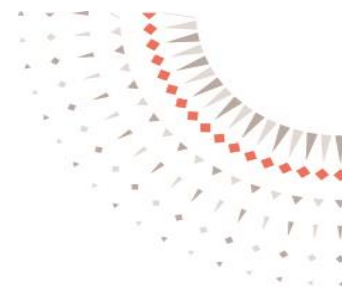


Financial Markets Daily



December 11, 2020

Main drivers for the financial markets today...

- Stock markets lower, USD up and government bond yields falling as: (1) COVID-19 cases keep increasing significantly; (2) hopes of a stimulus package in the US this year fade away; (3) a higher chance of a no deal Brexit; and (4) a delay in Sanofi's vaccine program
- Investors focused on the possible FDA approval of an emergency use of the vaccine by Pfizer/BioNTech, along the preliminary print of the University of Michigan consumer confidence. The Fed's agenda includes George and Quarles, discussing banking supervision
- Mexico's industrial production surprised to the upside in October at -3.3% y/y. in monthly terms stood at +2.0%, very positive given a rebound in construction, but also with strong dynamism in manufacturing and mining
- The European Commission president, Ursula Von der Leyen, said that the most likely scenario by December 31st is a no deal Brexit, as negotiations remain stalled. UK's prime minister, Boris Johnson, warned households and businesses to prepare for this possibility
- In this uncertain backdrop, the European Union approved yesterday a stimulus package and the European Commission's budget for €2.2 trillion, as tensions with some members were resolved (Hungary and Poland). Coupled with the ECB's easing measures also announced yesterday, these developments are favorable for the region's economic outlook next year
- House Speaker Nancy Pelosi said that the bipartisan group working on a new stimulus deal is moving forward, assuring that Congress will not leave this year before an agreement. Nevertheless, investors remain skeptic about an approval before year-end

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Mexico					
7:00	Industrial production - Oct	% y/y	-5.6	--	-6.2
7:00	Industrial production* - Oct	% m/m	0.5	--	0.0
7:00	Manufacturing output - Oct	% m/m	-1.5	--	-3.1
United States					
8:30	Producer prices* - Nov	% m/m	--	0.1	0.3
8:30	Ex. food & energy* - Nov	% m/m	--	0.2	0.1
10:00	U. of Michigan Confidence* - Dec (P)	index	76.0	76.0	76.9

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	3,642.00	-0.7%
Euro Stoxx 50	3,474.34	-1.4%
Nikkei 225	26,652.52	-0.4%
Shanghai Composite	3,347.19	-0.8%
Currencies		
USD/MXN	20.13	0.6%
EUR/USD	1.21	-0.1%
DX	90.99	0.2%
Commodities		
WTI	46.73	-0.1%
Brent	50.12	-0.3%
Gold	1,831.90	-0.3%
Copper	352.25	-1.3%
Sovereign bonds		
10-year Treasury	0.89	-2pb

Source: Bloomberg

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Equities

- We conclude the week with widespread losses in stock markets, as negotiations surrounding higher stimuli in the US remain uncertain, with an important hike in the number of infections
- As such, futures in the US anticipate a negative opening, with the S&P500 trading 0.7% below its theoretical value, awaiting confidence figures to be disclosed later, and with eyes on the possible approval by the FDA for the Pfizer/BioNTech vaccine
- In Asia we observed a mixed closure, though a negative bias prevailed, standing out the losses of around 1% in China's indices. Europe trades with widespread losses, with uncertainty surrounding Brexit negotiations, record infections, and news over Sanofi/GlaxoSmithKline vaccine that may be delayed, as it showed insufficient immune response over elderly people

Sovereign fixed income, currencies and commodities

- Gains in global rates with European bonds adjusting -3bps, while the US Treasuries also print gains of 2bps in the long-end of the yield curve. In local terms, the Mbonos' curve ended yesterday with a 5bps sell-off, on average, with the 10-year benchmark closing at 5.72% (+6bps)
- The USD heads for a positive week (BBDXY +0.3%) amid a negative performance in G10 currencies except for JPY. In EM, bias is mixed with BRL as the weakest (-0.9%), while MXN trades at 20.13 per dollar (-0.6%) scoring three negative sessions in a row
- Oil trades slightly negative, although close to its highest level since March, scoring 6 favorable weeks in a row supported by optimism about COVID-19 vaccines and recovery in demand next year. In metals, gold falls 0.2% to 1,832 \$/oz t and industrials record a positive balance

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	29,999.26	-0.2%
S&P 500	3,668.10	-0.1%
Nasdaq	12,405.81	0.5%
IPC	43,518.71	1.8%
Ibovespa	115,128.60	1.9%
Euro Stoxx 50	3,522.31	-0.2%
FTSE 100	6,599.76	0.5%
CAC 40	5,549.65	0.1%
DAX	13,295.73	-0.3%
Nikkei 225	26,756.24	-0.2%
Hang Seng	26,410.59	-0.3%
Shanghai Composite	3,373.28	0.0%
Sovereign bonds		
2-year Treasuries	0.14	-1pb
10-year Treasuries	0.91	-3pb
28-day Cetes	4.24	-1pb
28-day TIE	4.48	0pb
2-year Mbono	4.43	1pb
10-year Mbono	5.71	6pb
Currencies		
USD/MXN	20.01	0.6%
EUR/USD	1.21	0.5%
GBP/USD	1.33	-0.8%
DXY	90.82	-0.3%
Commodities		
WTI	46.78	2.8%
Brent	50.25	2.8%
Mexican mix	45.42	2.5%
Gold	1,836.57	-0.2%
Copper	357.60	1.8%

Source: Bloomberg

Corporate Debt

- Today the Fhipo structured bond auction, FHIPOCB 20, is expected for an amount of MXN 2 billion (maximum MXN 2.5 billion), with a term of 30 years and rated 'AAA' by S&P Global, Moody's and HR Ratings. The issuance will be backed by the portion acquired by Fhipo of a portfolio of residential mortgage loans, originated in conjunction with Infonavit and managed by them, with an initial and target over-collateralization of 14.0%
- Notice of total early amortization of the Infonavit RMBS, CEDEVIS 08-10U, for the next December 21 for MXN 134.7 million
- HR Ratings upgraded the ratings of Grupo Lamosa and its LAMOSA 19 issue to 'HR AA' from 'HR AA-' and maintained the Stable outlook, based on the results observed in its Net Debt to Free Cash Flow (ND / FCF) during the LTM as of 3Q20

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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	Reference
BUY	<i>When the share expected performance is greater than the MEXBOL estimated performance.</i>
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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