

# Financial Markets Daily

September 30, 2020

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

- Negative stock markets and mixed dynamics in government bonds yields and the dollar, reflect the bad perception that last night's US presidential debate had on market participants, where insult and disqualification prevailed over the presentation of plans for the US economy. President Trump's presumption that there will be fraud, particularly due to the assumption that voters are getting more than one single ballot by mail, and the probability of not recognizing the election result, as well as Joe Biden's confirmation of tax hikes hit markets
- As for the new fiscal package, there was little progress in yesterday's meeting between the Speaker of the House of Representatives, Nancy Pelosi and the Secretary of the Treasury, Steven Mnuchin. Democrats are awaiting a counter-offer from Republicans and Mnuchin to their stimulus plan of US\$ 2.2 trillion as time is running out to get a deal before the election
- In the US, the latest revision of 2Q20 GDP figures will be released. We estimate no important variations will be observed compared to the previous report, posting a contraction of -31.7% t/t. In addition, the ADP private sector employment figures for September will be published. We estimate a job creation of 700 thousand above the 428 thousand observed the previous month. The labor market faces risks with additional job cuts of 28,000 and 9,000 in October announced by Disney and Shell, adding to previous announcements of layoffs by airlines

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
UK					
2:00	Gross domestic product* - 2Q20	% q/q	--	-21.7	-21.7
2:00	Gross domestic product - 2Q20	% y/y	--	-20.4	-20.4
Brazil					
8:00	Unemployment rate - Jul	%	--	13.6	13.3
United States					
	Limit date for the Senate to vote continuing resolution to avoid a government shutdown				
8:15	ADP employment* - Sep	thousands	700	650	428
8:30	Gross domestic product** - 2Q20	% q/q	-31.7	-31.7	-31.7
8:30	Personal consumption** - 2Q20	% q/q	-34.1	-34.1	-34.1
11:00	Fed's Kashkari Discusses Covid and the Economy				
Mexico					
10:00	Banking credit - Aug	% y/y	0.2	--	1.1
15:30	Public finances (year-to-date) - Aug	MXNmn	--	--	-495.8

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.
<b>Equity indices</b>		
S&P 500 Futures	3,315.50	-0.5%
Euro Stoxx 50	3,194.90	-0.6%
Nikkei 225	23,185.12	-1.5%
Shanghai Composite	3,218.05	-0.2%
<b>Currencies</b>		
USD/MXN	22.30	-0.7%
EUR/USD	1.17	-0.3%
DX	94.09	0.2%
<b>Commodities</b>		
WTI	39.04	-0.6%
Brent	40.47	-1.4%
Gold	1,884.88	-0.7%
Copper	299.30	0.1%
<b>Sovereign bonds</b>		
10-year Treasury	0.65	0pb

Source: Bloomberg

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## Equities

- Negative sentiment prevails in equity markets, while investors assimilate a chaotic US presidential debate that encourages uncertainty upon November elections, despite positive data on possible coronavirus treatment of Regeneron Pharmaceuticals, and remain attentive to the negotiations of a new fiscal stimulus package in Washington
- Futures in the US point to a negative open, with the S&P 500 falling 0.5%. Likewise, in Europe the Stoxx 600 lose 0.3%, where the fall in the technology and consumer discretionary sectors exceeds the gains in those corresponding to utilities and energy
- For its part, in Asia the stock markets closed mixed, after the US presidential debate and PMI data in China better than expected

## Sovereign fixed income, currencies and commodities

- Mixed performance in global rates with European securities and Asia/Pacific pressured by 1bp, while US Treasuries depict a positive bias in short-term tenors and are slightly pressured in the long-end. Yesterday, the Mbonos' curve experienced a strong steepening bias
- The USD prints a positive performance limiting two negative sessions in a row with most developed crosses down, while emerging ones are mixed with RUB leading the group (+0.9%). USD/MXN appreciates 0.7% to 22.30 after two negative sessions
- Oil extends losses in ~1% from a sell-off yesterday of ~3% in main benchmarks derived from a weak global demand outlook. The API reported a weekly drop in US crude stockpiles with eyes today in EIA data. Metals mostly negative with silver underperforming

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	27,452.66	-0.5%
S&P 500	3,335.47	-0.5%
Nasdaq	11,085.25	-0.3%
IPC	37,134.92	-0.3%
Ibovespa	93,580.40	-1.1%
Euro Stoxx 50	3,214.30	-0.3%
FTSE 100	5,897.50	-0.5%
CAC 40	4,832.07	-0.2%
DAX	12,825.82	-0.4%
Nikkei 225	23,539.10	0.1%
Hang Seng	23,275.53	-0.9%
Shanghai Composite	3,224.36	0.2%
<b>Sovereign bonds</b>		
2-year Treasuries	0.12	0pb
10-year Treasuries	0.65	0pb
28-day Cetes	4.18	-6pb
28-day TIE	4.55	0pb
2-year Mbono	4.53	3pb
10-year Mbono	6.10	9pb
<b>Currencies</b>		
USD/MXN	22.46	0.2%
EUR/USD	1.17	0.7%
GBP/USD	1.29	0.2%
DXY	93.89	-0.4%
<b>Commodities</b>		
WTI	39.29	-3.2%
Brent	41.03	-3.3%
Mexican mix	37.11	-2.7%
Gold	1,898.07	0.9%
Copper	299.00	0.0%

Source: Bloomberg

## Corporate Debt

- HR Ratings downgraded the long-term rating for Fibra Inn and its issuance FINN 18 to 'HR A+' from 'HR AA-' with Negative Outlook; the short-term rating was downgraded to 'HR2' from 'HR1'
- According to the agency, the action is mainly due to the expected impact of the COVID-19 pandemic on the business operation, with limited capacity and 9 hotels temporarily closed at the end of 2Q20, which resulted in a decrease in the occupancy factor to 16.7% considering 15 hotels open
- HR Ratings ratified the long-term rating of issuance CRELCB 19 at 'HR AAA (E)' with Stable Outlook
- HR Ratings affirmed the long-term rating of issuances HIRCB 18 / 19 at 'HR AAA (E)' with Stable Outlook

## 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 Thalia 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
<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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