

Financial Markets Daily

Main drivers for the financial markets today...

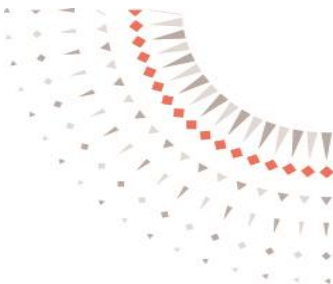
- Stock markets and government bond yields down, while the USD strengthens, amid: (1) Doubts about the approval of additional fiscal stimulus in the US; (2) downward revisions to GDP forecasts in the latter country; (3) President Trump’s refusal to commit to a smooth political transition; and (4) imposition of lockdowns
- Regarding the first issue, Democrats have begun to work on a new fiscal proposal of US\$2.4 trillion that they seek to negotiate with Republicans and the White House. Although this could be swiftly approved by the Lower House, the probability of passing the Senate is very low, such as a recent measure and with Republicans stating again that the amount is higher than what they are willing to accept
- Investors’ attention on August durable goods orders in the US, with the Fedspeakers agenda including Williams and George. We also wait for Colombia’s monetary policy decision, with consensus expecting a 25bps cut, to 1.75%
- Francois Villeroy, member of the ECB, said that he is open to allow inflation to increase above the central bank’s target and to modify the language that defines it. This comment is relevant given that the institution is currently in the middle of its strategy review and after the Fed’s announcement in this regard, with markedly dovish changes
- In our country, July’s monthly GDP-proxy (IGAE) stood at -9.8% y/y (Banorte: -9.7%, consensus: -10.1%). With seasonally adjusted figures, activity grew 5.7% m/m. Within, industrial production led the increase at 6.9%, while services were also stronger at 4.6%

The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
4:00	Monetary aggregates (M3)* - Aug	% y/y	--	10.1	10.2
Mexico					
7:00	Global economic activity indicator (IGAE) - Jul	% y/y	-9.7	-10.1	-13.2
7:00	Global economic activity indicator (IGAE)* - Jul	% m/m	5.7	5.1	9.0
United States					
8:30	Durable goods orders* - Aug (P)	% m/m	--	1.3	11.4
8:30	Ex transportation* - Aug (P)	% m/m	--	1.0	2.6
9:00	Fed's Williams Talks With Community Development Leaders				
15:10	Fed's Williams Discusses the Covid-19 Job Market				
Colombia					
	Monetary policy decision (BanRep)	%	--	1.75	2.25

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.
Equity indices		
S&P 500 Futures	3,225.25	-0.4%
Euro Stoxx 50	3,117.42	-1.3%
Nikkei 225	23,204.62	0.5%
Shanghai Composite	3,219.42	-0.1%
Currencies		
USD/MXN	22.36	0.9%
EUR/USD	1.16	-0.3%
DXY	94.55	0.2%
Commodities		
WTI	39.94	-0.9%
Brent	41.73	-0.5%
Gold	1,858.23	-0.5%
Copper	295.35	-0.5%
Sovereign bonds		
10-year Treasury	0.65	-1pb

Source: Bloomberg

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Equities

- Stock markets conclude the week with mixed movements, while investors keep waiting for the approval of a new stimulus package in the US, that might help sustain the recovery, as global COVID-19 infections continue rising
- Futures in the US anticipate a negative opening, with the S&P500 trading 0.4% below its fair value. In Asia, the trading session concluded mixed, while the hike in Japan's indices contrasts with the drops in China and Hong Kong
- In Europe, equity markets observe widespread losses, posting the worst weekly drop since June, as autos, travel and technology sectors lead the falls. The rise in infections in the UK and France has evolved into the implementation of new contention measures, while Spain faces a new outbreak in Madrid

Sovereign fixed income, currencies and commodities

- Positive performance in global bonds with a 1-2bps gains in European securities, while US Treasuries gain 1bp and trade slightly stronger in the long-end. Yesterday the Mbonos curve rallied 4bps, on average, after Banxico and the MXN breather. MoF auction calendar today
- The USD advances and heads for its strongest week since April (+1.8% w/w in the DXY) registering a negative bias in G10 currencies with NOK leading losses (-0.9%). In EM tone is also negative with MXN depreciating 0.9% to 22.36 per dollar, after a 1.1% gain yesterday
- Crude oil falls ~1% in Brent and WTI with the market affected by the sentiment's deterioration due a pick-up in new infections in various regions and a weak demand outlook. In metals, the USD strengthening is still affecting the precious space, while balance in industrials is negative

Corporate Debt

- Today, the placement of Grupo Palacio de Hierro unsecured notes, GPH 20, is expected for MXN 2.5 billion with a 7-year term and will pay a fixed rate pegged to MBono 27. The issuance ratings are 'AAA (mex) / HR AAA' by Fitch Ratings and HR Ratings
- HR Ratings affirmed the 'HR B +' rating for Metrofinanciera, modifying the Outlook from Stable to Positive. According to the agency, the Positive Outlook is based on the appreciation of solvency indicators with a capitalization ratio of 15.0% and a current portfolio to net debt ratio of 1.06x as of 2Q20
- The non-compliance cause in the issuances BRHCCB 07-2U / 07-3U / 08U / 08-2U / 08-3U / 08-4U / 08-5U (Su Casita RMBS) continues due to non-payment of interest

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	26,815.44	0.2%
S&P 500	3,246.59	0.3%
Nasdaq	10,672.27	0.4%
IPC	36,217.49	1.1%
Ibovespa	97,012.10	1.3%
Euro Stoxx 50	3,159.64	-0.6%
FTSE 100	5,822.78	-1.3%
CAC 40	4,762.62	-0.8%
DAX	12,606.57	-0.3%
Nikkei 225	23,087.82	-1.1%
Hang Seng	23,311.07	-1.8%
Shanghai Composite	3,223.18	-1.7%
Sovereign bonds		
2-year Treasuries	0.13	-1pb
10-year Treasuries	0.67	-1pb
28-day Cetes	4.24	-2pb
28-day TIE	4.73	0pb
2-year Mbono	4.52	-3pb
10-year Mbono	5.94	-5pb
Currencies		
USD/MXN	22.15	-1.1%
EUR/USD	1.17	0.1%
GBP/USD	1.27	0.2%
DXY	94.35	0.0%
Commodities		
WTI	40.31	1.0%
Brent	41.94	0.4%
Mexican mix	37.74	0.4%
Gold	1,868.07	0.3%
Copper	296.80	-0.8%

Source: Bloomberg

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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	Reference
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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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