

Interest rate hikes increase recession fears

Weekly commentary

During the week, monetary policy decisions had a major impact on the markets and led to the largest weekly decline since 2021 in stock market indexes. An in-depth analysis of the decisions by each central bank can be found in the [Monetary Policy Special Report, Fed and Recession](#). The S&P 500 declined 5.79% and both the Dow Jones and Nasdaq fell 4.79%. Also, bonds showed significant devaluations and for the first time since 2006, the Treasury yield curve inverted.

The oil market fell sharply, the WTI and Brent benchmarks fell 9.21% and 7.29 respectively, pressured by the fall in gasoline futures prices, which traded lower due to expectations of an economic slowdown.

In Brazil there is much volatility due to the government's announcement of the possible privatization of Petrobras, the state-owned oil company. In addition, the company's president resigned due to President Bolsonaro's reactions to the readjustment of gasoline and diesel prices.

In the United States, retail sales reflected a 0.3% decrease, largely due to increases in the prices of basic items such as gasoline and food. Looking ahead, little or no growth is expected due to persistent supply chain problems and inflation reaching record highs.

In the euro zone, inflation rose again to 8.1% according to preliminary data from Eurostat. The component that pushed prices up the most was the energy sector and the food sector.

In England, gross domestic product contracted 0.3% in April, but this did not prevent the central bank from raising interest rates to their highest level since 2009. At the same time, the unemployment rate increased for the first time since the end of 2020, reaching 3.8%.

The cryptocurrency market has hit a new 12-month low and continues its downward trend, due to the closures of some exchange platforms. Bitcoin, fell 24% in the week and traded below \$20 thousand dollars.

Finally, in the legislative elections in France, President Emmanuel Macron's coalition did not achieve enough seats for an absolute majority in the government.

In Colombia, Gustavo Petro, the leftist candidate, was elected as the new president. Therefore, more volatility is expected in Colombian assets.

Relevant data and events

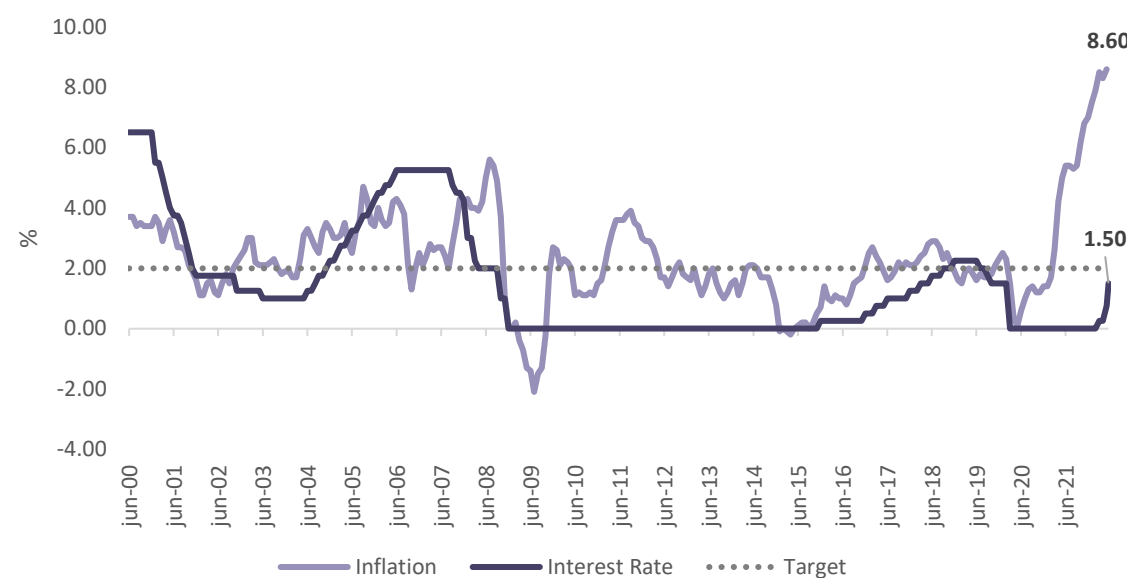
This week

- **CPI** - Canada, Japan, UK
- **GDP** - Argentina, Spain
- **PMI** - US, Japan, Eurozone, UK
- **Retail Sales** - Canada, Italy, UK
- **Unemployment** - Argentina

Previous week

- **CPI** - Argentina, Euro Zone
- **GDP** - Peru, UK
- **Monetary Policy Decision** - Brazil, Japan, USA, UK.
- **PPI** - USA
- **Unemployment** - Peru, UK.

