

U.S. inflation keeps rising and reaches 40-year highs

Weekly commentary

The markets ended the week with a negative performance, after the release of several pieces of information that pushed the indices downwards. Among these, inflation and the financial results of some of the main US banks stand out, in addition to the parity reached by the dollar with the euro (something that had not happened for two decades). Meanwhile, the 10Y and 2Y treasury bonds marked their largest difference since the year 2000, the S&P 500 dropped 0.93%, Dow Jones decreased 0.16% and the Nasdaq decreased 1.17%.

At the same time, oil prices closed lower for the second consecutive week as a result of the new COVID-19 restrictions in China, and the fear of an upcoming economic slowdown and its possible effect on demand. Benchmark WTI lost 6.87% of its value to 97.57 dpb and Brent was down 5.48% to 101.16 dpb.

Earlier in the week, the International Monetary Fund (IMF) lowered its expectations regarding US economic growth from 2.9% to 2.3% by the end of 2022. They also recommended raising and maintaining the interest rate to the neutral level to bring inflation back to the Fed's target.

US retail sales surprised to the upside by increasing 1.0% MoM and 8.42% YoY in June. This was against the current inflationary backdrop, where higher consumer spending on gasoline and other goods was evident. On the other hand, the results season started last week with the reports of some of the main US banks.

On the other hand, the results season began last week with the reports of some of the major US banks. For the second quarter of the year, JP Morgan, Morgan Stanley and Wells Fargo fell short of expectations. In contrast, Citigroup was the only one to exceed expectations by 1.29 billion dollars.

Finally, the Central Bank of Canada surprised the market with an interest rate hike of 100 bps to 2.5%, motivated by rising inflation, which in May stood at 7.7% YoY. These increases are expected to be maintained in the coming months, depending on the persistence of inflationary pressures.

Relevant data and events

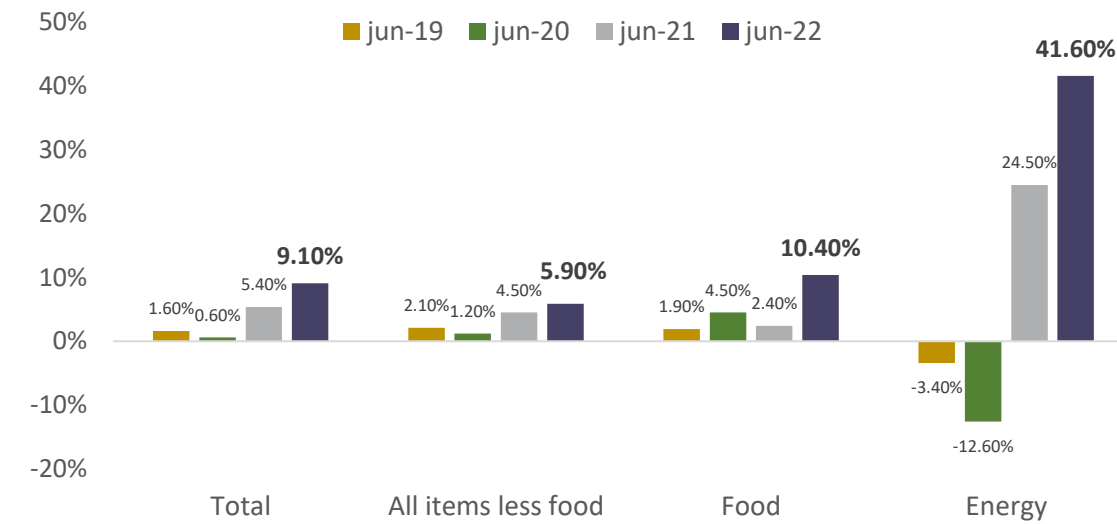
This week

- Euro Zone Consumer Confidence
- Monetary Policy Decision – Euro Zone
- CPI – Canada, Euro Zone, Japan, UK.
- PMI – Euro Zone, Japan, US, UK.
- 2Q22 Earnings report – BofA, Goldman Sachs, IBM, Interactive Brokers, Netflix, Nasdaq, Tesla, Twitter
- Retail Sales – Mexico, Poland.
- Unemployment – UK.

