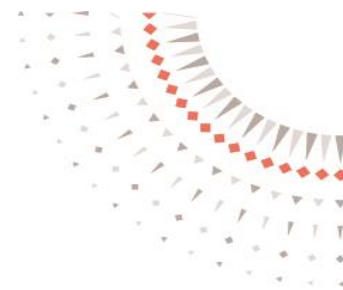


Financial Markets Daily



December 17, 2020

Main drivers for the financial markets today...

- Stock markets positive, with government bond yields mixed and the USD lower, assimilating progress regarding fiscal plans in the US, news on Brexit and optimism about the vaccine's distribution in Europe
- In the US negotiations continue over the new fiscal stimulus plan, with substantial progress towards the approval of a US\$900 billion plan. It is thought that an agreement can be reached today, with the vote being carried out tomorrow to avoid a government shutdown
- In economic data, in the US we will be looking into initial jobless claims, some housing market data and the Philly Fed. In the Eurozone, the final print for November's inflation was unchanged relative to the preliminary at -0.3% y/y
- The BoE kept its reference rate and the amount of its asset purchase program unchanged. Despite the uncertainty, they assume that a trade agreement with the EU will be reached, although stating that they have additional tools to increase stimulus if necessary
- Finally, in Mexico, the National Minimum Wage Commission announced an increase in the minimum wage to \$141.70 from \$123.22 (ex. Northern border). Meanwhile, INEGI published its Timely Indicator for Economic Activity for November, suggesting a 5.0% y/y (sa) decline in economic activity. At 2:00pm (ET) Banxico will carry out its last policy decision of the year, expecting the rate remains unchanged at 4.25%

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The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone and UK					
5:00	EZ Consumer prices - Nov (F)	% y/y	--	-0.3	-0.3
5:00	Core - Nov (F)	% y/y	--	0.2	0.2
7:00	Monetary policy decision (BoE)	%	0.10	0.10	0.10
Brazil					
7:00	Central bank's Quarterly Inflation Report				
United States					
8:30	Housing starts** - Nov	thousands	--	1,530	1,530
8:30	Building permits** - Nov	thousands	--	1,553	1,544
8:30	Philadelphia Fed* - Dec	index	22.0	18.3	26.3
8:30	Initial Jobless Claims* - Dec 12	thousands	--	823	853
Mexico					
10:00	Survey of expectations (Banxico)				
14:00	Monetary policy decision (Banxico)	%	4.25	4.25	4.25
Japan					
	Monetary policy decision (BoJ)	%	--	--	-0.10

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	3,719.00	0.5%
Euro Stoxx 50	3,563.27	0.6%
Nikkei 225	26,806.67	0.2%
Shanghai Composite	3,404.87	1.1%
Currencies		
USD/MXN	19.80	-0.3%
EUR/USD	1.22	0.3%
DXY	89.90	-0.6%
Commodities		
WTI	47.86	0.1%
Brent	51.13	0.1%
Gold	1,878.25	0.7%
Copper	359.40	1.1%
Sovereign bonds		
10-year Treasury	0.92	0pb

Source: Bloomberg

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Equities

- Stock markets trade with positive variations. In the midst of the advance in economic stimulus negotiations, a possible more accelerated distribution of the COVID-19 vaccine (before Christmas), and a likely Brexit deal in the coming days, motivate optimism in investor sentiment. Thus, futures in the US anticipate an upward opening, the S&P 500 trades 0.5% above its theoretical value
- In Asia, the session concluded positive. Shares in China rose for the fourth time with a 0.9% average increase. Europe shows progress, with the Eurostoxx rising 0.6%, driven by technology stocks (+1.2%)
- On the corporate front, yesterday Femsa announced the acquisition of Southeastern Paper Group and SWPlus in the US, which should be welcomed by the market. In Mexico, the Mexbol could stand at over 43,800 points as it joins its international peers sentiment

Sovereign fixed income, currencies and commodities

- Mixed performance in sovereign bonds, with European securities gaining 1-2bp while in the US Treasuries curve is printing moderate pressures in the middle-term tenors. Yesterday, the Mbonos curve ended with gains of 2bps on average, while long-term securities gain up to 5bps
- The USD trades negative (DXY -0.6%) amidst a positive performance in G10 currencies, NOK being the strongest (+1.0%). In EM, the bias is also positive, with ZAR leading the gains (+0.8%), while the MXN appreciates 0.5% to 19.78 per dollar
- Oil with moderate gains following the risk-off in other assets and with the support of American stockpiles than declined more than expected. In metals, gold gains 0.7% at 1,877 \$/oz t and industrials record a positive balance

Corporate Debt

- Moody's placed under review for possible downgrade the 'Ba3 (sf)' and 'A3.mx' ratings for Banorte's CLO, BNTECB 07-2, reflecting Moody's updated assessment of the request made by the largest debtor in the portfolio to defer 95% of the interest payments generated over a four-month period
- Fitch Ratings affirmed the ratings on the Mortgage Backed Securities CEDEVIS, CDVITOT, HITOTAL 10U and FHIPOCB 17U due to a low exposure of the MBS to the crisis caused by the COVID-19
- FEMSA announced that it reached agreements to acquire two independent companies dedicated to specialized distribution in the United States: Southeastern Paper Group, and SWPlus

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	30,154.54	-0.1%
S&P 500	3,701.17	0.2%
Nasdaq	12,658.19	0.5%
IPC	43,790.42	0.6%
Ibovespa	117,857.40	1.5%
Euro Stoxx 50	3,543.00	0.6%
FTSE 100	6,570.91	0.9%
CAC 40	5,547.68	0.3%
DAX	13,565.98	1.5%
Nikkei 225	26,757.40	0.3%
Hang Seng	26,460.29	1.0%
Shanghai Composite	3,366.98	0.0%
Sovereign bonds		
2-year Treasuries	0.12	0pb
10-year Treasuries	0.92	1pb
28-day Cetes	4.23	0pb
28-day TIIE	4.50	3pb
2-year Mbono	4.41	0pb
10-year Mbono	5.67	-1pb
Currencies		
USD/MXN	19.86	-0.3%
EUR/USD	1.22	0.4%
GBP/USD	1.35	0.4%
DXY	90.45	0.0%
Commodities		
WTI	47.82	0.4%
Brent	51.08	0.6%
Mexican mix	46.47	0.7%
Gold	1,864.81	0.6%
Copper	355.90	0.4%

Source: Bloomberg

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 Thalia 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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The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	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>

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

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