

Financial Markets Daily

October 28, 2020

Main drivers for the financial markets today...

- Stock markets trading lower, USD up and government bond yields mixed, but with negative bias, given: (1) Considerable increase in COVID-19 contagion and the implementation of stronger restrictions on mobility; and (2) the spread between US presidential candidates continues to narrow, particularly in swing states
- Markets focused on the evolution of COVID-19 and the Senate hearing of the CEOs of Facebook, Twitter, and Google, as well as a plethora of quarterly earnings results and monetary policy decisions in Canada, Japan and Brazil
- Regarding the virus, Germany's chancellor Angela Merkel proposed closing bars, gyms and restaurants for a month, while France is contemplating restrictions that could even include a full lockdown
- On the other hand, Italy introduced a couple of days ago the highest amount of restrictions since the previous lockdown ended, while Spain will also impose new measures
- In this backdrop, speculation is increasing that the ECB could surprise markets tomorrow with an announcement of more monetary stimulus in its policy decision
- Hopes of a new fiscal stimulus deal in the US have faded after several Senate members left town on a pre-election break after the confirmation of Justice Amy Coney Barrett, while president Trump suggested that the election must be left behind for new relief to materialize

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
United States					
8:30	Trade balance* - Sep	US\$bn	--	-85.0	-83.1
18:00	Fed's Kaplan Takes Part in Panel Discussion with Mark Carney				
Mexico					
12:00	Pemex Quarterly Financial Report 3Q20				
Brazil					
	Monetary policy decision (Central bank of Brazil)	%	--	2.00	2.00
Japan					
	Monetary policy decision (BoJ)	%	--	--	-0.10

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	3,319.00	-1.9%
Euro Stoxx 50	2,966.10	-3.4%
Nikkei 225	23,418.51	-0.3%
Shanghai Composite	3,269.24	0.5%
Currencies		
USD/MXN	21.31	1.4%
EUR/USD	1.17	-0.6%
DX	93.64	0.7%
Commodities		
WTI	37.71	-4.7%
Brent	39.55	-4.0%
Gold	1,881.15	-1.4%
Copper	304.25	-1.6%
Sovereign bonds		
10-year Treasury	0.75	-2pb

Source: Bloomberg

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Equities

- Equity markets are mostly negative, dragged down by the possible economic impact of increased COVID-19 infections and activity closures in several countries, as well as by tighter than expected US elections. In the United States, futures anticipate a negative opening, with the S&P falling 1.7%. In Europe, the Stoxx 600 is down 3.2%, with the autos sector leading the losses. Asia closed mixed, with the Shanghai Comp and the Nikkei at +0.5% and -0.3%, respectively
- Today, the highlighted results in the US are those of Boeing and GE, which already reported better than estimated, and that of Ford later on. In Mexico, we anticipate favorable reactions to AC and GCC's reports, while Liverpool and Gicsa continued to be weak. Today we expect results from Alsea, Creal, Femsa, Gap, Orbia, Soriana, Pemex, and Pinfra, while Cemex reported better than expected EBITDA with profitability improvement, although at a net level there was a loss from a non-cash charge

Sovereign fixed income, currencies and commodities

- Mixed movements in sovereign bonds. In Europe, peripheral regions printed an adjustment of -2bps and +2bps in other regions, while US Treasuries register gains of 1bp in the long-end of yield curve. In Mexico, the Mbonos' curve registered a 3bps rally yesterday
- The USD trades positive (BBDXY +0.7%) amid a negative performance in G10 currencies except for JPY. In EM, bias is also negative with PLN and RUB as the weakest (-1.5%) and MXN trading at 21.31 per dollar (-1.4%) scoring three negative sessions in a row
- Crude-oil registers losses (Brent -3.8% and WTI -4.6%) due to a higher than expected increase in US inventories and more coronavirus infections in Europe. In metals, golds trades at 1,882 \$/oz t (-1.4%), while industrials register a negative balance

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	27,463.19	-0.8%
S&P 500	3,390.68	-0.3%
Nasdaq	11,431.35	0.6%
IPC	38,001.31	-0.6%
Ibovespa	99,605.50	-1.4%
Euro Stoxx 50	3,070.60	-1.1%
FTSE 100	5,728.99	-1.1%
CAC 40	4,730.66	-1.8%
DAX	12,063.57	-0.9%
Nikkei 225	23,485.80	0.0%
Hang Seng	24,787.19	-0.5%
Shanghai Composite	3,254.32	0.1%
Sovereign bonds		
2-year Treasuries	0.15	0pb
10-year Treasuries	0.77	-3pb
28-day Cetes	4.22	-2pb
28-day TIE	4.52	0pb
2-year Mbono	4.54	-2pb
10-year Mbono	6.15	-5pb
Currencies		
USD/MXN	21.01	0.4%
EUR/USD	1.18	-0.1%
GBP/USD	1.30	0.2%
DXY	92.94	-0.1%
Commodities		
WTI	39.57	2.6%
Brent	41.20	1.8%
Mexican mix	36.20	2.1%
Gold	1,907.99	0.3%
Copper	309.35	0.1%

Source: Bloomberg

Corporate Debt

- CIBanco (Trustee) informed Vanrenta's intention to prepay all of the VANRECB 18 issuance on November 5, 2020, for which the principal payment of MXN 171.87 million will be made. The early amortization is subject to the condition of the issuance of VRTCB 20
- Banco Invex (Trustee) informed that, in accordance with the provisions of the Trust Agreement and the Title that covers the TFOVICB 20U issue, the Trustee carried out an accelerated amortization for MXN 26.56 million, equivalent to approximately 4.05 million udis on October 27
- HR Ratings affirmed Bachoco's and its BACHOCO 17 issuance ratings at 'HR AAA' with a stable outlook; and in 'HR + 1' for the short term

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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	Reference
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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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