

# Financial Markets Daily

September 28, 2020

## Main drivers for the financial markets today...

- Stock markets and government bond yields trading higher, while the USD declines, amid 'cheap-stock purchases' after an important adjustment in the past three weeks, despite the quick increase in the number of COVID-19 cases as well as the nearly zero chance of a new fiscal stimulus package in the US
- Market attention this week will be in the US, with the first presidential debate between president Trump and Joe Biden, on Tuesday. Moreover, the nonfarm payrolls report for September on Friday, estimated at 900,000 jobs. The Senate's approval of a continuing resolution to avoid the shutdown is expected on Wednesday
- There are no relevant monetary policy decisions in coming days, but a plethora of comments by Fed members (Clarida, Mester, Williams, Harker, Kashkari, George, Quarles and Bowman). The ECB's Christine Lagarde will have a hearing on the European Parliament. Other data in this front includes Eurozone inflation and the PCE deflator in the US
- In global figures, September PMI indicators in the Eurozone, UK, Brazil and US (also with the ISM manufacturing). The latter country also releases trade balance, consumer confidence, final 2Q20 GDP, personal income/spending and factory orders. Confidence indicators in Europe along industrial production and unemployment rate in Brazil
- In Mexico, August's trade balance showed a US\$6,115.7 million surplus. Total exports declined 7.7% y/y, while imports retreated by 22.1%. Moreover, the unemployment rate for the same month improved to 5.2% from 5.4% previously. This week, other releases include IMEF indicators for September, banking credit, family remittances and the public finance report for August, and Banxico's survey of expectations

**Gabriel Casillas**

IRO and Chief Economist

[gabriel.casillas@banorte.com](mailto:gabriel.casillas@banorte.com)

**Alejandro Padilla**

Executive Director of Economic

Research and Financial Markets Strategy

[alejandro.padilla@banorte.com](mailto:alejandro.padilla@banorte.com)

**Juan Carlos Alderete Macal, CFA**

Director of Economic Research

[juan.alderete.macal@banorte.com](mailto:juan.alderete.macal@banorte.com)

**Manuel Jiménez**

Director of Market Strategy

[manuel.jimenez@banorte.com](mailto:manuel.jimenez@banorte.com)



[www.banorte.com](http://www.banorte.com)



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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
	The last scheduled round of negotiations about Brexit begins				
<b>Mexico</b>					
7:00	Trade balance - Aug	US\$m	2,685.0	4,050.0	5,798.7
<b>Eurozone</b>					
9:45	ECB's Christine Lagarde hearing at the European Parliament				
<b>United States</b>					
14:00	Fed's Mester Participates in Economic Equality Webinar				

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.
<b>Equity indices</b>		
S&P 500 Futures	3,330.25	1.3%
Euro Stoxx 50	3,204.17	2.1%
Nikkei 225	23,511.62	1.3%
Shanghai Composite	3,217.54	-0.1%
<b>Currencies</b>		
USD/MXN	22.19	-0.7%
EUR/USD	1.17	0.3%
DXY	94.22	-0.4%
<b>Commodities</b>		
WTI	40.42	0.4%
Brent	42.06	0.3%
Gold	1,861.98	0.0%
Copper	297.30	0.0%
<b>Sovereign bonds</b>		
10-year Treasury	0.67	2pb

Source: Bloomberg

## Equities

- Positive start of the week for global stock markets, as bargain hunting, corporate announcements and positive economic data in China, drive risk appetite among investors, offsetting concerns for higher COVID-19 cases in Europe
- That said, US futures are set for a green opening. S&P500's trade 1.3% above their fair value, with Uber up 4.4% in the pre-market, following a judge authorizing for operating in London. Meanwhile, in Europe, the Stoxx advances 2.1% -the most in three weeks-, mainly bolstered by financial and car makers stocks. HSBC surges more than 9%, after Ping An Insurance -its biggest shareholder- raised its stake on said company, as it remains confident about its long-term prospects, driving the whole financial sector. Moreover, the automotive sector rallies following Nissan's statements that it expects to return to profitability in 2021
- Asian trading session ended mixed. The Nikkei was up 1.3%, while the Shanghai Composite dropped 0.1%

## Sovereign fixed income, currencies and commodities

- Pressures in sovereign bonds with an adjustment of +1bp in European securities, while US Treasuries register a 2bps sell-off in the long-end of yield curve. In Mexico, the Mbonos' curve registered last week gains of 6bps in short-term securities, and losses of 6bps in long-term assets
- The USD weakens (BBDXY -0.4%) amid a positive performance in G10 currencies with gains for up to 1.2%. In EM, bias is mixed with MXN as the strongest trading at 22.19 per dollar (+0.7%) after its worst weekly depreciation since March (-5.8%) last week
- Crude-oil registers gains of 0.3% after a 2% weekly loss due to lower optimism in demand recovery and increased in COVID-19 cases. In metals, gold trades at 1,857 \$/oz t (-0.2%), while industrials register a positive balance

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	27,173.96	1.3%
S&P 500	3,298.46	1.6%
Nasdaq	10,913.56	2.3%
IPC	36,583.71	1.0%
Ibovespa	96,999.40	0.0%
Euro Stoxx 50	3,137.06	-0.7%
FTSE 100	5,842.67	0.3%
CAC 40	4,729.66	-0.7%
DAX	12,469.20	-1.1%
Nikkei 225	23,204.62	0.5%
Hang Seng	23,235.42	-0.3%
Shanghai Composite	3,219.42	-0.1%
<b>Sovereign bonds</b>		
2-year Treasuries	0.13	0pb
10-year Treasuries	0.65	-1pb
28-day Cetes	4.24	0pb
28-day TIE	4.56	-17pb
2-year Mbono	4.50	-2pb
10-year Mbono	5.95	2pb
<b>Currencies</b>		
USD/MXN	22.34	0.8%
EUR/USD	1.16	-0.4%
GBP/USD	1.27	0.0%
DXY	94.64	0.3%
<b>Commodities</b>		
WTI	40.25	-0.1%
Brent	41.92	0.0%
Mexican mix	37.86	0.3%
Gold	1,861.58	-0.3%
Copper	297.10	0.1%

Source: Bloomberg

## Corporate Debt

- For this week, the bank issuance by Banorte (BANORTE 20U) for MXN 700 million is expected with a 10-year term and pegged to a real fixed rate (UDIS). The bond is rated 'AAA' on a national scale by Fitch Ratings and HR Ratings
- Fitch Ratings affirmed PACCAR Financial México's long and short-term national scale ratings at 'AAA (mex)' and 'F1 + (mex)', respectively. According to the agency, the ratings are based on Fitch's assessment of the capacity and propensity of support, if necessary, from the holding company, PACCAR Inc.
- Banco Invex (Trustee) informed the notice of accelerated amortization of the TFOVICB 20U issuance for MXN 23.4 million for September 28

## Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldivar, 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.

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

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**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**
**Research and Strategy**

Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casilla@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernandez	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 Markets 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
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**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
Victor 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, CFA	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 Domínguez	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 Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
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
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.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
Victor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454