

Financial Markets Daily

December 2, 2020

Main drivers for the financial markets today...

- Stock markets with small changes and negative bias, with the USD up and lower government bond yields despite good news from the Pfizer / BioNTech vaccine, which got final regulatory approval in the UK. In this backdrop, we see some profit taking after yesterday's rally amid concerns about the future relationship between the US and China and the possibility of a no-deal Brexit
- Market attention today on the second day of Congressional hearings of Jerome Powell and Steven Mnuchin, as well as the publication of the ADP employment report for November
- Specifically, Brexit negotiations continue at an accelerated pace in a bid to reach a deal early next week, remembering that the UK will exit the single market on December 31st. Some optimism prevails despite several differences still in place, so the result remains highly uncertain to make a call of the most likely outcome
- US president-elect Joe Biden stated that he would not immediately scrap the "phase one" trade deal with China as soon as he reaches the presidency. In turn, he said that he will fully review the deal and reach for his allies to counter the influence of countries like China and Russia
- In Mexico, total vehicle sales in November fell 23.5% y/y in November from -21.3% in October. This is consistent with other signals suggesting a more modest pace and heightened risks to the recovery in said month

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Unemployment rate* - Oct	%	--	8.4	8.3
Brazil					
7:00	Industrial production - Oct	% y/y	--	1.0	3.4
7:00	Industrial production* - Oct	% m/m	--	0.8	2.6
United States					
8:15	ADP employment* - Nov	thousands	320	430	365
10:00	Powell Appears Before House Finance Panel				
13:00	Fed's Williams holds press briefing				
14:00	Beige Book				
Mexico					
11:30	Extraordinary Cetes auction – 182, 252, 350, 483, and 672 days				
China					
20:45	Services PMI (Caixin)*	index	--	56.3	56.8
20:45	Composite PMI (Caixin)* - Nov	index	--	--	55.7

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	3,650.50	-0.3%
Euro Stoxx 50	3,515.39	-0.3%
Nikkei 225	26,800.98	0.1%
Shanghai Composite	3,449.38	-0.1%
Currencies		
USD/MXN	20.14	0.5%
EUR/USD	1.20	-0.2%
DX	91.46	0.2%
Commodities		
WTI	44.33	-0.5%
Brent	47.26	-0.3%
Gold	1,821.19	0.3%
Copper	345.00	-0.5%
Sovereign bonds		
10-year Treasury	0.91	-1pb

Source: Bloomberg

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Equities

- Mixed stock markets and with few changes, after a solid start of the month that took the S&P500 and the Nasdaq to new record highs in the previous session. Investors are weighing the UK's emergency authorization of the Pfizer-BioNTech vaccine, concerns about a non-deal Brexit, as the pandemic escalates in the US and Germany
- In the US, futures anticipate a negative opening, with the S&P500 falling 0.3%. Salesforce drops in the pre-market, after announcing the acquisition of Slack Inc. In Europe the Stoxx 600 loses 0.3%, with the automotive sector leading the decline
- In Asia, markets closed mixed, with the Nikkei adding 0.1%, while the Shanghai Comp lost 0.1%. In Hong Kong, Xiaomi fell 7.1% after revealing the sale of new shares

Sovereign fixed income, currencies and commodities

- Gains in global rates with European bonds adjusting -2bps, while the US Treasuries also print 2bps gains in the long-end of the yield curve. In local terms, the Mbonos' curve closed yesterday with gains of 2bps in mid- and long-term securities
- The USD trades positive (BBDXY +0.3%) amid a negative performance in G10 currencies except for CHF. In EM, bias is mixed with CLP as the stronger (+0.6%), while the Mexican peso trades at 20.14 per dollar (-0.5%) after a 0.7% appreciation yesterday
- WTI and Brent register losses of -0.5% amid uncertainty about the agreement of the next OPEC+ Ministerial Meeting this Thursday despite favorable news about the COVID-19 vaccine. In metals, gold gains 0.1% to 1,817 \$/oz t and industrials record a mixed balance

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	29,823.92	0.6%
S&P 500	3,662.45	1.1%
Nasdaq	12,355.11	1.3%
IPC	42,895.63	2.7%
Ibovespa	111,399.90	2.3%
Euro Stoxx 50	3,525.24	0.9%
FTSE 100	6,384.73	1.9%
CAC 40	5,581.64	1.1%
DAX	13,382.30	0.7%
Nikkei 225	26,787.54	1.3%
Hang Seng	26,567.68	0.9%
Shanghai Composite	3,451.94	1.8%
Sovereign bonds		
2-year Treasuries	0.17	2pb
10-year Treasuries	0.93	9pb
28-day Cetes	4.35	-6pb
28-day TIE	4.49	0pb
2-year Mbono	4.48	0pb
10-year Mbono	5.79	-1pb
Currencies		
USD/MXN	20.03	-0.7%
EUR/USD	1.21	1.2%
GBP/USD	1.34	0.7%
DXY	91.31	-0.6%
Commodities		
WTI	44.55	-1.7%
Brent	47.42	-0.4%
Mexican mix	42.92	-0.1%
Gold	1,815.24	2.2%
Copper	348.50	1.4%

Source: Bloomberg

Corporate Debt

- Grupo LALA announced the closure of its operations in Costa Rica by December 11, 2020, as a result of an evaluation of the geographic footprint, performance and compatibility within the future strategy; and in line with the company's strategy to focus on its key markets, increase profitability and improve return on investment
- HR Ratings ratified the national scale long-term rating of 'HR AAA (E)' and modified it from Negative Watch to Stable outlook for issuance ACOSTCB 15. According to the agency, the action is based on the maximum drop in collection of 32.0% (vs. 34.2% in the previous review) that supports the structure to continue meeting its financial obligations, through a decrease in the occupancy factor to 72.0% (vs. 62.9% in the previous review)

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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, 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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	Reference
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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
SELL	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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