

Financial Markets Daily

September 23, 2020

Main drivers for the financial markets today...

- Positive stock markets, while government bond yields and the dollar remain stable with investors expanding opportunity purchases after manufacturing PMI indicators in Europe and the United Kingdom, as well as better than expected corporate results despite the increase in contagions by COVID- 19
- Regarding economic figures, in the US the preliminary manufacturing, services and composite PMI indices for September will be released. We estimate the manufacturing indicator at 53.0pts slightly below the 53.1pts printed in August
- Fed Chairman Jerome Powell is expected to appear before the House panel to discuss COVID-19. In addition, there will be a very active agenda regarding members of the central bank, among which are Quarles, Evans, Mester, Rosengren and Daly. Yesterday the House of Representatives approved a continuing resolution to avoid a government shutdown on October 1 when the new fiscal year begins. The initiative will now go to the Senate to be voted
- In Mexico, INEGI published the retail sales for July, showing a 12.5 % y/y contraction, below market expectations (-12.0%). With seasonally adjusted figures, an increase of 5.5% m/m was observed, up for the third consecutive month

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
7:00	Retail sales - Jul	% y/y	-12.3	-12.3	-16.6
7:00	Retail sales* - Jul	% m/m	5.7	5.9	7.8
Brazil					
8:00	Consumer prices - Sep	% 2w/2w	--	0.4	0.2
8:00	Consumer prices - Sep	% y/y	--	2.6	2.3
United States					
9:00	Fed's Mester Discusses Payments and the Pandemic				
9:45	Manufacturing PMI (Markit)* - Sep (P)	index	53.0	53.5	53.1
9:45	Services PMI (Markit)* - Sep (P)	index	--	54.5	55.0
9:45	Composite PMI (Markit)* - Sep (P)	index	--	--	54.6
10:00	Powell, Mnuchin Testify Before Senate Banking Committee				
11:00	Fed's Evans Discusses the U.S. Economy and Monetary Policy				
12:00	Fed's Rosengren Discusses U.S. Economy				
14:00	Fed's Quarles Gibes Speech on the Economic Outlook				
15:00	Fed's Daly Discusses Labor Force Implications of Covid-19				

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	3,314.75	0.5%
Euro Stoxx 50	3,215.00	1.6%
Nikkei 225	23,346.49	-0.1%
Shanghai Composite	3,279.71	0.2%
Currencies		
USD/MXN	21.97	1.3%
EUR/USD	1.17	-0.1%
DX	94.02	0.0%
Commodities		
WTI	39.95	0.9%
Brent	41.96	0.6%
Gold	1,886.94	-0.7%
Copper	303.80	-0.7%
Sovereign bonds		
10-year Treasury	0.67	0pb

Source: Bloomberg

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Equities

- Equity markets mostly positive, facing cheap-stock buying, and some better-than-expected corporate results and PMI indicators in Europe. However, investors' optimism is restricted by the impasse in negotiations over a new stimulus package in Washington, as well as by the constant increase in COVID-19 cases, which led UK to once again strengthen sanitary measures and slow down the spread of the virus
- US futures are pointing to a positive opening, with the S&P 500 trading at +0.5%, experiencing gains for the first day in 5 consecutive sessions. In Europe, the Stoxx 600 gains 1.6%, highlighting Nike's 14% pre-market increase after outstanding quarterly results, boosting the continent's entire sportswear sector
- Meanwhile, in Asia, Shanghai Composite closed up 0.2% higher

Sovereign fixed income, currencies and commodities

- Mixed movements in sovereign bonds with an adjustment of -1bp in European securities, while US Treasuries register few variations with a negative bias. In Mexico, the Mbonos' curve registered yesterday gains of 2bps, on average, in mid-term securities
- USD trades positive (BBDXY +0.4%) amid a negative performance in G10 currencies except for GBP. In EM, bias is also negative with MXN as the weakest trading at 22.10 per dollar (-1.7%), and scoring four negative sessions in a row with a depreciation greater than 1.0%
- Crude-oil registers gains (Brent +0.4% y WTI +0.8%) despite a larger than expected rise in US inventories and lower optimism in demand recovery. In metals, gold trades at 1,887 \$/oz t (-0.7%), while industrials register a negative balance

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	27,288.18	0.5%
S&P 500	3,315.57	1.1%
Nasdaq	10,963.64	1.7%
IPC	35,853.58	0.9%
Ibovespa	97,293.50	0.3%
Euro Stoxx 50	3,164.13	0.1%
FTSE 100	5,829.46	0.4%
CAC 40	4,772.84	-0.4%
DAX	12,594.39	0.4%
Nikkei 225	23,360.30	0.0%
Hang Seng	23,716.85	-1.0%
Shanghai Composite	3,274.30	-1.3%
Sovereign bonds		
2-year Treasuries	0.14	0pb
10-year Treasuries	0.67	1pb
28-day Cetes	4.25	-12pb
28-day TIE	4.73	0pb
2-year Mbono	4.55	-2pb
10-year Mbono	5.95	0pb
Currencies		
USD/MXN	21.70	1.6%
EUR/USD	1.17	-0.5%
GBP/USD	1.27	-0.7%
DXY	93.99	0.4%
Commodities		
WTI	39.60	0.7%
Brent	41.72	0.7%
Mexican mix	37.44	0.5%
Gold	1,900.21	-0.6%
Copper	306.10	1.0%

Source: Bloomberg

Corporate Debt

- Grupo Aeroméxico announced that it has received approval from the U.S. District Court for the Southern District of New York to modify most of its leases into hourly payment settlements, which will substantially reduce the airline's monthly aircraft and engine lease costs
- Evercore (Common Rep.) informed that the Issuer intends to make a total anticipated amortization of LALA 18-3 issuance, together with the accrued and unpaid interest on that date, on September 29th
- In accordance with the bond's supplement, the issuer has the right to redeem on any date before Maturity at an Early Amortization Price, calculated as the higher of (i) the NPV, and (ii) the last 30 days average of the clean price

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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>

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