

U.S. economy shrinks 1.6% in first quarter

Weekly commentary

The markets ended the week down again, the S&P 500 declined 2.21%, the Dow Jones fell 1.28% and the Nasdaq fell 4.30%. In turn, Wall Street closed its worst performance in the first half of the year for more than 50 years, the constant increases in prices, the actions of central banks to deal with them and the fear of a recession were the causes of the poor results of this first part of 2022.

Oil prices presented a volatile behavior during the week, OPEC+ decided to increase production to 648,000 barrels per day. However, despite being at its production limits, prices are expected to continue in triple digits until the end of the year due to the war in Ukraine, WTI closed the week at 108.43 dpb and Brent at 111.63 dpb.

New sanctions for Russia were announced by the G7, they agreed to a ban on imports of Russian gold that represented 15.5 million dollars in 2021. They also discussed banning the transportation of oil or setting a maximum price for the marketing of crude and gas.

The PCE inflation, the main indicator used by the FED for decision making, remained at 6.3% YoY and coincided with what the consensus expected, while the figure that excludes energy and food prices fell to 4.7% compared to 4.9% in April. Energy increased by 35.8% while food rose by 11%. Finally, consumer spending slowed to 0.2%, a consequence of higher prices.

Euro Zone inflation recorded a new high in June, with prices rising 8.6% from a year earlier and above expectations of 8.5%. Once again, the food and energy sectors were the sectors that pushed up prices, as a consequence of the war in Ukraine. In view of the constant increases in inflation, the ECB is expected to raise its monetary policy rate by 25 bps at its July 19 meeting.

Finally, the Bank of the Republic of Colombia decided at its interest rate meeting to increase the monetary policy rate by 150 bps unanimously because of inflation, which reached 9.07% in May.

Relevant data and events

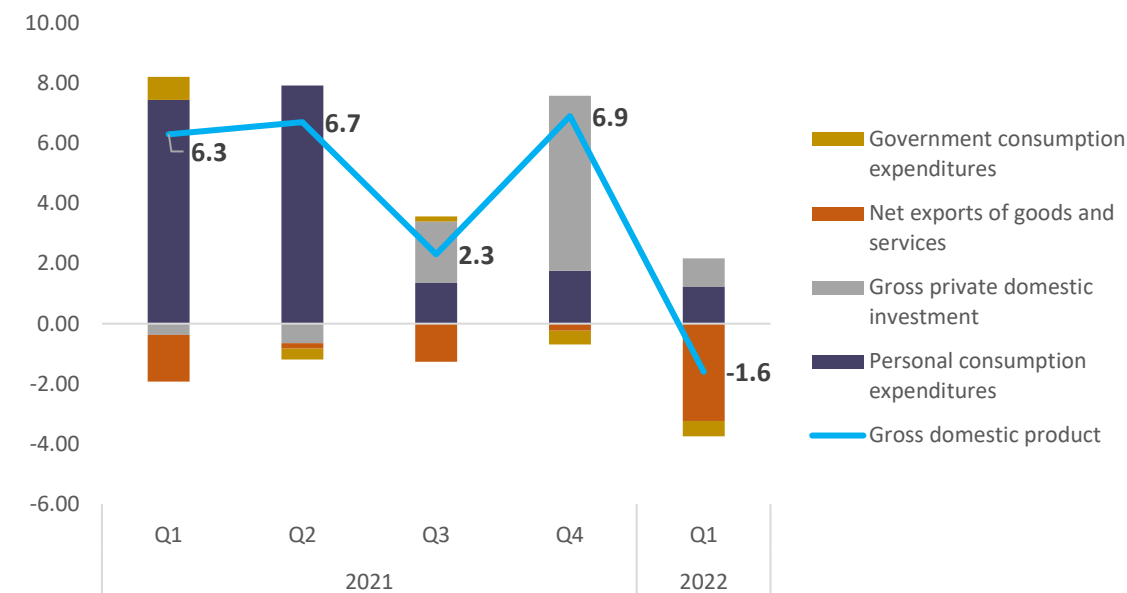
This week

- **Unemployment** – Canada, USA, Switzerland
- **CPI** – Brazil, Colombia, Chile,, China, Mexico, Switzerland
- **Fed and ECB minutes**
- **PMI** – China, UK, Euro Zone
- **Retail Sales** – Brazil, Euro Zone

