

# Financial Markets Daily

October 23, 2020

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

- **Stock markets higher except for China, with small changes in government bond yields and the USD down, as positive earnings and economic data in Europe are welcomed by investors. Meanwhile, hopes about new fiscal stimulus in the US continue, also with some optimism after the FDA approved Remdesivir as a treatment against COVID-19**
- **Attention remains on corporate earnings, with data to be released today including October's preliminary PMI indicators in the US and inflation in Brazil, among the most relevant**
- **In Mexico, retail sales fell 10.8% y/y in August, below market expectations (-9.7%). With seasonally adjusted figures, sales grew 2.5% m/m, up for a fourth consecutive time**
- **On the other hand, fiscal negotiations in the US remain stuck despite more positive signals at the start of the week, with Pelosi and Mnuchin discussing the details and some Senate Republicans still against a high amount. Although an approval is still possible before the election, the window of opportunity is closing fast**
- **In Germany, October's composite PMI stood above expectations at 54.5pts, with the result boosted by a stronger performance in the manufacturing sector. Nevertheless, services waned, feeling the brunt of higher cases of COVID-19 which have led to new restrictions**
- **Japan showed similar dynamics, with manufacturing improving but services lower, albeit with both indicators below the 50pts threshold**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>Mexico</b>					
7:00	Retail sales - Aug	% y/y	-10.5	-9.8	-12.5
7:00	Retail sales* - Aug	% m/m	2.9	3.2	5.5
<b>Brazil</b>					
8:00	Consumer prices - Oct	% 2w/2w	--	0.8	0.6
8:00	Consumer prices - Oct	% y/y	--	3.4	3.1
<b>United States</b>					
9:45	Manufacturing PMI (Markit)* - Oct (P)	index	53.0	53.3	53.2
9:45	Services PMI (Markit)* - Oct (P)	index	--	54.5	54.6
9:45	Composite PMI (Markit)* - Oct (P)	index	--	--	54.3

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	3,460.00	0.3%
Euro Stoxx 50	3,208.36	1.2%
Nikkei 225	23,516.59	0.2%
Shanghai Composite	3,278.00	-1.0%
<b>Currencies</b>		
USD/MXN	20.91	-0.3%
EUR/USD	1.19	0.3%
DX	92.78	-0.2%
<b>Commodities</b>		
WTI	40.81	0.4%
Brent	42.67	0.5%
Gold	1,912.04	0.4%
Copper	315.00	-0.1%
<b>Sovereign bonds</b>		
10-year Treasury	0.86	1pb

Source: Bloomberg

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## Equities

- Positive bias in stock markets, sustained by favorable earnings results in Auto and Banking sectors in Europe. Futures in the US anticipate a higher opening with the S&P500 trading 0.3% above its theoretical value
- In US we only expect 4 companies from S&P500 to release its earnings, among which American Express stands out. As of today, ~27% of the results have been released and an 18.1% drop in earnings has been achieved vs -21.6% expected. Positive surprise rate stands at 84.2%
- In México, Televisa released its 3Q20 results, posting an increase in profitability higher than expected, which should be welcomed by the market. Asur and Walmex reported in line with expectations, while Volar was impacted by a one-time charge. Cemex announced it will register a non-cash charge by US\$1,500 million, which will impact net income, assets and capital in its 3Q20 report

## Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds with European securities registering light pressures in developed tenors and gains in peripherals under narrow ranges, while Treasuries depict few variations. Yesterday Mbonos registered a 4bps sell-off
- The USD weakens and heads for a negative week limiting gains the previous week, with a positive balance in G10 crosses today only with GBP negative. EM performance is mixed but with a positive bias where USD/MXN appreciates 0.3% to 20.93
- Crude-oil futures gain ~0.4% although head for a negative week, with the market assimilating industrial activity figures in Europe under a scene of demand affected by a second wave of cases. Mixed metals with precious positive

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	28,363.66	0.5%
S&P 500	3,453.49	0.5%
Nasdaq	11,506.01	0.2%
IPC	38,652.20	0.0%
Ibovespa	101,917.70	1.4%
Euro Stoxx 50	3,171.41	-0.3%
FTSE 100	5,785.65	0.2%
CAC 40	4,851.38	-0.1%
DAX	12,543.06	-0.1%
Nikkei 225	23,474.27	-0.7%
Hang Seng	24,786.13	0.1%
Shanghai Composite	3,312.50	-0.4%
<b>Sovereign bonds</b>		
2-year Treasuries	0.15	1pb
10-year Treasuries	0.86	3pb
28-day Cetes	4.17	3pb
28-day TIIE	4.52	0pb
2-year Mbono	4.56	3pb
10-year Mbono	6.22	5pb
<b>Currencies</b>		
USD/MXN	20.98	-0.6%
EUR/USD	1.18	-0.4%
GBP/USD	1.31	-0.5%
DX	92.95	0.4%
<b>Commodities</b>		
WTI	40.64	1.5%
Brent	42.46	1.7%
Mexican mix	37.35	1.5%
Gold	1,904.11	-1.1%
Copper	315.35	-1.4%

Source: Bloomberg

## Corporate Debt

- GENTERA reported that its subsidiary, Compartamos Financiera, which operates in Peru, successfully placed \$100 million soles (approx. \$586 million) of bonds in the Peruvian debt market at a 1-year maturity at a rate of 1.6563%
- Total early amortization notice of issuance BACTIN 17 for October 29th for an amount of MXN\$1,000 million
- Fitch Ratings ratified the long-term rating for issuance ICVCB 96U from Instituto de Control Vehicular de Nuevo León at 'AAA(mex)vra'
- HR Ratings ratified the long-term ratings at 'HR AAA (E)' and 'HR AA+ (E)' with Stable Outlook of issuances LPSLCB 14-2U and LIPSBCB 14U, respectively

## 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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## 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>

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