

Financial Markets Daily

September 17, 2020

Main drivers for the financial markets today...

- Stock markets negative, with government bond yields mixed and the USD rising, with investors still assimilating yesterday's decision from the Fed, with Chairman Powell maintaining a cautious tone given an uncertain global backdrop. Meanwhile, oil stabilizes after recent increases due to storm Sally and with attention on OPEC+ meetings today
- President Trump seems to agree with an increase in government spending within the latest proposal for a stimulus package. While this was welcomed by the Democrats, some resistance is still expected by Republicans. Specifically, the amount within the agreement could be around US\$1.5 trillion
- Regarding the virus, cases keep rising, with evidence of a 'second wave' in some countries such as Germany, Czech Republic, and Iran, among others, with India posting a new record high for daily cases. Worldwide, cases are now at 29.9 million, with 941.3 thousand deaths. In this context, Trump is still expecting a vaccine to be ready in October, although this still seems unlikely
- In the monetary front, the Bank of England maintained its reference rate (0.10%) and the amount of its asset purchase program unchanged, showing language that suggest the possibility of negative rates in the near future. In a similar fashion, the Bank of Japan also stood pat, although revising upward its growth estimates for this year. Taiwan and Indonesia also carried out decisions but showing no changes. Later we will be looking into the rate decision in South Africa
- On economic data, in the US attention will center on the Philly Fed for September, which we expect to show a slight decline to 16.0pts. Data also includes housing figures and initial jobless claims for the previous week

Gabriel Casillas

Chief Economist, Head of Research and IRO
gabriel.casillas@banorte.com

Alejandro Padilla

Executive Director of Economic Research and Financial Market Strategy
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA

Director of Economic Research
juan.alderete.macal@banorte.com

Manuel Jiménez

Director of Market Strategy
manuel.jimenez@banorte.com



www.banorte.com



[@analisis_fundam](https://twitter.com/analisis_fundam)

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Consumer prices - Aug (F)	% y/y	--	-0.2	-0.2
5:00	Core - Aug (F)	% y/y	--	0.4	0.4
United Kingdom					
7:00	Monetary policy decision (BoE)	%	0.10	0.10	0.10
United States					
8:30	Housing starts** - Aug	thousands	--	1,485	1,496
8:30	Building permits** - Aug	thousands	--	1,525	1,483
8:30	Philadelphia Fed* - Sep	index	16.0	15.0	17.2
8:30	Initial jobless Cclaims* - Sep 12	thousands	--	850	884
South African					
	Monetary policy decision (S. African Reserve B.)	%	--	3.25	3.50

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

This document is provided for the reader's convenience only. The translation from the original Spanish version was made by Banorte's staff. Discrepancies may possibly arise between the original document in Spanish and its English translation. For this reason, the original research paper in Spanish is the only official document. The Spanish version was released before the English translation. The original document entitled "Apertura de Mercados Financieros" was released earlier today.

Document for distribution among public

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	3,331.25	-1.4%
Euro Stoxx 50	3,305.71	-1.0%
Nikkei 225	23,319.37	-0.7%
Shanghai Composite	3,270.44	-0.4%
Currencies		
USD/MXN	21.08	0.6%
EUR/USD	1.18	-0.2%
DX	93.19	0.0%
Commodities		
WTI	40.01	-0.4%
Brent	42.21	0.0%
Gold	1,943.54	-0.8%
Copper	304.35	-0.6%
Sovereign bonds		
10-year Treasury	0.66	-3pb

Source: Bloomberg

Equities

- Stock markets with negative variations, as investors continue to assimilate yesterday's message from the Fed, which generated a sentiment of uncertainty about the pace of economic recovery given the lack of clarity regarding new fiscal stimuli. Thus, US futures anticipate a downward session, with the S&P 500 trading 1.4% below its theoretical value
- In Asia, the session concluded negative. A 1.6% fall in the Hong Kong index led the losses in this region. Markets in Europe show setbacks. The EuroStoxx loses 1%, dragged down by falls in all sectors, although of greater magnitude in the financial and technology sector. The latter followed by drops in technology giants such as Apple and Facebook
- In Mexico, the Mexbol index will resume operations after yesterday's break. Today it could trade below 36,700 points, following its international peers

