

Financial Markets Daily

October 27, 2020

Main drivers for the financial markets today...

- **Mixed stock markets and government bond yields amid:** (1) Impossibility of approving a new fiscal stimulus package in the US before the elections; (2) strong increase in COVID-19 cases; (3) narrowing of the spread between Trump and Biden. However, S&P futures are positive on M&A announcements, particularly AMD's acquisition of Xilinx
- It seems almost impossible that an agreement on a new US fiscal stimulus package will be reached before November 3 after lawmakers left Washington following the confirmation of Amy Coney Barrett to the Supreme Court
- Seven days before the presidential election, Trump is encouraging face-to-face voting on November 3, in a context where in early voting nearly 65 million votes have already been cast, which means around 47% of 2016 total, with a higher participation of Democrats
- In Europe, governments are being forced to implement new lockdowns given a considerable increase in the number of infections by COVID-19. Brexit negotiations continue, as December 31, deadline approaches
- Regarding economic figures, the US durable goods orders for September were released, exceeding expectations, showing a 1.9% m/m advance (consensus + 0.5% m/m). The Conference Board consumer confidence for October will also be published. We estimate the index to be around 100pts
- In Mexico, INEGI released the trade balance report for September, showing a US\$4,384.7 million surplus. Inside, exports came in at 3.7% y/y, with weaker imports at -8.5% y/y

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Monetary aggregates (M3)* - Sep	% y/y	--	9.6	9.5
Mexico					
8:00	Trade balance - Sep	US\$m	5,565.0	3,199.0	6,115.7
11:00	International reserves - Oct 23	US\$bn	--	--	194.0
13:30	Government weekly auction: 1-, 3-, 6- 12- month CETES; 5-y Mbono (Mar'26) and 10-y Udibono (Nov'28)				
United States					
8:30	Durable goods orders* - Sep (P)	% m/m	--	0.6	0.5
8:30	Ex transportation* - Sep (P)	% m/m	--	0.4	0.6
9:00	S&P/CoreLogic housing prices - Aug	% y/y	--	4.2	4.0
10:00	Consumer confidence* - Oct	index	100.0	101.8	101.8

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	3,398.50	0.1%
Euro Stoxx 50	3,089.99	-0.5%
Nikkei 225	23,485.80	0.0%
Shanghai Composite	3,254.32	0.1%
Currencies		
USD/MXN	20.85	-0.4%
EUR/USD	1.18	0.2%
DX	92.89	-0.2%
Commodities		
WTI	38.84	0.7%
Brent	40.64	0.4%
Gold	1,905.30	0.2%
Copper	309.95	0.3%
Sovereign bonds		
10-year Treasury	0.79	-2pb

Source: Bloomberg

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Equities

- Mixed movements in equity markets, with negative bias, as investors react to the rapid spread of the coronavirus and tougher restrictions to contain it, and are attentive to the corporate earnings season. Out of the 41 S&P 500 companies scheduled to report today, 23 have already updated investors with most outperforming estimates, including 3M, Caterpillar, and Pfizer. Microsoft will report later
- In Asia, most markets closed negative. In Europe the negative bias predominates, the Euro Stoxx falls 0.5%. On the other hand, in the US the futures of main indices point to a higher open rising 0.3% on average, after the sell-off a day earlier
- In Mexico, GMexico and Mega's 3Q20 results exceeded expectations with solid progress in profitability, while Gmxt was in line, showing a sequential improvement and also higher profitability. In turn, Ac, Gcc, Gentera, Gicsa, and Livepol will release its quarterly results today

Sovereign fixed income, currencies and commodities

- Positive performance in sovereign bonds registering gains in Europe and US Treasuries by ~1bp, with the US printing a sharp rally yesterday. The Mbonos' curve started the week with few variations, while Mexican linkers printed pressures of ~3bps
- The USD prints a weak session with widespread gains in the G10 universe and a good performance in EM FX where ZAR and CLP lead the rally, followed by the USD/MXN appreciating 0.4% to 20.85, temporally breaching the latter and reaching levels not seen since March
- Crude oil futures trade positive as storm Zeta has shut-down production in the Gulf of Mexico while the market assimilates Libyan output recovery. In metals, tone is positive in industrials and precious, with silver and platinum outperforming

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	27,685.38	-2.3%
S&P 500	3,400.97	-1.9%
Nasdaq	11,358.94	-1.6%
IPC	38,245.86	-1.2%
Ibovespa	101,017.00	-0.2%
Euro Stoxx 50	3,105.25	-2.9%
FTSE 100	5,792.01	-1.2%
CAC 40	4,816.12	-1.9%
DAX	12,177.18	-3.7%
Nikkei 225	23,494.34	-0.1%
Hang Seng	24,918.78	0.0%
Shanghai Composite	3,251.12	-0.8%
Sovereign bonds		
2-year Treasuries	0.15	-1pb
10-year Treasuries	0.80	-4pb
28-day Cetes	4.24	5pb
28-day TIIIE	4.52	0pb
2-year Mbono	4.56	2pb
10-year Mbono	6.20	0pb
Currencies		
USD/MXN	20.93	0.3%
EUR/USD	1.18	-0.4%
GBP/USD	1.30	-0.1%
DXY	93.05	0.3%
Commodities		
WTI	38.56	-3.2%
Brent	40.46	-3.1%
Mexican mix	35.46	-3.6%
Gold	1,902.08	0.0%
Copper	308.95	-1.3%

Source: Bloomberg

Corporate Debt

- Monex (Common Rep.) informed that on November 3, 2020, the total early amortization of the INFOHIT 09U issuance will take place for the total amount of 51.43 million udis, corresponding to the Early Maturity
- The INFOHIT 09U is backed by residential mortgage loans originated by INFONAVIT and managed by Hipotecaria Total. The bond is in its amortization period; and currently the NPV is 10 UDIS
- Fitch Ratings affirmed Grupo Rotoplas and its AGUA 17-2X issuance's ratings at 'AA (mex)'. The outlook is Stable. According to the statement, the rating reflects its strong competitive position in the sectors where it participates, characterized by its wide distribution network and good market share

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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, Juan Barbier Arizmendi, and Eridani Ruibal Ortega, 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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