

# Financial Markets Daily

October 21, 2020

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

- Mixed stock markets and government bond yields, while the dollar operates at a loss, as investors perceive progress on the new fiscal stimulus package as negotiations extend, although we observe a steepening of the curves in the face of liquidity preference as the EE.UU. election approaches
- In the US, negotiations on the new fiscal stimulus package appear to be moving forward, after House Speaker Nancy Pelosi said they are optimistic about reaching an agreement this week. Meanwhile, the White House chief of staff, Mark Meadows, said he expects the agreement to be reached by this weekend. Yet Republicans in the Senate are pessimistic
- The Beige Book will be published, while the participation of Mester, Kashkari, Kaplan, Barkin, Bullard and Quarles is expected on the Fed speakers' agenda
- In other regions, September inflation was published in the United Kingdom, standing at 0.5% y/y above the previous 0.2% y/y
- In Mexico, the discussion continues on the Revenue Law in the Chamber of Deputies, expecting it will be approved throughout the day. Regarding economic data, INEGI published the unemployment rate for September, standing at 5.1% (previously 5.2%). In this sense, 669.9 thousand jobs were created in the month

**Gabriel Casillas**  
Chief Economist, Head of Research and IRO  
gabriel.casillas@banorte.com

**Alejandro Padilla**  
Executive Director of Economic Research and Financial Markets 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>United Kingdom</b>					
2:00	Consumer prices - Sep	% y/y	--	0.6	0.2
2:00	Core - Sep	% y/y	--	1.3	0.9
<b>Mexico</b>					
7:00	Unemployment rate - Sep	%	5.3	5.3	5.2
11:30	Extraordinary Cetes auction – 182, 280, 364 and 714 days				
<b>United States</b>					
10:00	Fed's Mester discusses monetary policy at virtual event				
14:00	Beige Book				

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.

### A glimpse to the main financial assets

	Last	Daily chg.
<b>Equity indices</b>		
S&P 500 Futures	3,429.00	-0.1%
Euro Stoxx 50	3,195.87	-1.0%
Nikkei 225	23,639.46	0.3%
Shanghai Composite	3,325.03	-0.1%
<b>Currencies</b>		
USD/MXN	21.07	-0.2%
EUR/USD	1.18	0.2%
DXY	92.77	-0.3%
<b>Commodities</b>		
WTI	40.98	-1.2%
Brent	42.46	-1.6%
Gold	1,915.63	0.5%
Copper	318.30	1.1%
<b>Sovereign bonds</b>		
10-year Treasury	0.81	3pb

Source: Bloomberg

Document for distribution among public

## Equities

- Mixed and negatively biased stock markets, while concerns remain over mixed corporate reports and lack of clarity on a new stimulus package. In the US, futures anticipate a flat opening, while Netflix yesterday reported below expectations and falls in the pre-market. In Europe, the Stoxx 600 drops 0.9%, dragged mainly by Material stocks, after cuts in the production guides of Fresnillo and Centamin. For its part, in Asia, the Shanghai Composite fell 0.1%, and the Nikkei rose 0.3%
- On the corporate front, in the US the results from Abbott, Biogen, Tesla, and Verizon stand out today. Meanwhile, in Mexico, Amx and Chdraui reported higher than expected yesterday, while OMA reflected a slower than expected recovery. Today we will see the reports from Alfa, Alpek, FIHO, Ienova, Lab, La Comer, and Nemark, all at market close

## Sovereign fixed income, currencies and commodities

- The likelihood of a fiscal deal in the US has triggered a new pressure movement in Treasuries, with the 10- and 30-year area reaching their highest level since June. These securities adjust today +2bps while global bias also depicts pressures in Europe and Asia. Yesterday the Mbonos' curve rallied as much as 10bps in the long-end
- The USD falls for a fourth session in a row and trades at its lowest in a month with widespread gains in the G10 universe where GBP outperforms (+0.8%) amid Brexit optimism, and an also positive EM performance. USD/MXN scores two positive sessions at 21.05 (+0.3%)
- Crude-oil falls by ~1.5% after an unexpected US inventory build according to the API, waiting for official data today at 10:30. Metals trade on a positive note with copper and silver up by +1.2%

## Corporate Debt

- Grupo Famsa informed that the competent jurisdictional authorities admitted the Request for Bankruptcy Proceedings that its subsidiary Famsa Mexico presented under the terms and for the purposes provided for in The Mexican Bankruptcy and Insolvency Law (*Ley de Concursos Mercantiles*)
- Early partial amortization notice of issuances EXITCB 17 for October 27th for MXN 26.46 million
- HR Ratings assigned an 'HR AAA' long-term rating with Stable Outlook, and an 'HR+1' short-term rating for Grupo Sanborns
- The auction of BIDINV 1-20, from BID Invest, for MXN 2.0 billion is expected today. The bond will pay a 28-day TIE rate plus a surcharge, will mature in 3 years and has the top ratings 'AAA' on national scale by Standard Poor's and Moody's de México