Monetary policy vs. inflation in US

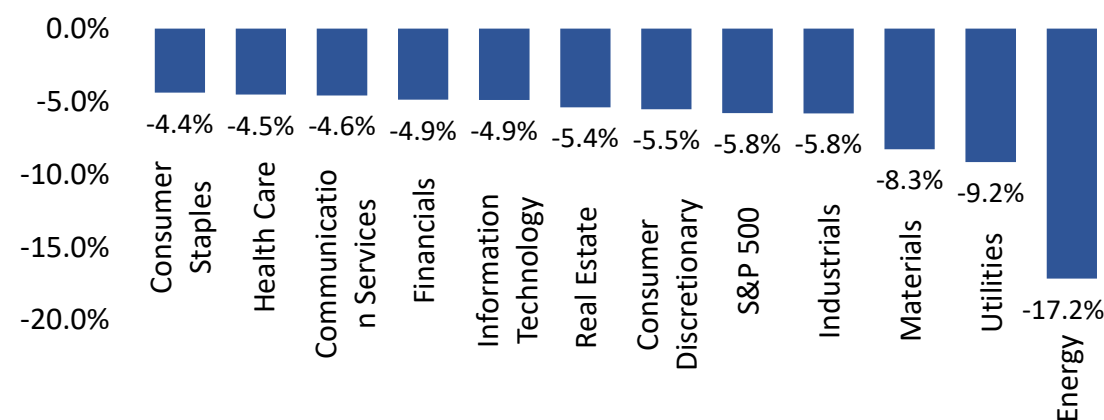


Source: Bloomberg Compiled In On Capital

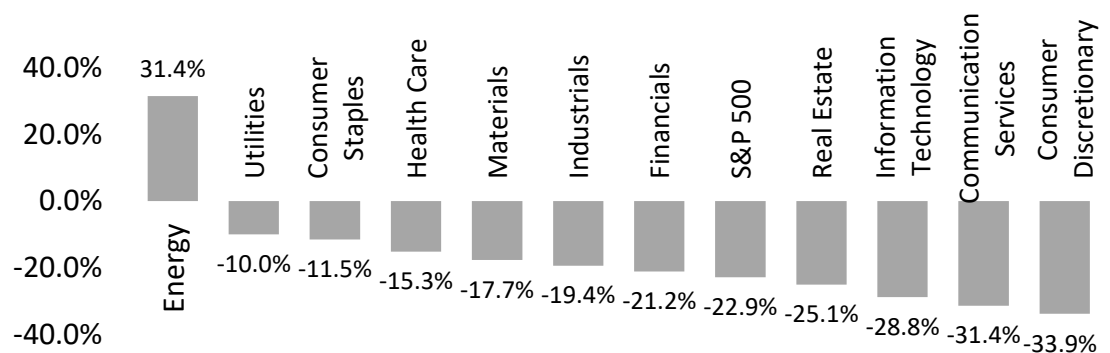
The Federal Reserve decided to raise interest rates by 75 basis points to a range of 1.50%-1.75%. The tightening of monetary policy came as a result of the continued rise in inflation, which has been on an unprecedented upward rally since the middle of last year, while the Fed reiterated the reduction in its balance sheet by \$47 billion dollars per month. The rate hike generated positive reactions, reflected in Wednesday's stock market close, but in the following days the fear of a coming recession resulted in a drop not seen since 2021.

