1-3bps, while the Treasuries yield curve prints losses of 1bp. In Mexico, last week, the Mbonos curve closed with a flattening, registering little movement in the short-end while the longer duration securities gained 5bps on average
- The USD weakens (DXY -0.3%) amidst a positive G10 currency performance, with GBP leading (+0.6%) the gains. In EM group bias is mixed, TRY leads the declines by falling 0.3% while the MXN is the strongest by appreciating 0.4% to 21.19 per dollar
- Crude oil futures fall 0.5% on average, this week investors will be focused on the OPEC+ Monitoring Committee meeting (Thursday 17). In metals, gold is up 0.2% at 1,944 US\$/oz t while industrials also prints gains

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	27,665.64	0.5%
S&P 500	3,340.97	0.1%
Nasdaq	10,853.54	-0.6%
IPC	36,334.89	0.4%
Ibovespa	98,363.20	-0.5%
Euro Stoxx 50	3,315.81	0.1%
FTSE 100	6,032.09	0.5%
CAC 40	5,034.14	0.2%
DAX	13,202.84	0.0%
Nikkei 225	23,406.49	0.7%
Hang Seng	24,503.31	0.8%
Shanghai Composite	3,260.35	0.8%
Sovereign bonds		
2-year Treasuries	0.13	-1pb
10-year Treasuries	0.67	-1pb
28-day Cetes	4.42	0pb
28-day TIE	4.75	0pb
2-year Mbono	4.60	-2pb
10-year Mbono	5.95	-3pb
Currencies		
USD/MXN	21.28	-0.8%
EUR/USD	1.18	0.3%
GBP/USD	1.28	-0.1%
DXY	93.33	0.0%
Commodities		
WTI	37.33	0.1%
Brent	39.83	-0.6%
Mexican mix	35.46	-0.6%
Gold	1,940.55	-0.3%
Copper	303.95	1.4%

Source: Bloomberg

Corporate Debt

- IEnova issued international bonds with a 4.75% coupon for US\$800 million, due in 2051
- Partial ordinary amortization notice of issuance UFINCB 16 for September 17th for an amount of MXN111.75 million
- Grupo Dasi informed about the acceptance premium payment to the bondholders of issuance ITTO 17
- HR Ratings ratified the 'HR BB- (E)' rating for Aeromexico's issuances AERMxCB 17 / 19 under Special Revision
- Fitch Ratings ratified the rating of issuance TENIXCB 14U (Autopista Tenango – Ixtapan de la Sal) at 'AA+(mex)vra' with 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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