

# Financial Markets Daily

October 2, 2020

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

- Stock markets negative, with government bond yields lower and the USD strengthening after news that President Trump tested positive for COVID-19, adding uncertainty to the electoral process in the US
- Specifically, the positive result from Trump and the First Lady was produced after the report that one of his advisors, Hope Hicks, got infected. It is believed that the contagion occurred during the trip to Cleveland for the debate
- Yesterday, the House of Representatives approved a new fiscal stimulus package of US\$2.2 trillion. Nevertheless, it is not expected to go forward in the Senate, with opposition from Republicans looking for lower stimulus. Despite of this, negotiations between the Speaker of the House, Nancy Pelosi, and Treasury Secretary, Steven Mnuchin, continue
- On economic data, in the US attention will center on the employment report for September, in which we expect +900 thousand jobs, with the unemployment rate decreasing to 8.1%. Other publications include confidence from the University of Michigan and durable goods orders. Moreover, we will be looking into speeches from Harker (Philadelphia) and Kashkari (Minneapolis)
- In the Eurozone, September's inflation came in lower than expected at -0.3% y/y, while the core component extended its deceleration to +0.2% y/y, a new historical low. This puts some pressure on the ECB to further extend stimulus measures

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



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

## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>Eurozone and UK</b>					
5:00	Consumer prices - Sep (P)	% y/y	--	-0.2	-0.2
5:00	Core - Sep (P)	% y/y	--	0.4	0.4
<b>Brazil</b>					
8:00	Industrial production - Aug	% y/y	--	-1.7	-3.0
8:00	Industrial production* - Aug	% m/m	--	3.5	8.0
<b>United States</b>					
8:30	Nonfarm payrolls* - Sep	thousands	900	850	1371
8:30	Unemployment rate* - Sep	%	8.1	8.2	8.4
9:00	Fed's Harker Discusses an Inclusive Workforce Recovery				
10:00	U. of Michigan confidence* - Sep (F)	index	78.9	78.9	78.9
10:00	Factory orders* - Aug	% m/m	--	1.0	6.4
10:00	Ex transportation* - Aug	% m/m	--	--	2.1
10:00	Durable goods orders* - Aug (F)	% m/m	--	--	0.4
10:00	Ex transportation* - Aug (F)	% m/m	--	--	0.4

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.

## A glimpse to the main financial assets

	Last	Daily chg.
<b>Equity indices</b>		
S&P 500 Futures	3,314.50	-1.6%
Euro Stoxx 50	3,159.79	-1.1%
Nikkei 225	23,029.90	-0.7%
Shanghai Composite	3,218.05	0.0%
<b>Currencies</b>		
USD/MXN	21.93	0.5%
EUR/USD	1.17	-0.2%
DXY	93.79	0.1%
<b>Commodities</b>		
WTI	37.42	-3.4%
Brent	39.57	-3.3%
Gold	1,908.95	0.2%
Copper	290.65	1.4%
<b>Sovereign bonds</b>		
10-year Treasury	0.66	-2pb

Source: Bloomberg

Document for distribution among public

## Equities

- We conclude the week with important drops in stock markets, after President Trump and his wife tested positive for COVID-19, adding uncertainty to the presidential election process, with a rise in infections, and with low chances of higher fiscal stimulus
- As such, futures in the US anticipate a negative opening, with the S&P500 trading 1.6% below its theoretical value, and with eyes on employment figures to be released
- In Asia, China and Hong Kong remain closed for Holiday, while in Japan the Nikkei closed with a 0.7% drop, after resuming operations from yesterday's technology problems. Europe with widespread losses, reflecting the aversion risk sentiment and while mining stocks show important falls after some companies such as Centamin, cut its production forecasts

## Sovereign fixed income, currencies and commodities

- Modest strengthening in sovereign bonds with gains of 1-2bps in Europe, while in the US the curve flattens with a 2bps rally in the long-end. Yesterday Mbonos gained 1-2bps in the short-end, but longer tenors sold-off 2bps
- The USD limits losses of the last 4 sessions but head for a -0.8% weekly adjustment for the DXY, amid widespread pressures in G10 currencies including GBP and JPY, also with a negative balance in EM. The USD/MXN depreciates 0.6% to 21.96, after a 0.6% rally yesterday
- The global backdrop continues to express in losses for crude-oil futures with Brent and WTI scoring two consecutive sessions with losses greater than 3%. In metals, balance in industrials is negative and in precious gold and silver gain modestly despite the USD pick-up

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	27,816.90	0.1%
S&P 500	3,380.80	0.5%
Nasdaq	11,326.51	1.4%
IPC	36,626.11	-2.2%
Ibovespa	95,478.50	0.9%
Euro Stoxx 50	3,194.09	0.0%
FTSE 100	5,879.45	0.2%
CAC 40	4,824.04	0.4%
DAX	12,730.77	-0.2%
Nikkei 225	23,185.12	0.0%
Hang Seng	23,459.05	0.0%
Shanghai Composite	3,218.05	0.0%
<b>Sovereign bonds</b>		
2-year Treasuries	0.13	0pb
10-year Treasuries	0.68	-1pb
28-day Cetes	4.27	0pb
28-day TIE	4.55	0pb
2-year Mbono	4.53	-1pb
10-year Mbono	6.13	1pb
<b>Currencies</b>		
USD/MXN	21.83	-1.3%
EUR/USD	1.17	0.2%
GBP/USD	1.29	-0.2%
DXY	93.71	-0.2%
<b>Commodities</b>		
WTI	38.72	-3.7%
Brent	40.93	0.0%
Mexican mix	35.94	-3.2%
Gold	1,906.01	1.1%
Copper	286.55	-5.5%