Previous week

- **CPI** – Peru, Euro Zone
- **GDP** – USA, UK
- **Interest rate announcement** - Colombia
- **OPEC+ Meeting**
- **PCE** – USA
- **Retail Sales** – Germany, Mexico
- **Unemployment** – Chile, Colombia, Germany, Japan, Mexico

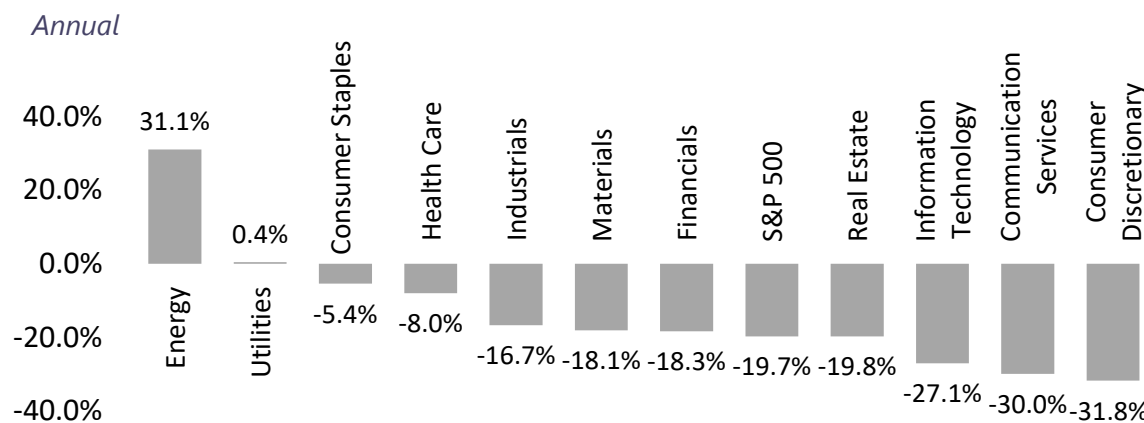
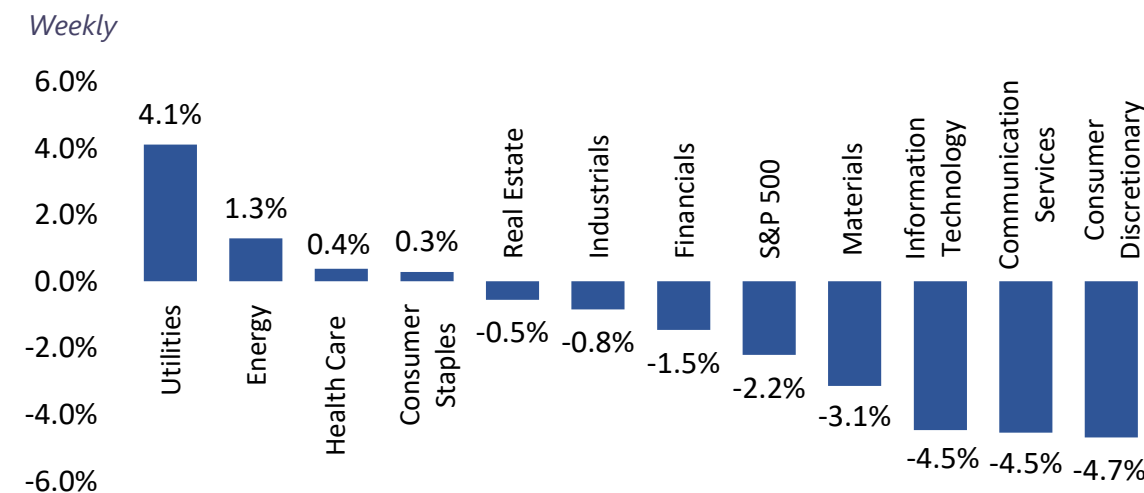
Composition of U.S. gross domestic product



Source: Bureau of Economic Analysis (BEA) – Compiled In On Capital

The U.S. economy contracted by 1.6% in the first quarter of this year, down from last month's revised 1.5%. The remaining trade balance was 3.23% of GDP, while consumer spending growth declined from 7.44% to 1.24% as business inventories, accumulated mostly in the retail sectors, increased from last May's estimate..

