

Financial Markets Daily

November 23, 2020

Main drivers for the financial markets today...

- Stock markets up, USD lower and government bond yields rising amid optimism boosted by important developments on a COVID-19 vaccine, as well as increasing Republican pressure on president Trump to concede, more so given abundant evidence of Joe Biden's triumph. Additional support from stronger PMI manufacturing indicators in the Eurozone and UK, despite the decline in services
- Market attention this week remains on the COVID-19 vaccine and the outlook for stimulus, particularly as differences arose between the Treasury and Fed in the US, along difficulties for approval in the Eurozone. Final 3Q20 GDP figures will be released in Germany, US and Mexico
- In monetary policy, watch for Banxico's Quarterly Report and minutes, expecting higher growth and inflation forecasts in the former. Decisions by Korea, Sweden and Colombia. Moreover, comments by Fed members and minutes, and a speech by ECB president Lagarde, among others
- In the US, markets will be closed on Thursday because of Thanksgiving Day. In coming days, data includes PMI indicators, University of Michigan and consumer confidence, trade balance, new home sales, durable goods orders, personal income/spending and PCE deflator
- Plethora of data in Mexico, with unemployment rate, trade balance, retail sales, 3Q20 current account and inflation for the 1st half of November. We estimate the latter at 0.22% 2w/2w, with the core at -0.03%

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone and UK					
3:30	GER Manufacturing PMI (Markit)* - Nov (P)	index	--	56.0	58.2
3:30	GER Services PMI (Markit)* - Nov (P)	index	--	46.3	49.5
3:30	GER Composite PMI (Markit)* - Nov (P)	index	--	50.5	55.0
4:00	EZ Manufacturing PMI (Markit)* - Nov (P)	index	--	53.2	54.8
4:00	EZ Services PMI (Markit)* - Nov (P)	index	--	42.0	46.9
4:00	EZ Composite PMI (Markit)* - Nov (P)	index	--	45.6	50.0
4:30	UK Manufacturing PMI* - Nov (P)	index	--	50.5	53.7
4:30	UK Services PMI* - Nov (P)	index	--	43.0	51.4
United States					
9:45	Manufacturing PMI (Markit)* - Nov (P)	index	53.0	53.0	53.4
9:45	Services PMI (Markit)* - Nov (P)	index	--	55.3	56.9
9:45	Composite PMI (Markit)* - Nov (P)	index	--	--	56.3
12:30	Fed's Barkin Takes Part in Online Discussion on Economy				
14:00	Fed's Daly discusses the future of cities				
15:00	Fed's Evans Takes Part in Moderated Q&A on the Economy				

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	3,572.25	0.5%
Euro Stoxx 50	3,479.61	0.3%
Nikkei 225	25,527.37	0.0%
Shanghai Composite	3,414.49	1.1%
Currencies		
USD/MXN	19.97	-0.7%
EUR/USD	1.19	0.4%
DX	92.07	-0.3%
Commodities		
WTI	42.84	1.6%
Brent	45.48	1.2%
Gold	1,867.44	-0.2%
Copper	327.30	-0.5%
Sovereign bonds		
10-year Treasury	0.85	2pb

Source: Bloomberg

Equities

- More news regarding advances in vaccines against COVID-19 keep driving risk appetite among investors. This time, it was AstraZeneca who after stating its vaccine prevented coronavirus' contagion in most cases, poised stock markets for extending gains and remain on historic highs
- That said, US futures are set for a positive opening, with those of the S&P500 trading 0.5% above their fair value, as the pharmaceutical sector gains in the premarket (Pfizer & Moderna). Meanwhile, the Euro Stoxx trims earlier gains, following Danone's announcement of 2,000 job cuts, in an attempt to offset the pandemic's impact on its profitability
- As for Asia, trading session there ended green. A 1.1% gain in the Shanghai Composite outstood as the Japanese markets remained closed for holiday

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds with gains in Asia/Pacific of 1-3bps, as well as for European peripherals, while securities from developed regions and Treasuries pressure ~2bps. The Mbonos' curve averaged an 8bps rally last week
- The USD extends last week's weakening, with all the G10 spectrum appreciating this Monday with GBP outperforming (+0.7%), also with a positive balance in EM excluding TRY (-1.7%). USD/MXN gains 0.7% to 19.97, a level not seen since March
- Positive performance in crude-oil futures with a rise of ~1.5% reaching levels not seen since September for the WTI, backed by optimism about COVID-19 treatments. Metals trade mostly negative and under narrow ranges, excluding copper that rallies 2%

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	29,263.48	-0.7%
S&P 500	3,557.54	-0.7%
Nasdaq	11,854.97	-0.4%
IPC	41,905.06	0.1%
Ibovespa	106,042.50	-0.6%
Euro Stoxx 50	3,467.60	0.5%
FTSE 100	6,351.45	0.3%
CAC 40	5,495.89	0.4%
DAX	13,137.25	0.4%
Nikkei 225	25,527.37	-0.4%
Hang Seng	26,451.54	0.4%
Shanghai Composite	3,377.73	0.4%
Sovereign bonds		
2-year Treasuries	0.16	0pb
10-year Treasuries	0.82	-1pb
28-day Cetes	4.27	-1pb
28-day TIE	4.49	0pb
2-year Mbono	4.48	-4pb
10-year Mbono	5.93	-6pb
Currencies		
USD/MXN	20.11	-0.4%
EUR/USD	1.19	-0.2%
GBP/USD	1.33	0.1%
DXY	92.39	0.1%
Commodities		
WTI	42.15	1.0%
Brent	44.96	1.7%
Mexican mix	40.01	1.5%
Gold	1,870.99	0.2%
Copper	331.00	2.8%

Source: Bloomberg

Corporate Debt

- In the bank debt market, the auction of two sustainable bonds from Banobras this week is expected, BANO 20X / 20-2, for an amount of MXN 5 billion over 3 and 5 years, respectively, both pegged to TIE28
- Fitch Ratings placed Consubanco's ratings at 'BB-' and 'A- (mex)' on Negative Watch, reflecting Fitch's view of the bank's increased risk appetite toward inorganic growth in a challenging operating environment
- Fibra Shop announced the signing of a committed revolving credit facility for an amount of up to MXN 220 million with Scotiabank
- Notice of a partial principal amortization in the EXITCB 17 issuance (Exitus Capital ABS) on November 27th for MXN 30.49 million

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