

Financial Markets Daily

December 16, 2020

Main drivers for the financial markets today...

- Stock markets trading higher, with government yields up and the USD losing, as investors are optimistic about: (1) Fiscal progress in the US, both on government funding and a new stimulus package; (2) increased likelihood of a Brexit deal; (3) stronger PMI figures in Germany and the Eurozone; and (4) vaccine rollout
- In this backdrop, markets will be focused today on the Fed decision. We do not see rate changes, but we expect modifications to the asset purchase program and forward guidance. We will also heed Powell's press conference and changes to macro estimates
- We will also know US retail sales for November. We estimate a 0.2% m/m decline, below the previous month's +0.3%. In addition, we expect December's PMI indicators to remain in expansion territory
- On fiscal stimulus, Republican leaders in Congress, Mitch McConnell and Kevin McCarthy, said that bipartisan meetings with the Speaker of the House, Nancy Pelosi, have shown progress. As a result, a deal in this front could come as soon as this week
- In Mexico, the Lower House said yesterday that the proposal to change Banxico's Law will be voted until February 2021. This decision provides additional time for a deeper analysis, discussion and potential modification of the bill

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone and UK					
2:00	UK Consumer prices - Nov	% y/y	--	0.9	0.9
2:00	Core - Nov	% y/y	--	1.4	1.5
4:00	EZ Manufacturing PMI (Markit)* - Dec (P)	index	--	53.0	53.8
4:00	EZ Services PMI (Markit)* - Dec (P)	index	--	41.8	41.7
4:00	EZ Composite PMI (Markit)* - Dec (P)	index	--	45.5	45.3
United States					
8:30	Advance retail sales* - Nov	% m/m	-0.2	-0.3	0.3
9:45	Manufacturing PMI (Markit)* - Dec (P)	index	--	56.0	56.7
9:45	Services PMI (Markit)* - Dec (P)	index	--	55.8	58.4
9:45	Composite PMI (Markit)* - Dec (P)	index	--	--	58.6
14:00	FOMC Rate Decision (Upper Bound)	%	0.25	0.25	0.25
14:00	FOMC Rate Decision (Lower Bound)	%	0.00	0.00	0.00
Mexico					
11:30	Extraordinary Cetes auction – 91, 182, 238, 364, and 658 days				

A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	3,698.50	0.3%
Euro Stoxx 50	3,544.97	0.7%
Nikkei 225	26,757.40	0.3%
Shanghai Composite	3,366.98	0.0%
Currencies		
USD/MXN	19.85	-0.4%
EUR/USD	1.22	0.3%
DXY	90.24	-0.3%
Commodities		
WTI	47.63	0.0%
Brent	50.76	0.0%
Gold	1,858.30	0.3%
Copper	355.60	0.5%
Sovereign bonds		
10-year Treasury	0.92	1pb

Source: Bloomberg

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Equities

- Stock markets with positive movements, in a context where progress in the negotiations on a new stimulus package in Washington, a possible Brexit deal, and the deployment of vaccines are fueling investors' appetite for risky assets, thereby offsetting concerns about increased contagion, and strengthened sanitary measures
- In the US, futures anticipate a positive opening, with the S&P500 trading at +0.3%. Along the same lines, the Stoxx 600 in Europe is up 0.7% with widespread increases in all sectors, highlighting those corresponding to utilities and telecommunications which are leading the gains
- In Asia, markets closed mostly positive, where the Nikkei advanced 0.3% and the Shanghai Comp remained practically unchanged

Sovereign fixed income, currencies and commodities

- Pressures in global rates with European bonds adjusting +4bps, while the US Treasuries also print a 2bps sell-off in the long-end of the yield curve. In local terms, the Mbonos' curve closed yesterday with gains of 2bps, while the 10-year benchmark closed at 5.67% (-2bps)
- The USD trades negative (BBDXY -0.2%) amid a positive performance in G10 currencies with GBP leading gains (+0.5%). In EM, bias is mixed with CZK as the strongest (+0.7%), while MXN trades at 19.84 per dollar (+0.4%) scoring two favorable sessions in a row
- Oil prints a marginal negative adjustment of 0.1% following an estimated increase in US inventories from API, although it is supported by optimism about COVID-19 vaccines rollout. In metals, gold gains 0.3% to 1,860 \$/oz t and industrials record a positive balance

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	30,199.31	1.1%
S&P 500	3,694.62	1.3%
Nasdaq	12,595.06	1.2%
IPC	43,543.35	-0.1%
Ibovespa	116,148.60	1.3%
Euro Stoxx 50	3,521.50	0.5%
FTSE 100	6,513.32	-0.3%
CAC 40	5,530.31	0.0%
DAX	13,362.87	1.1%
Nikkei 225	26,687.84	-0.2%
Hang Seng	26,207.29	-0.7%
Shanghai Composite	3,367.23	-0.1%
Sovereign bonds		
2-year Treasuries	0.11	0pb
10-year Treasuries	0.91	1pb
28-day Cetes	4.23	-2pb
28-day TIE	4.47	0pb
2-year Mbono	4.41	-2pb
10-year Mbono	5.68	-2pb
Currencies		
USD/MXN	19.92	-1.6%
EUR/USD	1.22	0.1%
GBP/USD	1.35	1.0%
DXF	90.47	-0.3%
Commodities		
WTI	47.62	1.3%
Brent	50.76	0.9%
Mexican mix	46.14	0.7%
Gold	1,853.64	1.4%
Copper	354.45	0.5%

Source: Bloomberg

Corporate Debt

- Today we expect the auction of two bank bonds from Bancomext, BACMEXT 20 / 20-2 for a target amount of MXN 5.0 billion (max. MXN 10.0 billion) with 3 and 7-year terms, respectively. The bonds are rated 'AAA' by S&P Global and Fitch Ratings
- The fund Danish Sustainable Development Goals Investment Fund, managed by the Investment Fund for Developing Countries, property of Denmark's government, subscribed and paid the equivalent of US\$20 million in Vinte Viviendas Integrales shares
- HR Ratings affirmed Volkswagen Leasing's long-term ratings at 'HR AAA' with a Stable outlook and short-term ratings at 'HR+1' based on the implicit support received from the holding company, Volkswagen Financial Services 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, 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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HOLD	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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