

Week marked by fears due to the outbreaks of the pandemic in Europe

Several governments of the old continent have begun to reimplement social distancing measures, which, added to disappointing data from services in September, has impacted the exchanges.

The most intense outbreaks have occurred in Spain, France and the United Kingdom. For this reason, new selective quarantines have been established in some sectors of Madrid, while the British government once again restricted the hours of operation of the pubs. While the economic impact of the second wave of infections is anticipated to be more limited, the recovery would have more ups and downs than originally anticipated.

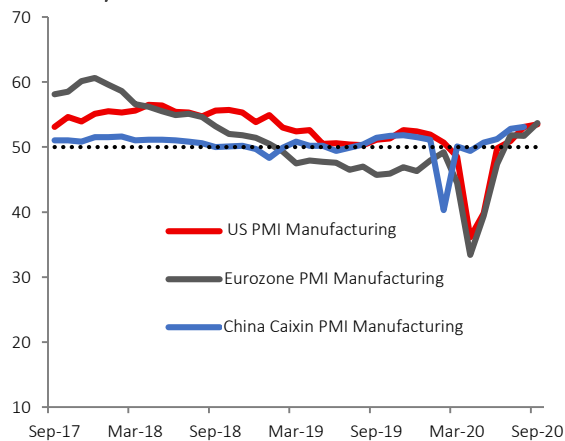
The sectors most affected by the outbreak have once again been services, mainly tourism. Preliminary PMIs for September exhibited a slowdown in both the US and Europe, where they were even below the expansion pivot. Manufacturing sectors, for their part, have continued to advance, albeit less intensively. All in all, their activity levels are still around 10% below what was observed a year ago.

In the US, the Fed has insisted on the need for greater fiscal stimulus to sustain the recovery. However, disputes between Democrats and Republicans in Congress have prevented progress on a new stimulus plan.

In this context, global stock markets had a strong adjustment this week. The S&P fell 1.8% while the Eurostock 50 fell 4.7%. The lower aversion to risk has also affected emerging markets: the Emerging MCSI has fallen more than 2.5% in the last week, while the Latin American one fell 8.5%. For its part, the dollar has tended to strengthen globally, with an advance of 1.5% (DXY).

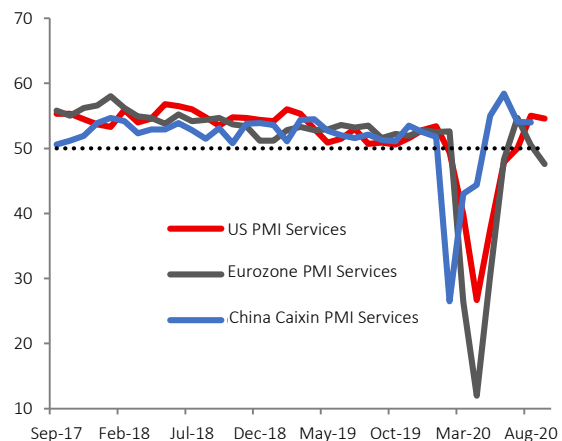
Commodity prices have also suffered. Copper had a decline of almost 3.5% in the last seven days, despite the relative good performance of the Chinese economy, and at the end of this report it was trading at US \$ 2.96 a pound. Meanwhile, WTI crude fell 1.8%, having partially recovered the previous week after the transitory decline in gasoline inventories in the US.

Manufacturing sectors continue to improve although from very low levels



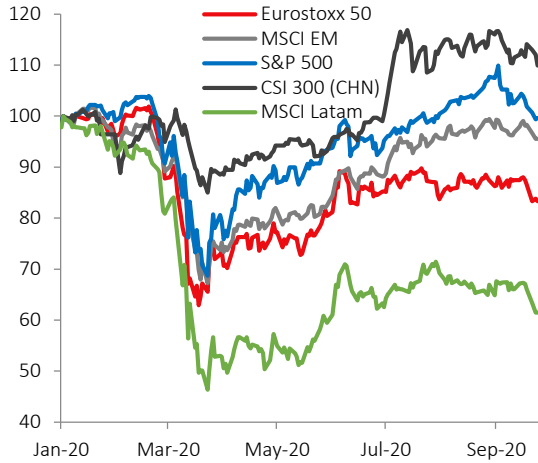
Source: Reuters and Santander

Services are impacted by new wave of cases in Europe



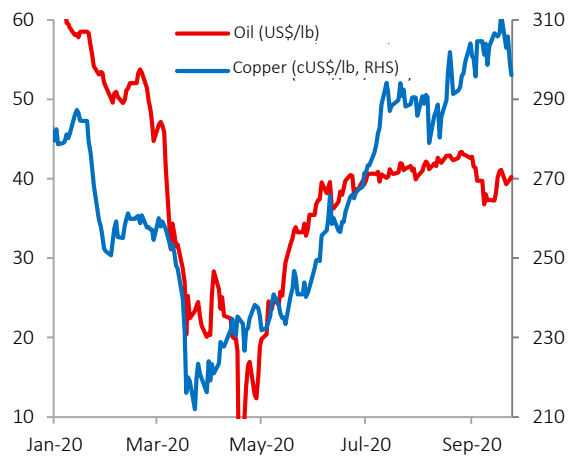
Source: Reuters and Santander

The Latin American markets have been especially punished due to higher risk aversion



