

Financial Markets Daily

November 25, 2020

Main drivers for the financial markets today...

- **Stock markets mixed. Asia positive extending yesterday's rally, while Europe and futures in the US are slightly negative after the financial stability report from the ECB and awaiting economic data in the US**
- **Specifically, the ECB warned that banks in the region might have to increase their provisions to face bad loans, mentioning that these are below what their peers in the US are incorporating**
- **On news of the virus, Texas registered a new record in daily cases while in California deaths might reach a new high by Christmas. In Germany, Angela Merkel is proposing the implementation of stricter measures, while in France, Emmanuel Macron mentioned that these will be lifted gradually**
- **On economic data, in the US we highlight revised GDP for 3Q20 and FOMC minutes. In addition, we will have the personal income and outlays report for October, jobless claims and consumer confidence from the University of Michigan, among others**
- **In Mexico, retail sales in September were better than expected at -7.1% y/y. In sequential terms they rose 2.7%, adding five months to the upside. Later, attention will center on Banxico's Quarterly Report, with a special focus on updated forecasts for growth and inflation**

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
7:00	Retail sales - Sep	% y/y	-8.1	-8.8	-10.8
7:00	Retail sales* - Sep	% m/m	2.0	2.4	2.5
10:00	Current account - 3Q20	US\$bn	--	--	4.8
11:30	Extraordinary Cetes auction - 189, 259, 357 and 679 days				
13:00	Banxico's Quarterly Report				
United States					
8:30	Gross domestic product** - 3Q20	% q/q	33.1	33.1	33.1
8:30	Personal consumption** - 3Q20	% q/q	--	40.8	40.7
8:30	Initial jobless claims* - Nov 21	thousands	--	733	742
8:30	Durable goods orders* - Oct (P)	% m/m	--	0.9	1.9
8:30	Ex transportation* - Oct (P)	% m/m	--	0.4	0.9
10:00	Personal income* - Oct	% m/m	--	0.1	0.9
10:00	Personal spending* - Oct	% m/m	--	0.4	1.4
10:00	PCE Deflator* - Oct	% y/y	--	3.6	3.6
10:00	Core* - Oct	% y/y	--	--	0.2
10:00	U. of Michigan confidence* - Nov (F)	index	--	77.0	77.0
14:00	FOMC Meeting Minutes				

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	3,627.75	-0.1%
Euro Stoxx 50	3,506.83	0.0%
Nikkei 225	26,296.86	0.5%
Shanghai Composite	3,362.33	-1.2%
Currencies		
USD/MXN	20.09	0.3%
EUR/USD	1.19	0.0%
DX	92.16	-0.1%
Commodities		
WTI	45.23	0.7%
Brent	48.17	0.6%
Gold	1,814.74	0.4%
Copper	330.75	-0.4%
Sovereign bonds		
10-year Treasury	0.88	0pb

Source: Bloomberg

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Equities

- Equity markets mixed and with few changes, after the European Central Bank warned about non-performing loans increase for the pandemic once support programs end, and following the rally observed at the previous session in the US market that led the Dow Jones and the S&P500 to close at all-time highs, encouraged by positive news about the advance in Covid-19 vaccines in recent weeks, greater political certainty by the start of the US presidential transition, and Janet Yellen's nomination to Treasury Secretary
- Futures for the major US indices point to a flat open, with the S&P500 trading at -0.1%. For its part, in Europe the Stoxx 600 loses 0.2%, with the energy and financial sector leading the fall, compensating the advance in consumer staples. Meanwhile, in Asia, markets closed mixed, where the Shanghai Composite fell 1.2% and the Nikkei gained 0.5%

Sovereign fixed income, currencies and commodities

- Light gains on sovereign bonds amid moderation in risk appetite with movements of ~1bp in Europe, while the US Treasuries gain 1bp in longer-term tenors. Yesterday the Mbonos' curve rallied 3bps and Udibonos closed mixed after the downward surprise in local CPI
- Few changes in the USD with a mixed balance and narrow ranges in G10 currencies, with a similar performance in EM FX. In the later, CLP and TRY outperform with gains of 0.4% while the MXN depreciates 0.3% to 20.09 per dollar, after reaching 19.95 earlier today
- Crude oil extends recent gains at its highest level since March amid the renewed optimism from the positive developments on vaccines and its effects for energy demand going forward. In metals, precious limit recent losses and industrials trade mixed

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	30,046.24	1.5%
S&P 500	3,635.41	1.6%
Nasdaq	12,036.79	1.3%
IPC	42,736.48	1.1%
Ibovespa	109,786.30	2.2%
Euro Stoxx 50	3,507.98	1.3%
FTSE 100	6,432.17	1.6%
CAC 40	5,558.42	1.2%
DAX	13,292.44	1.3%
Nikkei 225	26,165.59	2.5%
Hang Seng	26,588.20	0.4%
Shanghai Composite	3,402.82	-0.3%
Sovereign bonds		
2-year Treasuries	0.16	0pb
10-year Treasuries	0.88	3pb
28-day Cetes	4.28	-2pb
28-day TIE	4.49	0pb
2-year Mbono	4.45	-4pb
10-year Mbono	5.85	-4pb
Currencies		
USD/MXN	20.03	-0.6%
EUR/USD	1.19	0.4%
GBP/USD	1.34	0.3%
DX	92.23	-0.3%
Commodities		
WTI	44.91	4.3%
Brent	47.86	3.9%
Mexican mix	42.65	3.8%
Gold	1,807.59	-1.6%
Copper	332.00	1.3%

Source: Bloomberg

Corporate Debt

- Two sustainable bonds are expected to be auctioned today by Banobras, BANO 20X / 20-2X for a target amount of MXN 5.0 billion (max. MXN 7.5 billion)
- The notes will pay a floating rate pegged to the 28-day TIE and will have 3- and 5-year term, respectively. The notes' assigned credit ratings are 'AAA' by S&P Global Ratings, Fitch Ratings and Moody's de Mexico
- PCR Verum affirmed Navistar Financial's ratings at 'BBB+/M' and '2/M' for the long and short term and placed them on Positive Watch following the recent definitive acquisition agreement by TRATON Group (Volkswagen AG)

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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, Juan Barbier Arizmendi and Eridani Ruibal Ortega, 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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