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	28,308.79	0.4%
S&P 500	3,443.12	0.5%
Nasdaq	11,516.49	0.3%
IPC	38,201.81	1.5%
Ibovespa	100,539.80	1.9%
Euro Stoxx 50	3,227.87	-0.5%
FTSE 100	5,889.22	0.1%
CAC 40	4,929.28	-0.3%
DAX	12,736.95	-0.9%
Nikkei 225	23,567.04	-0.4%
Hang Seng	24,569.54	0.1%
Shanghai Composite	3,328.10	0.5%
<b>Sovereign bonds</b>		
2-year Treasuries	0.14	0pb
10-year Treasuries	0.79	2pb
28-day Cetes	4.14	-9pb
28-day TIE	4.53	0pb
2-year Mbono	4.51	-2pb
10-year Mbono	6.14	-3pb
<b>Currencies</b>		
USD/MXN	21.12	-0.4%
EUR/USD	1.18	0.5%
GBP/USD	1.29	0.0%
DX	93.07	-0.4%
<b>Commodities</b>		
WTI	41.46	1.5%
Brent	43.16	1.3%
Mexican mix	38.08	1.2%
Gold	1,906.95	0.2%
Copper	314.80	2.0%

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.

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

<b>Gabriel Casillas Olvera</b>	Chief Economist, Head of Research and IRO	<a href="mailto:gabriel.casillas@banorte.com">gabriel.casillas@banorte.com</a>	(55) 4433 - 4695
<b>Raquel Vázquez Godínez</b>	Assistant	<a href="mailto:raquel.vazquez@banorte.com">raquel.vazquez@banorte.com</a>	(55) 1670 - 2967
<b>Lourdes Calvo Fernandez</b>	Analyst (Edition)	<a href="mailto:lourdes.calvo@banorte.com">lourdes.calvo@banorte.com</a>	(55) 1103 - 4000 x 2611

**Economic Research and Financial Market Strategy**

<b>Alejandro Padilla Santana</b>	Executive Director of Economic Research and Financial Markets Strategy	<a href="mailto:alejandro.padilla@banorte.com">alejandro.padilla@banorte.com</a>	(55) 1103 - 4043
<b>Itzel Martínez Rojas</b>	Analyst	<a href="mailto:itzel.martinez.rojas@banorte.com">itzel.martinez.rojas@banorte.com</a>	(55) 1670 - 2251

**Economic Research**

<b>Juan Carlos Alderete Macal, CFA</b>	Director of Economic Research	<a href="mailto:juan.alderete.macal@banorte.com">juan.alderete.macal@banorte.com</a>	(55) 1103 - 4046
<b>Francisco José Flores Serrano</b>	Senior Economist, Mexico	<a href="mailto:francisco.flores.serrano@banorte.com">francisco.flores.serrano@banorte.com</a>	(55) 1670 - 2957
<b>Katia Celina Goya Ostos</b>	Senior Economist, Global	<a href="mailto:katia.goya@banorte.com">katia.goya@banorte.com</a>	(55) 1670 - 1821
<b>Luis Leopoldo López Salinas</b>	Economist, Global	<a href="mailto:luis.lopez.salinas@banorte.com">luis.lopez.salinas@banorte.com</a>	(55) 1670 - 2707

**Market Strategy**

<b>Manuel Jiménez Zaldivar</b>	Director of Market Strategy	<a href="mailto:manuel.jimenez@banorte.com">manuel.jimenez@banorte.com</a>	(55) 5268 - 1671
--------------------------------	-----------------------------	--	------------------

**Fixed income and FX Strategy**

<b>Santiago Leal Singer</b>	Senior Strategist, Fixed Income and FX	<a href="mailto:santiago.leal@banorte.com">santiago.leal@banorte.com</a>	(55) 1670 - 2144
<b>Leslie Thalía Orozco Vélez</b>	Strategist, Fixed Income and FX	<a href="mailto:leslie.orozco.velez@banorte.com">leslie.orozco.velez@banorte.com</a>	(55) 1670 - 1698

**Equity Strategy**

<b>Marissa Garza Ostos</b>	Director of Equity Strategy	<a href="mailto:marissa.garza@banorte.com">marissa.garza@banorte.com</a>	(55) 1670 - 1719
<b>José Itzamna Espitia Hernández</b>	Senior Strategist, Equity	<a href="mailto:jose.espitia@banorte.com">jose.espitia@banorte.com</a>	(55) 1670 - 2249
<b>Valentín III Mendoza Balderas</b>	Senior Strategist, Equity	<a href="mailto:valentin.mendoza@banorte.com">valentin.mendoza@banorte.com</a>	(55) 1670 - 2250
<b>Víctor Hugo Cortés Castro</b>	Senior Strategist, Technical	<a href="mailto:victorh.cortes@banorte.com">victorh.cortes@banorte.com</a>	(55) 1670 - 1800
<b>Eridani Ruibal Ortega</b>	Analyst	<a href="mailto:eridani.ruibal.ortega@banorte.com">eridani.ruibal.ortega@banorte.com</a>	(55) 1103 - 4000 x 2755
<b>Juan Barbier Arizmendi</b>	Analyst	<a href="mailto:juan.barbier@banorte.com">juan.barbier@banorte.com</a>	(55) 1670 - 1746