Sector performance

Weekly



Annual



In On Financial Markets Monitor

| | Level | Price return (%) | | Features |
|---------------------------------|------------|------------------|----------|----------|
| | 06/17/2022 | 1 Week | YTD | Fwd P/E |
| Equities | | | | |
| S&P 500 | 3674.84 | ▼ -5.79 | ▼ -22.90 | 16.08 |
| Dow Jones 30 | 29888.78 | ▼ -4.79 | ▼ -17.75 | 15.60 |
| Nasdaq 100 | 11265.99 | ▼ -4.79 | ▼ -30.97 | 20.18 |
| Russell 2000 | 1665.69 | ▼ -7.48 | ▼ -25.81 | 17.53 |
| Russell 1000 Growth | 2133.84 | ▼ -5.08 | ▼ -30.61 | 21.51 |
| Russell 1000 Value | 1389.97 | ▼ -6.66 | ▼ -16.05 | 13.12 |
| MSCI Emerging Markets | 1004.63 | ▼ -4.74 | ▼ -18.46 | 11.12 |
| MSCI Developed & Emerging World | 584.55 | ▼ -5.76 | ▼ -22.56 | 14.02 |
| MSCI China | 71.63 | ▼ -2.84 | ▼ -15.02 | 12.15 |
| Topix - Japan | 1835.90 | ▼ -3.35 | ▼ -7.85 | 11.80 |
| EuroStoxx 50 | 3438.46 | ▼ -4.47 | ▼ -20.01 | 10.92 |
| FTSE 100 - United Kingdom | 7044.98 | ▼ -3.72 | ▼ -4.60 | 9.71 |

| | Yield | Total return (%) | |
|---------------------------------|------------|------------------|----------|
| | 06/17/2022 | 1 Week | YTD |
| Fixed income | | | |
| U.S. Aggregate | 3.93 | ▼ -0.92 | ▼ -11.48 |
| U.S. Corporate High Yield | 8.51 | ▼ -2.90 | ▼ -13.10 |
| Global Aggregate | 3.08 | ▼ -1.36 | ▼ -14.80 |
| Global High Yield | 8.95 | ▼ -3.03 | ▼ -15.34 |
| Emerging Markets Hard Currency | 4.68 | ▼ -1.48 | ▼ -21.21 |
| Emerging Markets Local Currency | 4.47 | ▼ -0.81 | ▼ -12.98 |

| | Yield | | Change in Basic Points | |
|-----------------------|------------|------------|------------------------|--------|
| | 06/17/2022 | 12/31/2021 | 1 Week | YTD |
| Interest rate | | | | |
| 2-yr U.S. Treasuries | 3.18 | 0.73 | ▲ 0.12 | ▲ 2.45 |
| 10-yr U.S. Treasuries | 3.23 | 1.51 | ▲ 0.07 | ▲ 1.72 |
| 10-yr German Bund | 1.66 | -0.18 | ▲ 0.14 | ▲ 1.84 |

| | Levels | | Percentage change (%) | |
|-----------------------|------------|------------|-----------------------|---------|
| | 06/17/2022 | 12/31/2021 | 1 Week | YTD |
| Currencies | | | | |
| Dolar Index | 104.70 | 95.67 | ▲ 0.53 | ▲ 9.44 |
| Euro | 1.05 | 1.14 | ▼ -0.19 | ▼ -7.66 |
| British pound | 1.22 | 1.35 | ▼ -0.60 | ▼ -9.54 |
| Japanese Yen | 135.02 | 115.08 | ▲ 0.45 | ▲ 17.33 |
| Yuan renminbi chinese | 6.71 | 6.36 | ▼ -0.31 | ▲ 5.54 |
| Mexican peso | 20.34 | 20.53 | ▲ 1.91 | ▼ -0.91 |
| Colombian peso | 3904.99 | 4070.00 | ▼ -1.00 | ▼ -4.05 |

| | Level | Percentage change (%) | |
|---------------------------|------------|-----------------------|----------|
| | 06/17/2022 | 1 Week | YTD |
| Commodities | | | |
| Crude oil WTI | 109.56 | ▼ -9.21 | ▲ 45.67 |
| Crude oil Brent | 113.12 | ▼ -7.29 | ▲ 45.44 |
| Natural Gas | 6.94 | ▼ -21.54 | ▲ 86.17 |
| Gold | 1839.39 | ▼ -1.72 | ▲ 0.56 |
| Copper | 401.35 | ▼ -6.54 | ▼ -10.08 |
| Corn | 784.50 | ▲ 1.45 | ▲ 32.24 |
| Coffee (US\$/pound) | 2.28 | ▼ -0.55 | ▲ 0.69 |
| Bloomberg Commodity Index | 126.78 | ▼ -6.39 | ▲ 27.84 |

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