

# Financial Markets Daily

October 13, 2020

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

- Stock markets mixed, with the USD stable and government bond yields with little changes, with market participants processing somewhat unfavorable news over one of the COVID-19 vaccines, the start of earnings season in the US, as well as on the World Economic Outlook release by the IMF
- Specifically, Johnson & Johnson halted its vaccine study after one of the participants showed an unrelated illness. Meanwhile, another study showed that reinfection might happen relatively quickly. In this context, the number of global cases stood at 37.8 million, with 1 million deaths
- In China, September's trade balance showed an additional increase, albeit moderate, in exports (+9.9% y/y), with imports stronger (+13.2%), suggesting greater dynamism in internal consumption. In Germany the ZEW expectations index surprised lower to 56.1pts in October, while inflation in September was unchanged at -0.2% y/y. In the UK, the unemployment rate rose to 4.5%, highest in 3 years. Later we will be looking into CPI data in the US (Banorte: 1.4% y/y), participations from Barkin (Richmond) and Daly (San Francisco) from the Fed, and the monetary policy decision from the Bank of Korea
- 21 days away from the election, Trump went back into the campaign trail in Florida, just after the release of his latest test showing a negative result. Moreover, attention will be on questions for his Supreme Court nominee, Amy Coney Barrett, by Senate Democrats

### 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**



**@ analisis\_fundam**

## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>Global</b>					
2:00	Consumer prices - Sep (F)	% y/y	--	-0.4	-0.4
2:00	UK Unemployment rate* - Aug	%	--	4.3	4.1
5:00	ZEW Survey (Expectations) - Oct	index	--	73.0	77.4
<b>United States</b>					
8:30	Consumer prices* - Sep	% m/m	0.2	0.2	0.4
8:30	Ex. food & energy* - Sep	% m/m	0.2	0.2	0.4
8:30	Consumer prices - Sep	% y/y	1.4	1.4	1.3
8:30	Ex. food & energy - Sep	% y/y	1.7	1.7	1.7
<b>Global</b>					
8:30	IMF publishes the updated World Economic Outlook				
<b>Mexico</b>					
10:00	International reserves - Oct 9	US\$bn	--	--	194.0
12:30	Gover. weekly auction: 1-, 3-, 6- 12- month CETES; 3-year Mbono (Mar'23) and 3-year Udibono (Nov'23)				
<b>South Korea</b>					
	Monetary policy decision (Central bank of South Korea)	%	--	0.50	0.50

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	3,528.50	-0.1%
Euro Stoxx 50	3,287.40	-0.3%
Nikkei 225	23,601.78	0.2%
Shanghai Composite	3,359.75	0.0%
<b>Currencies</b>		
USD/MXN	21.22	0.1%
EUR/USD	1.18	-0.2%
DX	93.20	0.1%
<b>Commodities</b>		
WTI	40.33	2.3%
Brent	42.57	2.0%
Gold	1,919.65	-0.2%
Copper	304.40	-0.7%
<b>Sovereign bonds</b>		
10-year Treasury	0.76	-1pb

Source: Bloomberg

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## Equities

- Mixed movements in equity markets due to unfavorable news regarding progress towards a COVID-19 vaccine and following a solid trade report from China. On the other hand, investors' attention remains in the official earnings season kick-off of the 3Q20 in the US, with figures from some of the major banks, and at the Apple event where it is expected to unveil 5G iPhones. Out of the 7 S&P 500 companies scheduled to report today, 5 have already updated investors with outperforming estimates, including BlackRock and JPMorgan. Citigroup and Delta Air Lines to report later
- In Asia, the markets closed positive. In Hong Kong there were no operations due to Typhoon Nangka. In Europe, most markets decline, the Euro Stoxx sheds 0.3%. Shares from financial companies spearhead losses, while those from the utilities sector lead gains. In turn, in the US the futures of main stocks indices are mixed but on average they are trading 0.2% higher, due to the 0.9% advance on the Nasdaq

## Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds with European securities and Asia/Pacific trading under  $\pm 1$ bp, with the US bond market returning today with Treasuries gaining 1-2bps and where the long-end outperforms. Few variations in local rates yesterday
- Stable USD with a slight positive bias where most of G10 currencies register modest losses including JPY and EUR, while EM performance is mostly negative with USD/MXN at 21.22, very near to yesterday's close, reaching 21.38 earlier today
- Oil positive supported by Chinese imports recovery and assimilating the World Energy Outlook from the IEA signaling demand recovery to pre-crisis levels in 2023 and that "the era of global oil demand growth will come to an end in the next decade." Mixed metals' space

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	28,837.52	0.9%
S&P 500	3,534.22	1.6%
Nasdaq	11,876.26	2.6%
IPC	38,342.09	-0.4%
Ibovespa	97,483.30	0.0%
Euro Stoxx 50	3,298.12	0.8%
FTSE 100	6,001.38	-0.3%
CAC 40	4,979.29	0.7%
DAX	13,138.41	0.7%
Nikkei 225	23,558.69	-0.3%
Hang Seng	24,649.68	2.2%
Shanghai Composite	3,358.47	2.6%
<b>Sovereign bonds</b>		
2-year Treasuries	0.15	0pb
10-year Treasuries	0.77	0pb
28-day Cetes	4.23	0pb
28-day TIE	4.53	0pb
2-year Mbono	4.50	-1pb
10-year Mbono	6.06	-3pb
<b>Currencies</b>		
USD/MXN	21.20	0.3%
EUR/USD	1.18	-0.1%
GBP/USD	1.31	0.2%
DX	93.07	0.0%
<b>Commodities</b>		
WTI	39.43	-2.9%
Brent	41.72	-2.6%
Mexican mix	37.71	0.0%
Gold	1,922.77	-0.4%
Copper	306.40	-0.6%

Source: Bloomberg

## Corporate Debt

- The auction for two unsecured notes from Organización Soriana, SORIANA 20 / 20-2, is expected for today for a target amount of MXN 3.0 billion (max. MXN 5.0 billion). The 20 tranche will pay a floating rate and a 3-year term; and the 20-2 tranche will pay a fixed rate and a 5-year term
- HR Ratings affirmed the long-term ratings for GM Financial de México at 'HR AAA' with a Stable Outlook, and the short-term rating at 'HR+1' based on the implicit support from its holding General Motors Financial Company, Inc
- Notice of total early call for Infonavit's MBS CEDEVIS 10-6U on October 20th, 2020. The bond's outstanding amount is MXN 269.5 million

## 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, 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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	Reference
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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>

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### Research and Strategy

Gabriel Casillas Olvera	Chief Economist, Head of Research and IRO	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

### Economic Research and Financial Market Strategy

Alejandro Padilla Santana	Executive Director of Economic Research and Financial Market 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
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### 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 2755
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 Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
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
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454