

Financial Markets Daily

October 26, 2020

Main drivers for the financial markets today...

- Stock markets lower, with the USD up and government bond yields more mixed, in a cautious environment given the lack of an agreement of new fiscal stimulus in the US and concern about the rise in COVID-19 cases (mostly in Europe and the US), along some negative corporate news affecting the tech sector
- In Germany, the IFO index reached 92.7pts in October, below the 93.2pts in September, in an environment of higher COVID-19 cases in the region and uncertainty that poses downside risks to the economic recovery
- Meanwhile, August's monthly GDP-proxy IGAE in Mexico stood at -9.5% y/y, below consensus expectations. With seasonally-adjusted figures, economic activity rebounded 1.1% m/m after the +5.7% of the previous month, with services up only 0.4%
- Market attention this week on the final leg of the electoral process in the US amid ongoing fiscal stimulus negotiations, which remain stuck. Earnings season continues at full steam –highlighting big tech in the US–, along Brexit talks and new restrictions in various countries due to COVID-19
- Monetary policy decisions in Canada, Brazil, Japan, Colombia and the Eurozone, with no changes expected in the latter. We will not have relevant interventions by Fed members. Moreover, releases include inflation in the Eurozone and PCE deflator in the US
- 3Q20 GDP will be published in the US, Eurozone and Mexico, apart from October's official PMI indicators in China. Other figures in the US include new home sales, durable goods orders, personal income and spending, U. of Michigan confidence and trade balance. In Europe, unemployment rate and confidence indicators
- In Mexico, other releases in coming days include trade balance, banking credit and the public finance report for September. Moreover, the Mexican Senate's limit date for the approval of the Revenue Law is on October 31st

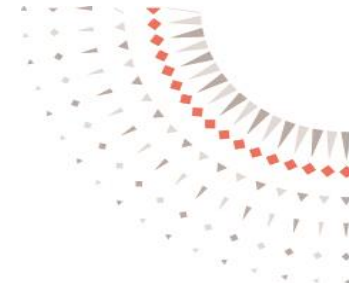
The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Germany					
5:00	IFO Survey (business climate)* - Oct	index	--	93.0	93.4
Mexico					
8:00	Global economic activity indicator (IGAE) - Aug	% y/y	-8.7	--	-9.8
8:00	Economic Activity IGAE* - Aug	% m/m	1.7	--	5.7
United States					
10:00	New home sales** - Sep	thousands	--	1,025	1,011

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

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Document for distribution among public



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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	3,417.25	-1.0%
Euro Stoxx 50	3,131.66	-2.1%
Nikkei 225	23,494.34	-0.1%
Shanghai Composite	3,251.12	-0.8%
Currencies		
USD/MXN	21.07	1.0%
EUR/USD	1.18	-0.4%
DX	93.00	0.2%
Commodities		
WTI	38.90	-2.4%
Brent	40.85	-2.2%
Gold	1,905.43	0.2%
Copper	311.15	-0.6%
Sovereign bonds		
10-year Treasury	0.80	-4pb

Source: Bloomberg

Equities

- Negative start of the week for global stock markets as concerns regarding raising infections of COVID-19, coupled with the lack of agreement on the stimulus package in the US, erode risk appetite among investors. Moreover, the tech sector globally is hurting following SAP's forecast revenue cut
- In this context, US futures are set for a red opening. S&P500's trades 1.0% below their fair value, with Apple and Microsoft dropping around 1% in the pre-market, impacted by SAP plunging 20%. Meanwhile, the Euro Stoxx looses 2.1% as only the health care sector remains in positive ground, yet highlighting tech sector's slump of 8.3%. In Asia, the Nikkei retreated 0.1% while the Shanghai Composite fell 0.8%
- On the corporate side, 9 companies of the S&P500 are scheduled for releasing its 3Q20 earnings today. In Mexico Kof, Mega & Sport will do so

Sovereign fixed income, currencies and commodities

- Mixed movements in sovereign bonds. In Europe, peripheral regions adjust around -5bps, with +1bp in other regions, while US Treasuries register gains of up to -5bps in the long-end of yield curve. In Mexico, the Mbonos' curve registered a 4bps sell-off in short- and mid-term securities, while long-term assets printed a 9bps rally on average last week
- The USD trades positive (BBDXY +0.3%) amid a negative performance in G10 currencies except for NZD and GBP. In EM, bias is also negative with TRY as the weakest (-1.4%) and MXN trading at 21.07 per dollar (-1.0%) after a 1.3% weekly appreciation
- Crude-oil registers losses of around 2.5% due to lower optimism in demand recovery given an increase in COVID-19 cases coupled with a supply boost in Libya. In metals, golds trades broadly unchanged at 1,905 \$/oz t while industrials register a negative balance

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	28,335.57	-0.1%
S&P 500	3,465.39	0.3%
Nasdaq	11,548.28	0.4%
IPC	38,707.72	0.1%
Ibovespa	101,259.80	-0.6%
Euro Stoxx 50	3,198.86	0.9%
FTSE 100	5,860.28	1.3%
CAC 40	4,909.64	1.2%
DAX	12,645.75	0.8%
Nikkei 225	23,516.59	0.2%
Hang Seng	24,918.78	0.5%
Shanghai Composite	3,278.00	-1.0%
Sovereign bonds		
2-year Treasuries	0.16	0pb
10-year Treasuries	0.84	-1pb
28-day Cetes	4.19	2pb
28-day TIE	4.52	0pb
2-year Mbono	4.54	-2pb
10-year Mbono	6.21	-1pb
Currencies		
USD/MXN	20.87	-0.5%
EUR/USD	1.19	0.4%
GBP/USD	1.30	-0.3%
DX	92.77	-0.2%
Commodities		
WTI	39.85	-1.9%
Brent	41.77	-1.6%
Mexican mix	36.80	-1.5%
Gold	1,902.05	-0.1%
Copper	312.90	-0.8%

Source: Bloomberg

Corporate Debt

- S&P Global Ratings kept the CreditWatch status for Navistar Financial's long- and short-term local scale ratings of 'mxBBB-' and 'mxA-3', respectively, but now with positive implications after a similar rating action on its holding company
- Fitch Ratings affirmed the Issuer Default Rating for Banco Monex at 'BB+' and the local scale rating at 'AA-(mex)'; the outlook remained Negative as Fitch expects the bank's financial profile to decline due to the pandemic because of its credit exposition
- Fitch Ratings affirmed the long-term ratings for Banco Base and its unsecured note BASE 18 at 'A(mex)'; the outlook is Stable

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