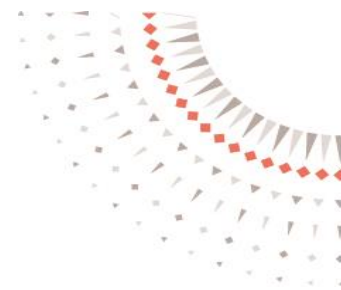


# Financial Markets Daily



October 22, 2020

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

- Negative stock markets and government bond yields, while the dollar posts gains as investors weigh the delay in fiscal stimulus, allegations of U.S. election interference by foreign rivals, and the rise in COVID cases, with corporate reports better than expected
- In the US, twelve days before the elections, there is still no agreement for a new fiscal stimulus package. The biggest block remains in the Senate, where Republicans even refuse a post-election vote
- In this context, the attention will be on the second presidential debate (after the one scheduled for October 15 was canceled) where, unlike the first, the Debate Committee decided to mute the opposing candidate's microphone, while the other candidate gets an interrupted two minutes to respond a question. The meeting, will be divided into six segments: fighting COVID-19, American families, race in America, climate change, national security and leadership
- As for economic figures, in the US, focus will be on the jobless claims report, estimated at 870k. On the Fed speakers agenda, the interventions of Barkin and Kaplan are expected
- In Mexico, INEGI published inflation for the first half of October climbing 0.54% 2s/2s. The core came in at 0.14% 2s/2s. With these results, the headline index stood at 4.09% with the core at 4.00%

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>Mexico</b>					
7:00	Consumer prices - Oct 15	% 2w/2w	0.45	0.45	-0.03
7:00	Core - Oct 15	% 2w/2w	0.15	0.15	0.12
7:00	Consumer prices - Oct 15	% y/y	3.98	3.99	3.93
<b>Turkey</b>					
7:00	Monetary policy decision (C. Bank of the Turkey)	%	--	11.88	10.25
<b>United States</b>					
8:30	Initial jobless claims* -Oct 17	thousands	--	848	898
10:00	Existing home sales** - Sep	millions	--	6.2	6.0
<b>Eurozone</b>					
10:00	Consumer confidence* - Oct (P)	index	--	-15.0	-13.9

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	3,427.50	-0.1%
Euro Stoxx 50	3,179.28	0.0%
Nikkei 225	23,474.27	-0.7%
Shanghai Composite	3,312.50	-0.4%
<b>Currencies</b>		
USD/MXN	21.13	0.1%
EUR/USD	1.18	-0.3%
DX	92.87	0.3%
<b>Commodities</b>		
WTI	40.41	0.9%
Brent	42.13	1.0%
Gold	1,915.64	-0.5%
Copper	315.30	-1.4%
<b>Sovereign bonds</b>		
10-year Treasury	0.81	-1pb

Source: Bloomberg

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## Equities

- Negative stock market movements, as concerns persist over the delay of a stimulus package in the US, and the increasing cases of coronavirus in Europe. However, the fall is limited with positive corporate results
- In this sense, U.S. futures anticipate a negative opening, with the S&P 500 trading 0.1% below its theoretical value, while Tesla and Hermes rising in the pre-market due to a favorable report. While Asia concluded mixed. In Europe, the EuroStoxx falls 0.1%, contracted by the Energy sector
- On the corporate front, today 33 constituents of the S&P500 will announce their results, highlighting AT&T, Coca-Cola and Dow Inc. In Mexico, we anticipate favorable reactions to the reports from Alfa, Alpek, Nemak, Ienova, Lacomar and Lab. While Fihio continues weak but with sequential improvements. Today Asur, Hotel, Televisa, Volar and Walmex will release their reports after the market close

## Sovereign fixed income, currencies and commodities

- Mixed performance in global rates with European assets falling 1bp, on average, while the Treasuries curve is trading with adjustments of up to +2bp in the 30-year zone. Yesterday the local yield curve recorded a profit taking, losing 3bp, following the dynamics of the Treasury yield curve. The 10-year benchmark Mbono May'31 closed at 6.16% (+3bp)
- The USD strengthens (BBDXY +0.2%) amid negative performance in the G10 currencies, with SEK (-0.4%) leading the losses. In EM the performance is also mixed, with the negative bias dominating, TRY loses 2.1% while USD/MXN depreciates 0.1% to 21.13 per dollar
- Oil printing gains of 0.7% after yesterday's sharp drop caused by a rise in inventories in the US and lower demand. In metals, gold falls 0.4% to 1,915 \$/t oz while in industrials the balance is mixed with copper extending its rally by surging 1.3%

## Corporate Debt

- Early partial amortization notice of issuance FIRMACH 18 for October 28th for MXN 16.99 million. Principal payments do not foresee any premium whatsoever
- HR Ratings ratified Consubanco's long-term rating at 'HR A' with Stable Outlook and short-term rating at 'HR2'. According to the agency, the action is based on the solvency indicators, both the capitalization index and the leverage ratio and the current portfolio to net debt ratio, which are at adequate levels at 21.3%, 2.3x and 1.3x respectively as of the second quarter of 2020
- Fitch Ratings downgraded the long-term national scale rating of Financiera Independencia to 'BB-' from 'BB' and the national scale rating to 'A-(mex)' from 'A(mex)' and removed the Negative Watch. The Outlook is Stable

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	28,210.82	-0.3%
S&P 500	3,435.56	-0.2%
Nasdaq	11,484.69	-0.3%
IPC	38,669.25	1.2%
Ibovespa	100,552.40	0.0%
Euro Stoxx 50	3,180.70	-1.5%
FTSE 100	5,776.50	-1.9%
CAC 40	4,853.95	-1.5%
DAX	12,557.64	-1.4%
Nikkei 225	23,639.46	0.3%
Hang Seng	24,754.42	0.8%
Shanghai Composite	3,325.03	-0.1%
<b>Sovereign bonds</b>		
2-year Treasuries	0.15	0pb
10-year Treasuries	0.82	4pb
28-day Cetes	4.14	0pb
28-day TIE	4.53	0pb
2-year Mbono	4.53	2pb
10-year Mbono	6.17	3pb
<b>Currencies</b>		
USD/MXN	21.11	-0.1%
EUR/USD	1.19	0.3%
GBP/USD	1.31	1.5%
DX	92.61	-0.5%
<b>Commodities</b>		
WTI	40.03	-3.4%
Brent	41.73	-3.3%
Mexican mix	36.81	-3.3%
Gold	1,924.33	0.9%
Copper	319.85	1.6%

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 Thalia 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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## 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.*

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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.

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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.

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