

Financial Markets Daily

November 6, 2020

Main drivers for the financial markets today...

- Stock markets lower, USD gaining, and government bond yields up, erasing yesterday's rally –even in bond markets–, amid higher risk aversion as investors realize the magnitude of the post-electoral conflict that is brewing and are cautious about the US employment report
- This reaction happens even with more favorable figures for Biden in the latest tally of votes. In Georgia (16 electoral votes), the president's advantage has been reversed. Moreover, Biden has improved its position in Pennsylvania (20 votes), albeit still behind Trump. According to the New York Times, Biden has 253 votes and Trump 214, with 71 remaining
- Market attention also focused on October's nonfarm payrolls and unemployment rate, along September's consumer credit and corporate earnings in the US. Tonight, trade balance data will be released in China
- In Mexico, August's gross fixed investment stood at -17.4% y/y, below market expectations. Nevertheless, it rose 5.7% in the monthly comparison, driven by an uptick in construction. Moreover, private consumption for the same month backtracked 14.2% y/y. In sequential terms the advance was 1.8%, highlighting strength in imported goods

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Germany					
2:00	Industrial production* - Sep	% m/m	--	2.5	-0.2
Mexico					
7:00	Gross fixed investment - Aug	% y/y	-16.2	-16.2	-16.2
7:00	Gross fixed investment* - Aug	% m/m	6.4	--	6.4
7:00	Private consumption - Aug	% y/y	--	--	-15.2
7:00	Private consumption* - Aug	% m/m	--	--	5.2
Brazil					
7:00	Consumer prices - Oct	% m/m	--	0.8	0.6
7:00	Consumer prices - Oct	% y/y	--	3.9	3.1
United States					
7:30	Nonfarm payrolls* - Oct	thousands	650	650	661
7:30	Unemployment Rate* - Oct	%	7.7	7.7	9.9
14:00	Consumer credit* - Sep	US\$bn	--	8.3	-7.2
China					
23:00	Trade balance - Oct	% y/y	--	44.3	37.0
23:00	Exports - Oct	% y/y	--	8.0	9.9
23:00	Imports - Oct	% y/y	--	7.5	13.2

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	3,474.50	-0.9%
Euro Stoxx 50	3,182.07	-1.0%
Nikkei 225	24,325.23	0.9%
Shanghai Composite	3,312.16	-0.2%
Currencies		
USD/MXN	20.80	0.4%
EUR/USD	1.19	0.4%
DX	92.39	-0.1%
Commodities		
WTI	37.64	-3.0%
Brent	39.86	-2.6%
Gold	1,949.94	0.0%
Copper	315.50	1.4%
Sovereign bonds		
10-year Treasury	0.78	1pb

Source: Bloomberg

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Equities

- We conclude the week with mixed movements in stock markets, though negative bias, while attention continues in the US election outcome. Futures anticipate a negative opening, with the S&P500 trading 0.9% below its theoretical value, after recent rally. In Asia the trading session concluded positive, while Europe shows widespread losses, with technology and travel reflecting the major falls, after a hike in the number of infections and mixed corporate earnings
- In the final stage of earnings season in US, we expect seven companies of the S&P500 to publish its results, among which CVS and Dish Network outstand. As of today, ~83% of the results have been disclosed and a 6.7% drop in earnings has been achieved vs -21.6%e. Positive surprise rate stands at 84.1%
- In Mexico, Asur published October's passengers' traffic showing a 50.1% y/y drop, being weaker than expected

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds, waiting for more information, with European securities registering gains of 1bp while Treasuries trade with pressures of 1bp. Yesterday, the Mbonos yield curve extended the sharp flattening of the previous session, with gains of 11bps on average and up to 15bps in long-term tenors
- USD stable with a slight negative bias. In the G10 universe, the SEK leads the gains appreciating 0.5% while the AUD falls 0.3%. In EM, price action is mixed with TRY leading losses (-1.2%) while the USD/MXN depreciates 0.4% to 20.79
- Oil prices fall ~3% due to concerns of lower global demand and increased production from Libya. Gold trades at 1,953 \$/oz t (+0.2%) while the industrial metals balance is positive, with Nickel printing gains of 1.4%

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	28,390.18	1.9%
S&P 500	3,510.45	1.9%
Nasdaq	11,890.93	2.6%
IPC	38,399.07	2.5%
Ibovespa	100,751.40	2.9%
Euro Stoxx 50	3,215.56	1.7%
FTSE 100	5,906.18	0.4%
CAC 40	4,983.99	1.2%
DAX	12,568.09	2.0%
Nikkei 225	24,105.28	1.7%
Hang Seng	25,695.92	3.3%
Shanghai Composite	3,320.13	1.3%
Sovereign bonds		
2-year Treasuries	0.14	0pb
10-year Treasuries	0.76	0pb
28-day Cetes	4.22	-2pb
28-day TIIE	4.51	0pb
2-year Mbono	4.46	-8pb
10-year Mbono	6.10	-14pb
Currencies		
USD/MXN	20.71	-1.1%
EUR/USD	1.18	0.9%
GBP/USD	1.31	1.2%
DX-Y	92.53	-0.9%
Commodities		
WTI	38.79	-0.9%
Brent	40.93	-0.7%
Mexican mix	36.21	-0.4%
Gold	1,949.66	2.5%
Copper	311.00	0.1%

Source: Bloomberg

Corporate Debt

- HR Ratings downgraded Minera Frisco's unsecured note, MFRISCO 18, rating to 'HR BBB+' from 'HR A', changing the outlook from Stable to Negative. The downward revision is based mainly on operating pressures shown during the last twelve months (LTM) to 3Q20, which were reflected in a Free Cash Flow (FCF) of MXN -6.10 billion
- Fitch Ratings affirmed the ratings of the mortgage backed securities originated by Metrofinanciera: METROCB 04U at 'AAA(mex)vra', METROCB 06U at 'CC(mex)vra', MTROCB 07U at 'CC(mex)vra', MTROCB 08U at 'C(mex)vra' and MTROFCB 08 at 'AA(mex)vra'

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