

# Financial Markets Daily

October 30, 2020

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

- Negative stock markets, except Europe that reacts positively to the release of the 3Q20 GDP report, while the dollar operates with little change, and the government bonds yields advance amid fears of the rebound in the number of infections and due to a greater risk aversion at the proximity of the US elections
- Early voting in the US already reaches almost 60% of the total votes cast in 2016, which will translate into changes on the Election Day and may delay when the winner will be known as multiple states mailed ballots cannot be counted until November 3
- In the Eurozone, 3Q20 GDP report was released, posting a strong growth of 12.7% q/q, far exceeding the consensus estimate of a 9.6% q/q increase. Despite the positive report, there are clear risks of a slowdown in 4Q20 given the rebound in the number of infections and the containment measures that the region is taking, which points to an expansion of the emergency asset purchase program (PEPP) at the ECB's December meeting
- In Mexico, 3Q20 GDP showed a 12% q/q growth (-8.6% y/y). By sectors, industrial activity increased 22% q/q, while services rebounded 8.6% q/q

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<b>Eurozone and Germany</b>					
3:00	GER Gross domestic product* - 3Q20 (P)	% q/q	--	7.3	-9.7
6:00	EUR Unemployment rate* - Sep	%	--	8.2	8.1
6:00	EUR Gross domestic product* - 3Q20	% q/q	--	9.5	-11.8
6:00	EUR Consumer prices - Oct (P)	% y/y	--	--	-0.3
6:00	Core - Oct (P)	% y/y	--	0.2	0.2
<b>Mexico</b>					
8:00	Gross domestic product - 3Q20 (P)	% y/y	-8.8	-8.9	-18.7
8:00	Gross domestic product* - 3Q20 (P)	% q/q	11.8	11.8	-17.1
11:00	Banking credit - Sep	% y/y	-2.0	--	-1.4
16:30	Public finances (year-to-date) - Sep	MXNmn	--	--	-275.0
<b>United States</b>					
8:30	Personal income* - Sep	% m/m	--	0.3	-2.7
8:30	Personal spending* - Sep	% m/m	0.9	1.0	1.0
8:30	Real personal spending* - Sep	% m/m	0.6	0.7	0.7
8:30	PCE Deflator* - Sep	% y/y	--	2.9	-1.8
8:30	Core* - Sep	% y/y	--	1.7	1.6
10:00	U. of Michigan confidence* - Oct (F)	index	81.2	81.2	81.2
<b>Colombia</b>					
	Monetary policy decision (BanRep)	%	--	1.75	1.75

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	3,277.50	-0.7%
Euro Stoxx 50	2,959.98	0.0%
Nikkei 225	22,977.13	-1.5%
Shanghai Composite	3,224.53	-1.5%
<b>Currencies</b>		
USD/MXN	21.24	-0.6%
EUR/USD	1.17	0.2%
DXY	93.72	-0.3%
<b>Commodities</b>		
WTI	35.83	-0.9%
Brent	37.57	-0.2%
Gold	1,888.48	1.1%
Copper	305.95	0.1%
<b>Sovereign bonds</b>		
10-year Treasury	0.83	0pb

Source: Bloomberg

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## Equities

- October concludes with mixed movements in stock markets. Futures in the US anticipate a negative opening, with the S&P500 trading 0.7% below its theoretical value, after BIG Tech results came mixed, while worries around its outlook keep investors uncertain
- In Asia the trading session concluded with widespread losses, mainly driven by tech sector, after Apple didn't give any information about its 4Q20 expectations. In Europe we observe mixed movements, with better than expected growth figures, but with infections rising
- Today we expect 20 S&P500 companies to publish its results, among which Chevron, Exxon Mobil and Honeywell outstand. As of today, we have around 60% of results and a 6.8% drop in earnings has been achieved vs 21.6%e, with a positive surprise rate at 84.7%

## Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds with European securities registering slight pressures of 1bp, while US Treasuries gain ~1bp with more incidence in the longer-end. Yesterday local rates experienced a sharp steepening bias with the Mbonos' curve printing a 5bps sell-off
- The USD moderates its weekly strengthening amid a stronger performance in G10 currencies, although it heads for a weekly 1% gain. In EM performance is mixed with TRY leading losses (-0.9%) and MXN appreciating 0.3% to 21.30 per dollar, touching up to 21.50 earlier today
- Crude oil stabilizes after significant losses the last weeks adding to a weak performance in October, a month that will print the strongest fall since March given the effect in demand due to the pick-up in cases and new distancing measures. Precious metals up and industrials weak

## Previous closing levels

	Last	Daily chg.
<b>Equity indices</b>		
Dow Jones	26,659.11	0.5%
S&P 500	3,310.11	1.2%
Nasdaq	11,185.59	1.6%
IPC	36,801.37	-1.6%
Ibovespa	96,582.20	1.3%
Euro Stoxx 50	2,960.03	-0.1%
FTSE 100	5,581.75	0.0%
CAC 40	4,569.67	0.0%
DAX	11,598.07	0.3%
Nikkei 225	23,331.94	-0.4%
Hang Seng	24,586.60	-0.5%
Shanghai Composite	3,272.73	0.1%
<b>Sovereign bonds</b>		
2-year Treasuries	0.15	0pb
10-year Treasuries	0.82	5pb
28-day Cetes	4.25	1pb
28-day TIE	4.52	0pb
2-year Mbono	4.59	2pb
10-year Mbono	6.23	5pb
<b>Currencies</b>		
USD/MXN	21.36	0.3%
EUR/USD	1.17	-0.6%
GBP/USD	1.29	-0.4%
DX	93.96	0.6%
<b>Commodities</b>		
WTI	36.17	-3.3%
Brent	37.65	-3.8%
Mexican mix	32.98	-3.9%
Gold	1,867.59	-0.5%
Copper	305.65	-0.2%

Source: Bloomberg

## Corporate Debt

- Sofoplus informed the capital increase in its holding company Pluscorp for MXN 245 million and the subsequent capital increase in Sofoplus and its subsidiary Plus Leasing
- HR Ratings downgraded Corpovael and its CADU 18/19 issuances to 'HR BBB' from 'HR A-', modifying the outlook to Stable from Negative; it also downgraded the short-term rating from 'HR2' to 'HR3'. According to the agency, the modification is due to the observed and expected operating decrease for the following periods
- HR Ratings ratified Nacional Financiera's long-term rating and its outstanding issues at 'HR AAA' with a stable outlook and short-term rating at 'HR+1'

## 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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