

# Financial Markets Daily

October 9, 2020

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

- Stock markets mixed with a positive bias, with government bond yields and the dollar trading lower as investors' attention returns to a potentially higher fiscal stimulus package in the US. Sentiment has also been supported by news that some companies improved their guidance, along some M&A activity
- Specifically, Treasury Secretary Steven Mnuchin said to House Speaker, Nancy Pelosi, that president Trump has shifted its stance, now supporting a more comprehensive package. Despite of the latter, negotiations remain very fluid and uncertain, with some Republicans opposing to a higher amount
- China's Caixin PMI services improved again in September, to 54.8pts from 54.0pts. This is the highest pace of advance in three months, suggesting that the sector's recovery is accelerating
- The evolution of COVID-19 worldwide remains challenging, with global cases topping 36.5 million. Spain could declare a state of emergency in the region of Madrid, while new cases in Germany and Spain have accelerated strongly, among other countries. This situation keeps poisoning a significant downside risk to the economic recovery
- In this context, growth in UK economic activity decelerated strongly in August at 2.1% m/m, significantly below expectations and to the 6.4% observed in the previous month. Apart from the difficulties related to COVID-19, the country is also dealing with increasing uncertainty about Brexit, with the BoE analyzing the possibility of negative interest rates, among other measures

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>UK</b>					
2:00	Industrial production* - Aug	% m/m	--	2.6	5.2
<b>Brazil</b>					
8:00	Consumer prices - Sep	% m/m	--	0.5	0.2
8:00	Consumer prices - Sep	% y/y	--	3.0	2.4
<b>Mexico</b>					
	Wage negotiations - Sep	%	--	--	4.3

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	3,453.25	0.5%
Euro Stoxx 50	3,263.17	0.2%
Nikkei 225	23,619.69	-0.1%
Shanghai Composite	3,272.08	1.7%
<b>Currencies</b>		
USD/MXN	21.30	-0.5%
EUR/USD	1.18	0.4%
DXY	93.33	-0.3%
<b>Commodities</b>		
WTI	40.79	-1.0%
Brent	43.00	-0.8%
Gold	1,913.78	1.1%
Copper	307.30	1.0%
<b>Sovereign bonds</b>		
10-year Treasury	0.77	-2pb

Source: Bloomberg

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## Equities

- We conclude the week with mixed movements in stock markets, though bias is positive, supported by the expectations that a broader fiscal stimulus agreement might be reached in the US. As such, futures anticipate a positive opening, with the S&P500 trading 0.5% above its theoretical value
- In Asia the trading session concluded mixed, standing out the hike in China's indices, coming back from Holiday, and with economic figures that continue showing recovery. Europe also trades mixed, though bias is positive, after some companies such as drug maker Novo Nordisk and online clothing retailer Zalando, raised its outlook guidance
- In Mexico, Femsa announced its commerce subsidiary reached an agreement to acquire *OK Market* stores chain in Chile, subject to corresponding approvals, and expected to be concluded by 2021. We think this news is positive for the company

## Sovereign fixed income, currencies and commodities

- Positive performance in global rates printing gains of 2bps, on average, in Europe and a Treasuries' curve gaining 1-2bps with the long-end outperforming. Yesterday, the Mbono's curve moderated the recent steepening bias with gains of 2bps, on average
- Weak performance in the USD heading for its second weekly decline with all the G10 space rallying as well as EM FX, with CNY and ZAR outperforming in the latter. USD/MXN appreciates 0.5% to 21.29 with a 1.5% weekly rally
- Modest pressures in crude-oil futures by ~0.5% although holding its strongest weekly performance since June due to the effects from Huracan Delta in Gulf of Mexico production and strikes in Norway. In metals, a widespread rally is registered with copper and gold surging 1%

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	28,425.51	0.4%
S&P 500	3,446.83	0.8%
Nasdaq	11,420.98	0.5%
IPC	38,404.05	2.6%
Ibovespa	97,919.70	2.5%
Euro Stoxx 50	3,255.76	0.7%
FTSE 100	5,978.03	0.5%
CAC 40	4,911.94	0.6%
DAX	13,042.21	0.9%
Nikkei 225	23,647.07	1.0%
Hang Seng	24,193.35	-0.2%
Shanghai Composite	3,218.05	0.0%
<b>Sovereign bonds</b>		
2-year Treasuries	0.15	0pb
10-year Treasuries	0.79	0pb
28-day Cetes	4.26	0pb
28-day TIE	4.54	0pb
2-year Mbono	4.53	0pb
10-year Mbono	6.18	-2pb
<b>Currencies</b>		
USD/MXN	21.40	-0.7%
EUR/USD	1.18	0.0%
GBP/USD	1.29	0.1%
DX	93.61	0.0%
<b>Commodities</b>		
WTI	41.19	3.1%
Brent	43.34	3.2%
Mexican mix	38.04	3.1%
Gold	1,893.82	0.3%
Copper	304.20	0.3%

Source: Bloomberg

## Corporate Debt

- Banco Invex (Trustee) noticed that a principal partial amortization will be carried out on October 15, 2020 for an amount of MXN 325 million for the DINEXCB 16 issuance and MXN 90 million for DINEXCB 16-2. The issuances consist on the cession of collection rights commissions for the electronic money transfer service
- PCR Verum downgraded Grupo Gicsa's long- and short-term ratings to 'A/M' from 'AA- / M' and to '2 / M' from '1 / M', respectively. The outlook remains Negative. According to the agency, the decrease is due to the accentuated pressures on the company as a result of the COVID-19 contingency
- HR Ratings upgraded Chedraui's rating to 'HR AA +' from 'HR AA' with a stable outlook. According to the agency, the upgrade to the rating is based on the higher generation of free cash flow in the last 12 months to 2Q20

## 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
<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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