

Financial Markets Daily

October 12, 2020

Main drivers for the financial markets today...

- **Stock markets higher on optimism about new fiscal stimulus and less concerns about a possible contested election in the US. Nevertheless, government bond yields are lower, and the USD trades up, the latter influenced by the decline in the yuan after announcements by the PBoC. Bond markets are closed today in the US in remembrance of Columbus Day, with the earnings season kickoff this week**
- **Market attention this week remains on fiscal negotiations in the US, which have gained momentum, along the evolution of COVID-19 given more restrictions in some countries. The annual meetings of the IMF and World Bank start today, with the *World Economic Outlook* to be released tomorrow. On the other hand, the 2nd US Presidential debate, slated for this week, has been cancelled**
- **In monetary policy, the agenda in coming days includes a plethora of Fed speakers, along Lane and Villeroy of the ECB, among the most relevant. Decisions also in Indonesia, Korea and Chile. Moreover, September consumer prices in Germany, Eurozone, US and China**
- **August's industrial production in Mexico stood at -9.0% y/y (3.3% m/m), above market expectations. All sectors advanced sequentially. Market participants will pay attention to the discussion in the Senate about the extinction of the trust money funds that Representatives approved last week. Later today, releases include September's same-store sales by ANTAD and the employment report by IMSS**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Global	IMF / World Bank annual meetings begin				
United States	Bond markets will be closed in the US for the Columbus Day holiday				
Mexico					
7:00	Industrial production - Aug	% y/y	-10.6	-9.6	-11.4
7:00	Industrial production* - Aug	% m/m	2.7	2.7	6.9
7:00	Manufacturing output - Aug	% y/y	-5.9	-5.9	-9.0
13:00	Job creation of workers affiliated to IMSS) - Sep	thousands	--	--	92.4
	ANTAD's same-store sales - Sep	% y/y	--	--	-3.0
China					
22:00	Trade balance - Sep	USDbn	--	59.3	58.9
22:00	Exports - Sep	% y/y	--	10.0	9.5
22:00	Imports - Sep	% y/y	--	0.1	-2.1

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.
Equity indices		
S&P 500 Futures	3,489.50	0.5%
Euro Stoxx 50	3,290.96	0.5%
Nikkei 225	23,558.69	-0.3%
Shanghai Composite	3,358.47	2.6%
Currencies		
USD/MXN	21.29	0.7%
EUR/USD	1.18	-0.3%
DXY	93.21	0.2%
Commodities		
WTI	40.09	-1.3%
Brent	42.37	-1.1%
Gold	1,921.74	-0.4%
Copper	308.60	0.1%
Sovereign bonds		
10-year Treasury	0.77	0pb

Source: Bloomberg

Equities

- Positive start of the week for global stock markets, as negotiations for a new fiscal stimulus package move forward and concerns about a close election in the US diminish, while investors prepare for the start of the quarterly reporting season and monitor the reinforcement of measures to contain pandemic's progress
- In the US, futures are trading with a positive bias in the pre-market, with the S&P 500 advancing 0.5%, following a strong week of gains where the Dow Jones rose 3.3%, whereas the S&P 500 and Nasdaq climbed 3.8% and 4.6%, respectively. In Europe, the Stoxx is up 0.5%, driven by telecoms and autos sectors
- In Asia, equity markets closed mostly positive, after a new comprehensive reform plan for Shenzhen was revealed. As such, the Shanghai Comp gained 2.6% and the Nikkei fell 0.3%

Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds with European assets gaining 1-2bps while the US bond market is closed for a holiday. Last week, the Mbonos yield curve recorded gains of 8bps concentrated in the middle-end, limiting the strong steepening of previous weeks
- The dollar strengthens (BBDXY +0.2%). In the G10 currency group we are observing losses, excluding the JPY which is trading at a marginal appreciation. In EM the dynamics are also negative, the CNY falls after the PBoC took steps to restrain its rally while the Mexican Peso is the third weakest as it depreciates 0.7% to 21.29 per dollar
- Crude oil printing loses of 1.1% as operations in the Gulf of Mexico after operations started to resume following hurricane Delta. In metals, gold declines 0.4% to 1,921 \$/oz t while the performance in industrials is mainly positive

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	28,586.90	0.6%
S&P 500	3,477.13	0.9%
Nasdaq	11,579.94	1.4%
IPC	38,494.40	0.2%
Ibovespa	97,483.30	-0.4%
Euro Stoxx 50	3,273.12	0.5%
FTSE 100	6,016.65	0.6%
CAC 40	4,946.81	0.7%
DAX	13,051.23	0.1%
Nikkei 225	23,619.69	-0.1%
Hang Seng	24,119.13	-0.3%
Shanghai Composite	3,272.08	1.7%
Sovereign bonds		
2-year Treasuries	0.15	0pb
10-year Treasuries	0.77	-1pb
28-day Cetes	4.23	-3pb
28-day TIE	4.54	0pb
2-year Mbono	4.51	-2pb
10-year Mbono	6.09	-9pb
Currencies		
USD/MXN	21.14	-1.2%
EUR/USD	1.18	0.6%
GBP/USD	1.30	0.8%
DXY	93.06	-0.6%
Commodities		
WTI	40.60	-1.4%
Brent	42.85	-1.1%
Mexican mix	37.71	-0.9%
Gold	1,930.40	1.9%
Copper	308.25	1.3%

Source: Bloomberg

Corporate Debt

- In October, MXN 19.2 billion are expected to be auctioned through 12 bonds, highlighting for this week the participation of Organización Soriana (SORIANA 20 / 20-2, MXN 3 billion) and FEFA (FEFA 20-3 / 20G / 20-4, MXN 5 billion). It is important to mention that the FEFA 20G bond will be the first gender social bond in Mexico
- Total early amortization of IFCOTCB 17 (Instituto Fonacot ABS) issuance the next October 15 for an amount of MXN 121.97 million
- Fitch Ratings downgraded Grupo DASI's rating to 'BBB + (mex)' from 'A-(mex)'; the outlook remains Negative. According to the agency, the rating downgrade reflects that the company's profitability will weaken more than Fitch originally projected at the beginning of the pandemic

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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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