Source: Reuters and Santander

This week copper emulates the strong falls in crude oil from previous weeks

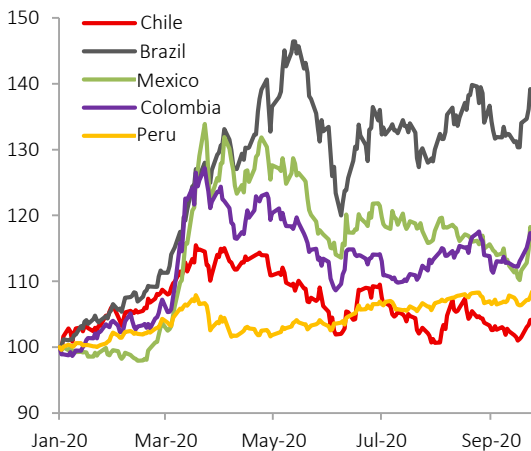


Source: Reuters and Santander

Local assets resent global pessimism

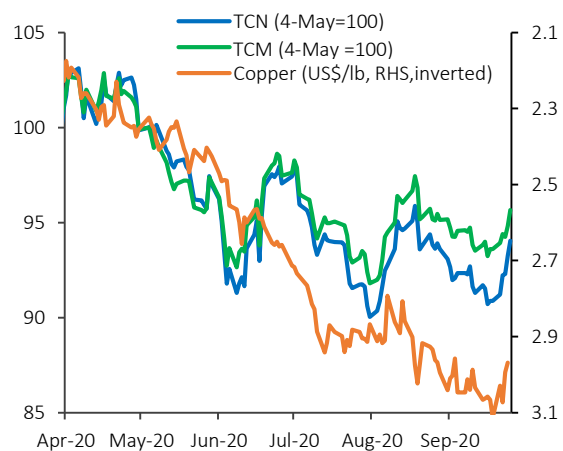
After an appreciative streak that brought the exchange rate below \$ 760 on September 15 - driven by the liquidation of Treasury dollars and high copper prices - the peso reversed its gains and at the close of this report it was trading at around \$ 785. The upward movement was persistent during the week, in line with the evolution of other emerging currencies that have depreciated due to a lower global risk appetite and a general strengthening of the dollar.

Emerging currencies depreciate in risk-off week for the global markets



Source: Bloomberg and Santander

The peso has reversed the gains at the end of August due to the appreciation of the dollar and the fall in copper

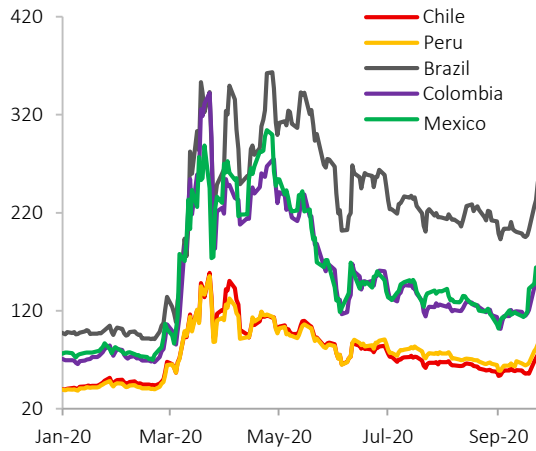


Source: Bloomberg and Santander

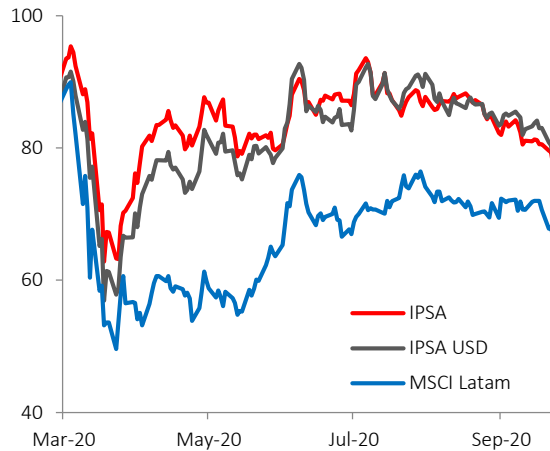
The adjustment in financial markets is also reflected in an increase in CDS, which rose to 50 bp in recent days, although in the case of Chile the adjustment was lower (20 bp). The IPSA, which was already affected by negative results in some sectors, deepened its losses during the week and at the end of this report it was trading below 3,600 points, its lowest level since mid-May.

The CDS also took on the adjustment of the financial markets during the last week

Fall of the IPSA reached it lowest level since mid-May



Source: Bloomberg and Santander



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