

Financial Markets Daily

November 4, 2020

Main drivers for the financial markets today...

- Stock markets mostly positive, with the US dollar rising and government bond yields lower, specifically with strong gains in longer-dated Treasuries. Overall, demand for safe-haven assets has increased due to the close US election and without a 'blue wave' materializing
- The result of the election so far shows 227 electoral votes in favor of Joe Biden with 213 in favor of Donald Trump, with the remaining 98 corresponding to some of the swing states. It should be mentioned that in some of them, such as Wisconsin and Michigan the count continues, mainly focusing on vote by mail, which is expected to be mostly for Biden. Considering this, and despite Trump declaring himself the winner, there is still a long way out to have a definitive result
- In the race for Congress, it is likely that the Democrats maintain the majority of the House of Representatives, although so far 190 seats have been declared for this party, with 181 corresponding to Republicans and 64 still left to be decided. The Senate looks closer, with 47 positions each and 6 remaining, although probably skewing towards the Republicans
- On economic data, the October's services PMI in the Eurozone came in slightly better than expectations at 50,0pts, with some boost after similar results in Germany. With this, composite PMIs for both the region and this country surprised to the upside. In the US we will be looking into ADP's employment report, possibly showing an increase of around 700 thousand jobs

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
3:55	GER Services PMI (Markit)* - Oct (F)	index	--	48.9	48.9
3:55	GER Composite PMI (Markit)* - Oct (F)	index	--	54.5	54.5
4:00	EUR Services PMI (Markit)* - Oct (F)	index	--	46.2	46.2
4:00	EUR Composite PMI (Markit)* - Oct (F)	index	--	49.4	49.4
4:30	UK Services PMI* - Oct (F)	index	--	52.3	52.3
Brazil					
7:00	Industrial production - Sep	% y/y	--	2.2	-2.7
7:00	Industrial production* - Sep	% m/m	--	2.2	3.2
United States					
7:15	ADP employment* - Oct	thousands	--	700	748
7:30	Trade balance*-Sep	mmd	--	-69.2	-67.1
8:45	Services PMI (Markit)* - Oct (F)	index	--	54.5	56.0
8:45	Composite PMI (Markit)* - Oct (F)	index	--	--	55.5

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	3,413.75	1.6%
Euro Stoxx 50	3,129.46	1.0%
Nikkei 225	23,695.23	1.7%
Shanghai Composite	3,277.44	0.2%
Currencies		
USD/MXN	21.02	-0.4%
EUR/USD	1.17	0.1%
DX	93.38	-0.2%
Commodities		
WTI	38.40	2.0%
Brent	40.54	2.1%
Gold	1,907.20	-0.1%
Copper	310.15	0.3%
Sovereign bonds		
10-year Treasury	0.79	-11pb

Source: Bloomberg

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Equities

- Mixed equity markets while attention remains on the presidential elections, and the lack of a clear winner maintains high volatility in stock markets, in the face of a longer electoral process and the possibility of legal action by Trump. Thus, US futures anticipate a positive opening, with Nasdaq trading at +2.9%, where the main technology companies rise in the pre-market due to the solid returns and security they have shown in an environment of uncertainty
- In Asia, the Shanghai Comp rose 0.2% and the Hang Seng lost 0.2%, where Alibaba shares plummeted 7.5% after Ant Group's IPO was suspended amid regulatory concerns. In Europe, the Stoxx 600 gains 0.9%, driven by the health sector
- On the corporate front, in the US the results of Allstate, CenturyLink, Hilton, Marathon Oil, MetLife, Pioneer, and Qualcomm stand out today

Sovereign fixed income, currencies and commodities

- Sharp rally in sovereign bonds amid greater safe haven positioning, with European rates gaining ~3bps while the US Treasuries' curve flattens with the long-end rallying as much as 11bps. Yesterday Mbonos sold-off 4bps, on average
- The FX space moderates initial losses against the USD last night, with a mixed balance in the G10 universe and recovering in EM where BRL outperforms with a 0.8% gain. USD/MXN limits a sell-off as strong as 4% yesterday reaching 22.00, currently trading at 21.02
- Crude oil gains ~3% in the midst of the electoral uncertainty while the market assimilates the probability of a delay in the next phase of the OPEC+ production cut pact. Metals trade negative with a slight loss in gold

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	27,480.03	2.1%
S&P 500	3,369.16	1.8%
Nasdaq	11,160.57	1.9%
IPC	37,466.09	1.3%
Ibovespa	95,979.70	2.2%
Euro Stoxx 50	3,098.72	2.6%
FTSE 100	5,786.77	2.3%
CAC 40	4,805.61	2.4%
DAX	12,088.98	2.6%
Nikkei 225	23,295.48	0.0%
Hang Seng	24,939.73	2.0%
Shanghai Composite	3,271.07	1.4%
Sovereign bonds		
2-year Treasuries	0.17	1pb
10-year Treasuries	0.90	6pb
28-day Cetes	4.24	-3pb
28-day TIIE	4.52	0pb
2-year Mbono	4.62	2pb
10-year Mbono	6.39	9pb
Currencies		
USD/MXN	21.11	-1.2%
EUR/USD	1.17	0.6%
GBP/USD	1.31	1.1%
DX	93.55	-0.6%
Commodities		
WTI	37.66	2.3%
Brent	39.71	1.9%
Mexican mix	35.00	3.2%
Gold	1,909.17	0.7%
Copper	309.25	0.5%

Source: Bloomberg

Corporate Debt

- Fitch Ratings affirmed the ratings for Fonadin's Future Flows, MXPUCB 18 / 18U, at 'AAA(mex)vra', withdrew the Negative Watch, and assigned a Stable Outlook. The rating action reflects Fitch's expectations that the project's short-term liquidity provides a security margin consistent with current credit ratings
- HR Ratings affirmed the rating for Fin Útil's ABS, FUTILCB 19, at 'HR AAA (E)' with a Stable Outlook
- Bondholder's Meeting summoned for Grupo Aeroméxico short-term notes on November 12, where the issuer will inform about the financial restructuring process status for the company and its subsidiaries

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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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