**Corporate Debt**

<b>Tania Abdul Massih Jacobo</b>	Director of Corporate Debt	<a href="mailto:tania.abdul@banorte.com">tania.abdul@banorte.com</a>	(55) 5268 - 1672
<b>Hugo Armando Gómez Solís</b>	Senior Analyst, Corporate Debt	<a href="mailto:hugoa.gomez@banorte.com">hugoa.gomez@banorte.com</a>	(55) 1670 - 2247
<b>Gerardo Daniel Valle Trujillo</b>	Analyst, Corporate Debt	<a href="mailto:gerardo.valle.trujillo@banorte.com">gerardo.valle.trujillo@banorte.com</a>	(55) 1670 - 2248

**Economic Studies**

<b>Delia María Paredes Mier</b>	Executive Director of Economic Studies	<a href="mailto:delia.paredes@banorte.com">delia.paredes@banorte.com</a>	(55) 5268 - 1694
<b>Miguel Alejandro Calvo Domínguez</b>	Senior Analyst, Economic Studies	<a href="mailto:miguel.calvo@banorte.com">miguel.calvo@banorte.com</a>	(55) 1670 - 2220

**Wholesale Banking**

<b>Armando Rodal Espinosa</b>	Head of Wholesale Banking	<a href="mailto:armando.rodal@banorte.com">armando.rodal@banorte.com</a>	(81) 8319 - 6895
<b>Alejandro Eric Faesi Puente</b>	Head of Global Markets and Institutional Sales	<a href="mailto:alejandro.faesi@banorte.com">alejandro.faesi@banorte.com</a>	(55) 5268 - 1640
<b>Alejandro Aguilar Ceballos</b>	Head of Asset Management	<a href="mailto:alejandro.aguilar.cebillos@banorte.com">alejandro.aguilar.cebillos@banorte.com</a>	(55) 5268 - 9996
<b>Alejandro Frigolet Vázquez Vela</b>	Head of Sólida Banorte	<a href="mailto:alejandro.frigolet.vazquezvela@banorte.com">alejandro.frigolet.vazquezvela@banorte.com</a>	(55) 5268 - 1656
<b>Arturo Monroy Ballesteros</b>	Head of Investment Banking and Structured Finance	<a href="mailto:arturo.monroy.ballesteros@banorte.com">arturo.monroy.ballesteros@banorte.com</a>	(55) 5004 - 1002
<b>Carlos Alberto Arciniega Navarro</b>	Head of Treasury Services	<a href="mailto:carlos.arciniega@banorte.com">carlos.arciniega@banorte.com</a>	(81) 1103 - 4091
<b>Gerardo Zamora Nanez</b>	Head of Transactional Banking, Leasing and Factoring	<a href="mailto:gerardo.zamora@banorte.com">gerardo.zamora@banorte.com</a>	(81) 8318 - 5071
<b>Jorge de la Vega Grajales</b>	Head of Government Banking	<a href="mailto:jorge.delavega@banorte.com">jorge.delavega@banorte.com</a>	(55) 5004 - 5121
<b>Luis Pietrini Sheridan</b>	Head of Private Banking	<a href="mailto:luis.pietrini@banorte.com">luis.pietrini@banorte.com</a>	(55) 5004 - 1453
<b>Lizza Velarde Torres</b>	Executive Director of Wholesale Banking	<a href="mailto:lizza.velarde@banorte.com">lizza.velarde@banorte.com</a>	(55) 4433 - 4676
<b>Osvaldo Brondo Menchaca</b>	Head of Specialized Banking Services	<a href="mailto:osvaldo.brondo@banorte.com">osvaldo.brondo@banorte.com</a>	(55) 5004 - 1423
<b>Raúl Alejandro Arauzo Romero</b>	Head of Transactional Banking	<a href="mailto:alejandro.arauzo@banorte.com">alejandro.arauzo@banorte.com</a>	(55) 5261 - 4910
<b>René Gerardo Pimentel Ibarrola</b>	Head of Corporate Banking	<a href="mailto:pimentelr@banorte.com">pimentelr@banorte.com</a>	(55) 5268 - 9004
<b>Ricardo Velázquez Rodríguez</b>	Head of International Banking	<a href="mailto:rvelazquez@banorte.com">rvelazquez@banorte.com</a>	(55) 5004 - 5279
<b>Victor Antonio Roldan Ferrer</b>	Head of Commercial Banking	<a href="mailto:victor.rolan.ferrer@banorte.com">victor.rolan.ferrer@banorte.com</a>	(55) 5004 - 1454