

Financial Markets Daily

October 16, 2020

Main drivers for the financial markets today...

- Stock markets mixed, with S&P500 futures up and the USD trading lower on positive corporate news. Nevertheless, government bond yields decline in a backdrop of high uncertainty about the possibility of additional fiscal stimulus, the evolution of COVID-19 cases, Brexit and the US electoral process
- Specifically, UK Prime Minister Boris Johnson said that his country will prepare for Brexit without a trade deal unless European Union negotiators modify their stance, increasing the probability of an abrupt exit by year-end despite talks likely continuing
- Markets will focus on corporate earnings releases, September's retail sales and industrial production, and October's University of Michigan confidence index in the US. Moreover, Fed members Bullard and Williams will speak today
- In the fiscal front, US Treasury Secretary Steven Mnuchin said president Trump would personally lobby reluctant Senate Republicans to approve a new stimulus deal agreed with the Democrats. Nevertheless, the leader of the Senate's majority, Mitch McConnell, stated that they do not agree with a high amount in a new stimulus package, as talked so far
- The Democratic Party candidate for the vice presidency, Kamala Harris, cancelled her scheduled trips until next Monday after her communications director and a flight crew member tested positive to COVID-19. Both she and candidate Joe Biden tested negative on Thursday, although she took this decision out of an "abundance of caution"

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Trade balance* - Aug	EURbn	--	18.0	20.3
5:00	Consumer prices - Sep (F)	% y/y	--	-0.3	-0.3
5:00	Core - Sep (F)	% y/y	--	0.2	0.2
United States					
8:30	Advance retail sales* - Sep	% m/m	0.5	0.8	0.6
8:30	Ex autos & gas* - Sep	% m/m	--	0.5	0.7
8:30	Control group* - Sep	% m/m	0.1	0.3	-0.1
9:15	Industrial production* - Sep	% m/m	0.8	0.6	0.4
9:15	Manufacturing* - Sep	% m/m	0.9	0.7	1.0
10:00	U. of Michigan confidence* - Oct (P)	index	80.0	80.5	80.4

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.
Equity indices		
S&P 500 Futures	3,483.00	0.2%
Euro Stoxx 50	3,229.71	1.2%
Nikkei 225	23,410.63	-0.4%
Shanghai Composite	3,336.36	0.1%
Currencies		
USD/MXN	21.20	-0.3%
EUR/USD	1.17	0.2%
DX	93.61	-0.3%
Commodities		
WTI	40.58	-0.9%
Brent	42.71	-1.0%
Gold	1,910.39	0.1%
Copper	307.65	-0.3%
Sovereign bonds		
10-year Treasury	0.72	-1pb

Source: Bloomberg

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Equities

- We conclude the week with mixed movements in stock markets, while fears of growing infections particularly in Europe and uncertainty around higher stimuli continue. Futures in the US anticipate a positive opening with the S&P500 trading 0.2% above its theoretical value, boosted by cheap stock buying, after recent losses, and attention in corporate earnings and economic data
- Asia concluded the session with mixed movements, while Europe trades with widespread gains, with some positive news, including Boeing that announced its 737 Max is now considered safe to fly
- Today we expect 8 companies from the S&P500 to publish its earnings results, including BONY, Honeywell and Schlumberger. After the first week, we have less than 10% of results and the drop in earnings is 18.7% vs 21.6%e

Sovereign fixed income, currencies and commodities

- Modest gains in global bonds with European securities strengthening ~2bps, while the Treasuries' curve gains 1bp in a relatively homogeneous fashion. In Mexico, the weekly balance heads for pressures of 4bps, on average, for Mbonos
- Slightly negative USD, although with a more stable performance vs losses the last two weeks, with a mixed performance in G10 currencies where SEK and JPY lead the gains (+0.3%), while EM performs stronger with USD/MXN gaining 0.3% to 21.20
- Crude oil futures fall ~1% in a context in which the surge in European cases deteriorates the global consumption backdrop. Next week OPEC+ will held its monthly committees to monitor the supply agreement. Mixed metals with marginal changes in precious

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	28,494.20	-0.1%
S&P 500	3,483.34	-0.2%
Nasdaq	11,713.87	-0.5%
IPC	38,059.23	0.1%
Ibovespa	99,054.10	-0.3%
Euro Stoxx 50	3,192.69	-2.5%
FTSE 100	5,832.52	-1.7%
CAC 40	4,837.42	-2.1%
DAX	12,703.75	-2.5%
Nikkei 225	23,507.23	-0.5%
Hang Seng	24,158.54	-2.1%
Shanghai Composite	3,332.18	-0.3%
Sovereign bonds		
2-year Treasuries	0.14	0pb
10-year Treasuries	0.73	1pb
28-day Cetes	4.20	0pb
28-day TIE	4.53	0pb
2-year Mbono	4.50	1pb
10-year Mbono	6.11	2pb
Currencies		
USD/MXN	21.27	-0.2%
EUR/USD	1.17	-0.3%
GBP/USD	1.29	-0.8%
DXY	93.86	0.5%
Commodities		
WTI	40.96	-0.2%
Brent	43.16	-0.4%
Mexican mix	38.01	-0.1%
Gold	1,908.71	0.4%
Copper	308.55	1.1%

Source: Bloomberg

Corporate Debt

- Mexarrend announced the approval of a loan for US\$45 million, with maturity in 10 years, from the U.S. International Development Finance Corporation. Proceeds will be used to extend Mexarrend's portfolio growth
- Fitch Ratings affirmed the ratings for 15 Residential Mortgage Backed Securities from Fovissste at 'AAA(mex)vra' with a Stable Outlook, considering the due payment guarantee from SHF and the overcollateralization credit protection
- Fitch Ratings upgraded the Asset Manager ratings for Dimex Capital to 'AAFC3+(mex)' from 'AAFC3(mex)'. The outlook was revised to Stable from Positive

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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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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