Sector performance



In On Financial Markets Monitor

Equities	Level	Price return (%)		Features
	07/01/2022	1 Week	YTD	Fwd P/E
S&P 500	3825.33	▼ -2.21	▼ -19.74	16.69
Dow Jones 30	31097.26	▼ -1.28	▼ -14.42	16.29
Nasdaq 100	11585.68	▼ -4.30	▼ -29.01	20.60
Russell 2000	1727.76	▼ -2.15	▼ -23.05	20.10
Russell 1000 Growth	2224.05	▼ -3.43	▼ -27.67	22.24
Russell 1000 Value	1445.63	▼ -1.22	▼ -12.69	13.54
MSCI Emerging Markets	39.85	▼ -1.97	▼ -18.42	11.24
MSCI Developed & Emerging World	599.08	▼ -2.22	▼ -20.63	14.40
MSCI China	74.44	▼ -0.53	▼ -11.69	12.84
Topix - Japan	1845.04	▼ -2.87	▼ -7.39	11.81
EuroStoxx 50	3448.31	▼ -2.40	▼ -19.78	10.91
FTSE 100 - United Kingdom	7168.65	▼ -0.56	▼ -2.92	9.92

Fixed income	Yield	Total return (%)	
	07/01/2022	1 Week	YTD
U.S. Aggregate	3.62	▲ 1.27	▼ -9.81
U.S. Corporate High Yield	8.85	▼ -1.63	▼ -14.03
Global Aggregate	2.81	▲ 0.48	▼ -13.52
Global High Yield	9.41	▼ -1.88	▼ -16.70
Emerging Markets Hard Currency	5.03	▼ -0.39	▼ -21.01
Emerging Markets Local Currency	4.47	▼ -0.46	▼ -13.05

Interest rate	Yield		Change in Basic Points	
	07/01/2022	12/31/2021	1 Week	YTD
2-yr U.S. Treasuries	2.83	0.73	▼ -0.23	▲ 2.10
10-yr U.S. Treasuries	2.88	1.51	▼ -0.25	▲ 1.37
10-yr German Bund	1.23	-0.18	▼ -0.21	▲ 1.41

Currencies	Levels		Percentage change (%)	
	07/01/2022	12/31/2021	1 Week	YTD
Dolar Index	105.14	95.67	▲ 0.91	▲ 9.90
Euro	1.04	1.14	▼ -1.32	▼ -8.41
British pound	1.21	1.35	▼ -1.41	▼ -10.62
Japanese Yen	135.21	115.08	▼ -0.01	▲ 17.49
Yuan renminbi chinese	6.70	6.36	▲ 0.24	▲ 5.35
Mexican peso	20.26	20.53	▲ 1.99	▼ -1.30
Colombian peso	4205.05	4070.00	▲ 1.56	▲ 3.32

Commodities	Level	Percentage change (%)	
	07/01/2022	1 Week	YTD
Crude oil WTI	108.43	▲ 0.75	▲ 44.17
Crude oil Brent	111.63	▼ -1.32	▲ 43.52
Natural Gas	5.73	▼ -7.88	▲ 53.62
Gold	1811.43	▼ -0.85	▼ -0.97
Copper	361.90	▼ -3.25	▼ -18.92
Corn	754.50	▲ 0.57	▲ 27.18
Coffee (US\$/pound)	2.28	▲ 0.82	▲ 1.04
Bloomberg Commodity Index	117.13	▼ -3.45	▲ 18.11

Research team:



Ana Vera
Chief Economist
Mail: avera@inoncapital.com



Juan Sebastián Mora
Portfolio Manager
Mail: jsmora@inoncapital.com



Eduardo González
Investment Specialist/Portfolio Manager
Mail: egonzalez@inoncapital.com



Stefan Rügsegger
Investment Analyst
Mail: sruegsegger@inoncapital.com



Mijail Barrero
Economic Research Analyst
Mail: mbarrero@inoncapital.com

If you have any questions, please contact us at research@Inoncapital.com and through our social networks [LinkedIn](#) and [Twitter](#).

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