

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

Gabriel Casillas

IRO and Chief Economist

gabriel.casillas@banorte.com

Alejandro Padilla

Executive Director of Economic Research and Financial Markets Strategy
alejandropadilla@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



@analysis_fundam

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	USD bn	--	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.

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.

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

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.

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

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
-------------------------	-----------------------------	----------------------------	------------------

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
Víctor 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	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.roldan.ferrer@banorte.com	(55) 5004 - 1454