

# Financial Markets Daily

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

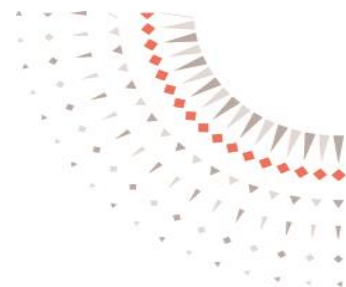
- **Negative stock markets, positive dollar and government bond yields amid increased risk aversion as investors assimilate: (1) Rebound in number of infections in Europe and re-imposition of quarantines; (2) delay in the development of several vaccines against COVID-19; and (3) it is still a long way from reaching an agreement on a new fiscal stimulus package in the US**
- **Markets' focus is on the events that Joe Biden and President Trump will hold - separately - with their supporters, to replace the second presidential debate that was planned for today. On the other hand, the chances of an agreement for a new fiscal stimulus package prior to the November 3 elections seem to be fading, as Treasury Secretary Steven Mnuchin said that it is still distant, while Republicans, Democrats and the White House are blaming each other for not completing a deal**
- **Regarding economic figures, in the US the reports of manufacturing activity for October will be released: Philadelphia Fed and Empire Manufacturing, which we estimate at 15pts and 14pts, respectively. Regarding the Fed speakers agenda, the attention is on Bostic, Quarles, Kaplan and Kashkari interventions**
- **In the Eurozone, the European Council begins, while, in the United Kingdom, today is the date set by the prime minister to reach an agreement with the European Union on the most relevant issues after Brexit**

## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>Eurozone and UK</b>					
	EU leaders meet for a two-day summit in Brussels				
	Deadline imposed by Boris Johnson to thrash out the outline of an EU trade deal				
<b>Brazil</b>					
8:00	Economic activity - Aug	% y/y	--	--	-4.9
8:00	Economic activity* - Aug	% m/m	--	--	2.2
<b>United States</b>					
8:30	Initial jobless claims*- Oct 10	thousands	--	823	840
8:30	Empire manufacturing* - Oct	index	14.0	13.0	17.0
8:30	Philadelphia Fed*-Oct	index	15.0	14.0	15.0
9:00	Fed's Bostic to Speak on Benefits Cliffs				
11:00	Fed's Quarles Speaks at IIF Annual Meeting				
11:00	Fed's Kaplan Speaks to U.S. India Chamber of Commerce				
16:00	Fed's Kashkari Speaks on U.S. Economic Outlook				
<b>Chile</b>					
17:00	Monetary policy decision (BCCh)	%	--	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	3,445.00	-1.0%
Euro Stoxx 50	3,191.24	-2.5%
Nikkei 225	23,507.23	-0.5%
Shanghai Composite	3,332.18	-0.3%
<b>Currencies</b>		
USD/MXN	21.50	0.9%
EUR/USD	1.17	-0.3%
DX	93.72	0.4%
<b>Commodities</b>		
WTI	39.92	-2.7%
Brent	42.26	-2.4%
Gold	1,896.13	-0.3%
Copper	304.05	-0.3%
<b>Sovereign bonds</b>		
10-year Treasury	0.70	-3pb

Source: Bloomberg

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Equities

- Negative movements in stock markets, where risk aversion predominates among investors as Europe's largest cities placed greater restrictions on curbing the virus, while hopes of a pre-election stimulus in the US were dashed. Thus, US futures anticipate a negative open, with the S&P 500 trading 1.0% below its theoretical value
- Asia concluded negative. Hang Seng led the losses as it fell 2.1%. Europe, on the other hand, is also trading downwards, with the EuroStoxx falling 2.5%, contracted by all sectors that it comprises
- On the corporate front, today 6 constituents of the S&P500 will release their reports, among which Morgan Stanley stands out. In Mexico, yesterday Axtel released its results, that came in line with estimates. The most relevant was the multiple offers received, since Axtel decided to continue with the sale of the whole company, which could take part this year or at the beginning of 2021

Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds in the face of greater risk aversion, European securities trade with gains of 2-5 bps while the Treasury curve records gains of up to 4bps on the long-end. Yesterday, the Mbonos yield curve closed with gains of 1bp concentrated in long-term tenors with the 10-year benchmark closing at 6.07% (-1bp)
- USD strengthening (BBDXY +0.3%), the G10 currencies are trading at a widespread loss with AUD (-1.1% ) being the weakest. EM performance is also negative, except for the KRW which appreciated 0.3%, while the MXN is the third weakest currency, falling 0.7% to 21.47 per dollar
- Oil futures fall 2.2% on concerns about lower global demand despite yesterday's drop in API inventories. Gold is trading at 1,893 \$/oz t while the performance of industrial metals is mixed with nickel rising 2.0%

Corporate Debt

- Today we expect the auction of the unsecured bonds from FEFA, FEFA 20-3 / 20G / 20-4, for an amount of MXN 5.0 billion (max. MXN 10.0 billion) with a term of 1.5, 3, and 5.5 years. It's worth noting that the 20G tranche will be the first gender social bond in Mexico. The assigned ratings are 'mxAAA / HR AAA' from S&P Global Ratings and HR Ratings
- HR Ratings affirmed the ratings for Mexico City's Government's structured bonds (GDFECB 15-2, GCDMXCB 17X / 18V, CDMXCB 19) at 'HR AAA (E)' with a Stable Outlook
- HR Ratings assigned an 'HR C- (E)' rating for MBS BONHITO F1039 and 'HR D (E)' for MBS BONHITO F5539

Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	28,514.00	-0.6%
S&P 500	3,488.67	-0.7%
Nasdaq	11,768.73	-0.8%
IPC	38,025.72	-0.3%
Ibovespa	99,334.40	0.8%
Euro Stoxx 50	3,273.28	-0.2%
FTSE 100	5,935.06	-0.6%
CAC 40	4,941.66	-0.1%
DAX	13,028.06	0.1%
Nikkei 225	23,626.73	0.1%
Hang Seng	24,667.09	0.1%
Shanghai Composite	3,340.78	-0.6%
<b>Sovereign bonds</b>		
2-year Treasuries	0.14	0pb
10-year Treasuries	0.73	0pb
28-day Cetes	4.20	-2pb
28-day TIIE	4.54	0pb
2-year Mbono	4.49	-1pb
10-year Mbono	6.08	-1pb
<b>Currencies</b>		
USD/MXN	21.31	-0.2%
EUR/USD	1.17	0.0%
GBP/USD	1.30	0.6%
DXY	93.38	-0.2%
<b>Commodities</b>		
WTI	41.04	2.1%
Brent	43.32	2.0%
Mexican mix	38.05	2.1%
Gold	1,901.52	0.5%
Copper	305.05	0.2%

Source: Bloomberg

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
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