Source: Bloomberg

## Corporate Debt

- Vinte informed the increase of MXN 200 million of its current long-term credit line with IDB Invest; resources obtained shall be destined to finance the development of sustainable communities
- Fitch Ratings upgraded the rating for the State of Veracruz to 'BBB+(mex)' from 'BBB(mex)'. The Outlook was revised to Stable from Positive
- Fitch Ratings upgraded the rating of issuance MXMACCB 04U to 'C(mex)vra' from 'D(mex)vra'
- HR Ratings downgraded the rating of issuance SIPYTCB 13 to 'HR BB+ (E)' from 'HR A+ (E)', and maintained the Negative Watch status
- Bondholder's Meeting Resolutions of issuances GFAMSA 06019 / 06719 / 07019 / 07319 held on September 29th

## 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.

## 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
<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>

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**

<b>Gabriel Casillas Olvera</b>	Chief Economist, Head of Research and IRO	<a href="mailto:gabriel.casillas@banorte.com">gabriel.casillas@banorte.com</a>	(55) 4433 - 4695
<b>Raquel Vázquez Godínez</b>	Assistant	<a href="mailto:raquel.vazquez@banorte.com">raquel.vazquez@banorte.com</a>	(55) 1670 - 2967
<b>Lourdes Calvo Fernandez</b>	Analyst (Edition)	<a href="mailto:lourdes.calvo@banorte.com">lourdes.calvo@banorte.com</a>	(55) 1103 - 4000 x 2611

**Economic Research and Financial Market Strategy**

<b>Alejandro Padilla Santana</b>	Executive Director of Economic Research and Financial Market Strategy	<a href="mailto:alejandro.padilla@banorte.com">alejandro.padilla@banorte.com</a>	(55) 1103 - 4043
<b>Itzel Martínez Rojas</b>	Analyst	<a href="mailto:itzel.martinez.rojas@banorte.com">itzel.martinez.rojas@banorte.com</a>	(55) 1670 - 2251

**Economic Research**

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

**Market Strategy**

<b>Manuel Jiménez Zaldivar</b>	Director of Market Strategy	<a href="mailto:manuel.jimenez@banorte.com">manuel.jimenez@banorte.com</a>	(55) 5268 - 1671
--------------------------------	-----------------------------	--	------------------

**Fixed income and FX Strategy**

<b>Santiago Leal Singer</b>	Senior Strategist, Fixed Income and FX	<a href="mailto:santiago.leal@banorte.com">santiago.leal@banorte.com</a>	(55) 1670 - 2144
<b>Leslie Thalía Orozco Vélez</b>	Strategist, Fixed Income and FX	<a href="mailto:leslie.orozco.velez@banorte.com">leslie.orozco.velez@banorte.com</a>	(55) 1670 - 1698

**Equity Strategy**

<b>Marissa Garza Ostos</b>	Director of Equity Strategy	<a href="mailto:marissa.garza@banorte.com">marissa.garza@banorte.com</a>	(55) 1670 - 1719
<b>José Itzamna Espitia Hernández</b>	Senior Strategist, Equity	<a href="mailto:jose.espitia@banorte.com">jose.espitia@banorte.com</a>	(55) 1670 - 2249
<b>Valentín III Mendoza Balderas</b>	Senior Strategist, Equity	<a href="mailto:valentin.mendoza@banorte.com">valentin.mendoza@banorte.com</a>	(55) 1670 - 2250
<b>Víctor Hugo Cortés Castro</b>	Senior Strategist, Technical	<a href="mailto:victorh.cortes@banorte.com">victorh.cortes@banorte.com</a>	(55) 1670 - 1800
<b>Eridani Ruibal Ortega</b>	Analyst	<a href="mailto:eridani.ruibal.ortega@banorte.com">eridani.ruibal.ortega@banorte.com</a>	(55) 1103 - 4000 x 2755
<b>Juan Barbier Arizmendi</b>	Analyst	<a href="mailto:juan.barbier@banorte.com">juan.barbier@banorte.com</a>	(55) 1670 - 1746

**Corporate Debt**

<b>Tania Abdul Massih Jacobo</b>	Director of Corporate Debt	<a href="mailto:tania.abdul@banorte.com">tania.abdul@banorte.com</a>	(55) 5268 - 1672
<b>Hugo Armando Gómez Solís</b>	Senior Analyst, Corporate Debt	<a href="mailto:hugoa.gomez@banorte.com">hugoa.gomez@banorte.com</a>	(55) 1670 - 2247
<b>Gerardo Daniel Valle Trujillo</b>	Analyst, Corporate Debt	<a href="mailto:gerardo.valle.trujillo@banorte.com">gerardo.valle.trujillo@banorte.com</a>	(55) 1670 - 2248

**Economic Studies**

<b>Delia María Paredes Mier</b>	Executive Director of Economic Studies	<a href="mailto:delia.paredes@banorte.com">delia.paredes@banorte.com</a>	(55) 5268 - 1694
<b>Miguel Alejandro Calvo Domínguez</b>	Senior Analyst, Economic Studies	<a href="mailto:miguel.calvo@banorte.com">miguel.calvo@banorte.com</a>	(55) 1670 - 2220

**Wholesale Banking**

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