Previous week

- U. Michigan Consumer Confidence
- Monetary Policy Decision - Canada, Chile
- CPI - Argentina, U.S.
- GDP - China, Peru, U.K.
- 2Q22 Earnings report - Pepsico, Delta, JP Morgan, Morgan Stanley, Wells Fargo, Citi, United Health Group
- Retail Sales – Brazil, Colombia, US, Italy.

Change in the CPI and its main U.S. components

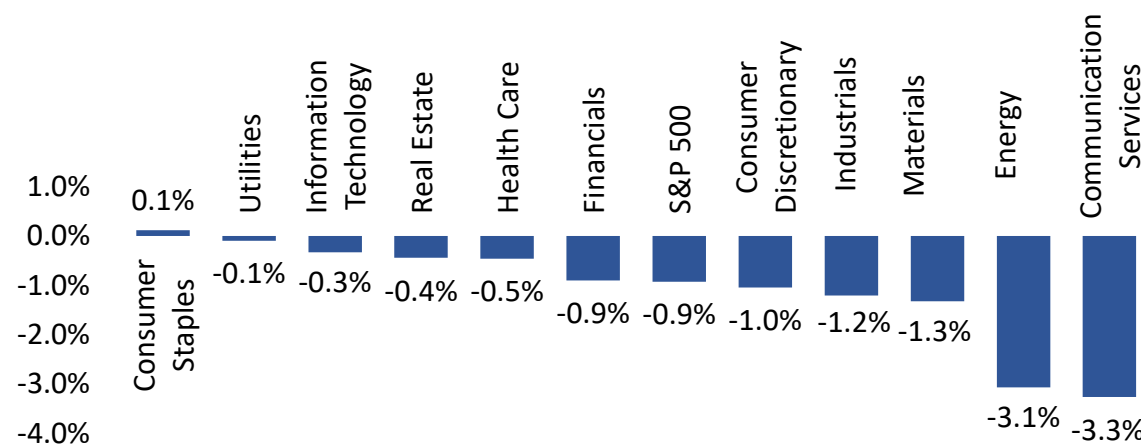


Source: Bureau of labor statistics - In On Capital Compiled.

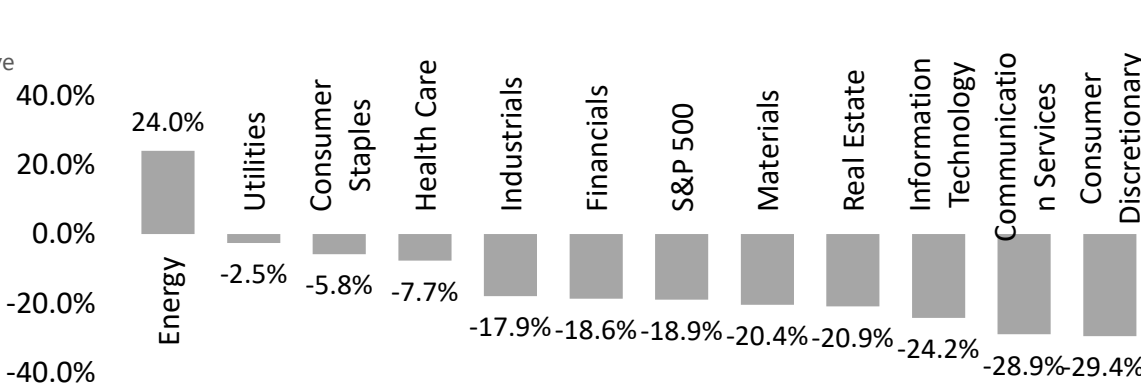
In the US, the price level surprised on the upside in June. The CPI rose 1.3% MoM, due to the increase in the energy item (+7.5%), particularly gasoline (+11.2%). Thus, inflation stood at 9.1% YoY, a figure not seen since December 1981. The main contributors were energy (+3.0 p.p.) and food (+1.4 p.p.). The underlying index also continued to move away from the Fed's target at 5.9% YoY and 0.7% MoM.