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds with pressures of 1-2bps in European securities and a gain of 2bps in US Treasuries with the 30-year end rallying up to 3bps. As of Tuesday's close, the Mbonos' curve averages a 7bps rally. Today Udibonos' swap auction from the MoF
- The USD trades stable with a positive bias as all G10 currencies weaken except for JPY, whereas in EM losses are also widespread with ZAR being the weakest (-0.8%). USD/MXN depreciates 0.6% to 21.08 after a 0.9% gain yesterday, touching 20.92
- Crude oil stabilizing and trading modestly positive after a strong surge due to production disruptions given Storm Sally and an inventory draw. OPEC+ virtual ministerial meetings are due today, where no recommendations to current cuts are expected. Metals with widespread losses

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	28,032.38	0.1%
S&P 500	3,385.49	-0.5%
Nasdaq	11,050.47	-1.2%
IPC	36,729.15	0.0%
Ibovespa	99,675.70	-0.6%
Euro Stoxx 50	3,338.84	0.2%
FTSE 100	6,078.48	-0.4%
CAC 40	5,074.42	0.1%
DAX	13,255.37	0.3%
Nikkei 225	23,475.53	0.1%
Hang Seng	24,725.63	0.0%
Shanghai Composite	3,283.92	-0.4%
Sovereign bonds		
2-year Treasuries	0.14	0pb
10-year Treasuries	0.70	2pb
28-day Cetes	4.44	0pb
28-day TIE	4.74	0pb
2-year Mbono	4.55	0pb
10-year Mbono	5.88	0pb
Currencies		
USD/MXN	20.94	-0.9%
EUR/USD	1.18	-0.3%
GBP/USD	1.30	0.6%
DXY	93.21	0.2%
Commodities		
WTI	40.16	4.9%
Brent	42.22	4.2%
Mexican mix	36.08	0.0%
Gold	1,959.26	0.3%
Copper	306.10	-0.1%

Source: Bloomberg

Corporate Debt

- CEMEX announced the issuance of US\$1.0 billion in guaranteed senior notes with a 5.200% coupon and maturity in 2030
- CI Banco (Trustee) reported that on September 25th, 2020, the total early amortization for mortgage backed securities BMERCB 13 will take place for MXN 1.21 billion
- S&P Global Ratings downgraded the rating for four Unifin's ABS: UNFINCB 16 / 16-2 to 'mxAA (sf)' from 'mxAAA (sf)' and UNIFIN 17-3 / 17-4 to 'mxAA+ (sf)' from 'mxAAA (sf)'
- Fitch Ratings confirmed the rating for Future Flow CASCAB 11U at 'BBB(mex)vra' and removed the Negative Review reflecting the positive impact expected from the application of additional fare increases

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, Juan Barbier Arizmendi, and Eridani Ruibal Ortega, 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

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

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V., since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy

Gabriel Casillas Olvera	Chief Economist, Head of Research and IRO	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x

Economic Research and Financial Market Strategy

Alejandro Padilla Santana	Executive Director of Economic Research and Financial Market Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Economic Research

Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1670 - 2707

Market Strategy

Manuel Jiménez Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
--------------------------------	-----------------------------	--	------------------

Fixed income and FX Strategy

Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 1670 - 1698

Equity Strategy

Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Senior Strategist, Equity	valentin.mendoza@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortés Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x
Juan Barbier Arizmendi	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746

Corporate Debt

Tania Abdul Massih Jacobo	Director of Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Economic Studies

Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domíquez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Oswaldo Brondo Menchaca	Head of Specialized Banking Services	oswaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454