Sector performance

Weekly



Annual



In On Financial Markets Monitor

Equities	Level	Price return (%)		Features
	07/15/2022	1 Week	YTD	Fwd P/E
S&P 500	3863.16	▼ -0.93	▼ -18.95	16.87
Dow Jones 30	31288.26	▼ -0.16	▼ -13.90	16.52
Nasdaq 100	11983.62	▼ -1.17	▼ -26.57	21.37
Russell 2000	1744.37	▼ -1.41	▼ -22.31	20.16
Russell 1000 Growth	2277.04	▼ -1.31	▼ -25.95	22.87
Russell 1000 Value	1437.49	▼ -0.85	▼ -13.18	13.48
MSCI Emerging Markets	38.63	▼ -3.64	▼ -20.92	11.07
MSCI Developed & Emerging World	598.71	▼ -1.62	▼ -20.68	14.51
MSCI China	68.76	▼ -7.48	▼ -18.42	12.09
Topix - Japan	1892.50	▼ -0.37	▼ -5.01	12.12
EuroStoxx 50	3477.20	▼ -0.84	▼ -19.10	10.90
FTSE 100 - United Kingdom	7159.01	▼ -0.52	▼ -3.05	9.24

Fixed income	Yield	Total return (%)	
	07/15/2022	1 Week	YTD
U.S. Aggregate	3.70	▲ 0.89	▼ -9.80
U.S. Corporate High Yield	8.56	▲ 0.26	▼ -12.66
Global Aggregate	2.86	▲ 0.09	▼ -14.41
Global High Yield	9.47	▼ -0.94	▼ -17.46
Emerging Markets Hard Currency	5.24	▼ -2.28	▼ -24.17
Emerging Markets Local Currency	4.62	▼ -1.06	▼ -15.80

Interest rate	Yield		Change in Basic Points	
	07/15/2022	12/31/2021	1 Week	YTD
2-yr U.S. Treasuries	3.12	0.73	▲ 0.02	▲ 2.39
10-yr U.S. Treasuries	2.92	1.51	▼ -0.17	▲ 1.41
10-yr German Bund	1.13	-0.18	▼ -0.21	▲ 1.31

Currencies	Levels		Percentage change (%)	
	07/15/2022	12/31/2021	1 Week	YTD
Dolar Index	108.06	95.67	▲ 0.99	▲ 12.95
Euro	1.01	1.14	▼ -1.03	▼ -11.35
British pound	1.19	1.35	▼ -1.48	▼ -12.39
Japanease Yen	138.57	115.08	▲ 1.81	▲ 20.41
Yuan renminbi chinese	6.76	6.36	▲ 1.11	▲ 6.35
Mexican peso	20.54	20.53	▲ 0.41	▲ 0.03
Colombian peso	4359.00	4070.00	▼ -1.39	▲ 7.10

Commodities	Level	Percentage change (%)	
	07/15/2022	1 Week	YTD
Crude oil WTI	97.59	▼ -6.87	▲ 29.76
Crude oil Brent	101.16	▼ -5.48	▲ 30.06
Natural Gas	7.02	▲ 16.27	▲ 88.10
Gold	1708.17	▼ -1.97	▼ -6.62
Copper	323.45	▼ -8.42	▼ -27.53
Corn	604.25	▼ -22.36	▲ 1.85
Coffee (US\$/pound)	2.04	▼ -8.61	▼ -9.91
Bloomberg Commodity Index	113.47	▼ -2.11	▲ 14.42

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