

Inflation worries investors expecting the Fed

Weekly commentary

Markets closed the week with the worst performance since June following the release of U.S. CPI, PPI and retail sales, U.K. inflation, the inversion of the Treasury bond curve to a level not seen in more than 22 years, and the largest drop in FedEx stocks in more than 40 years. The S&P 500 was down 4.77%, Dow Jones declined 4.13% and the Nasdaq was down 5.77%.

Similarly, oil prices ended the week lower, amid a prolonged strength of the dollar that remains at record highs and the slowdown in crude oil demand due to the deterioration in the economic growth outlook and new confinements in China for Covid-19. WTI decreased 1.94% to 85.11 dpb and Brent decreased 1.60% to 91.35 dpb.

The US producer price index declined by 0.1% m/m and rose by a lower-than-expected 8.7% y/y, mostly reflecting a broad-based drop in prices, mainly in fuel costs. However, the underlying PPI increased to 0.4%, evidencing persistent inflation for the productive sector.

Amid the Queen's death activities, the UK inflation rate surprisingly fell to 9.9% in its annual reading, following the fall in gasoline prices. The services and food sectors contributed the most to the price index by 2.74 and 1.49 percentage points. Liz Truss announced tax relief that will cap energy bills at up to £2,500 for the next two years.

US retail sales surprised again to the upside rising 3.0% m/m and 9.1% y/y in August. This was against the current inflationary backdrop, where there has been evidence of a slowdown, without this leading to higher consumer spending on gasoline and other goods.

On the other hand, consumer confidence indices in the US and Europe continued to show an improvement compared to the previous month's data. The preliminary data of the University of Michigan's confidence indicator for September showed a score of 59.5 versus the expected 60.

Finally, during Friday the courier company FedEx posted a 21.4% drop just after the company withdrew its earnings forecast due to weakening trade conditions in Asia and Europe, which is a strong alarm for the global economy.

Relevant data and events

This week

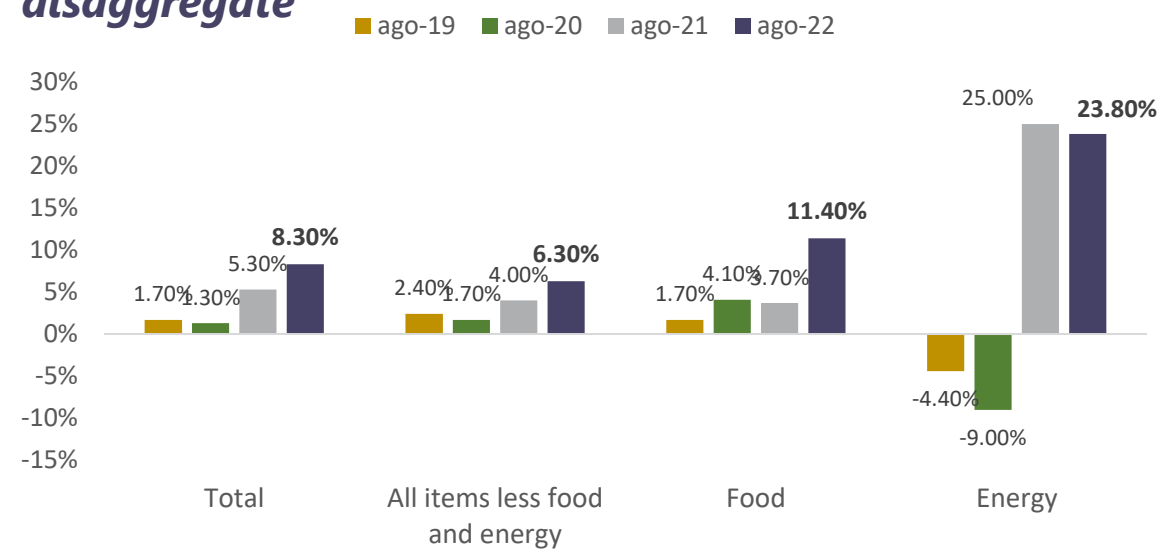
- **Interest rate decision** – Brazil, **US***, Japan, Norway, Sweden, Switzerland, UK.
- **CPI** – Canada Japan.
- **PMI** – UK, Euro Zone.
- **Retail Sales** – Canada, Mexico.

Previous week

- **CPI** – **U.S.**, UK, Euro Zone.
- **GDP** – UK.
- **PPI** – U.S.
- **Retail Sales** – Brazil, China, Colombia, USA, UK.
- **U.Michigan Consumer Confidence.**
- **Unemployment** – China.

*Most relevant data of the week|

U.S. consumer price index percentage change disaggregate

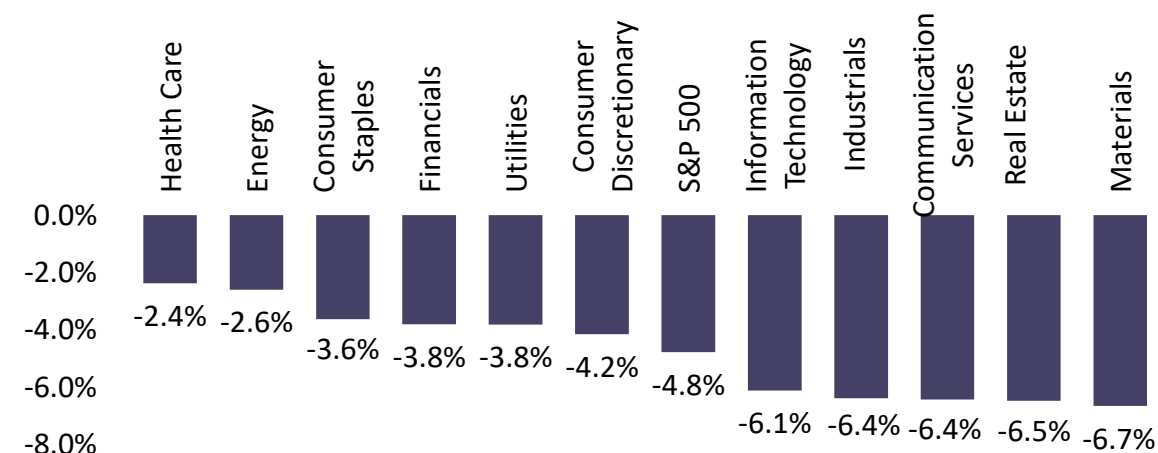


Source: Bureau of labor statistics– In On Capital Compiled.

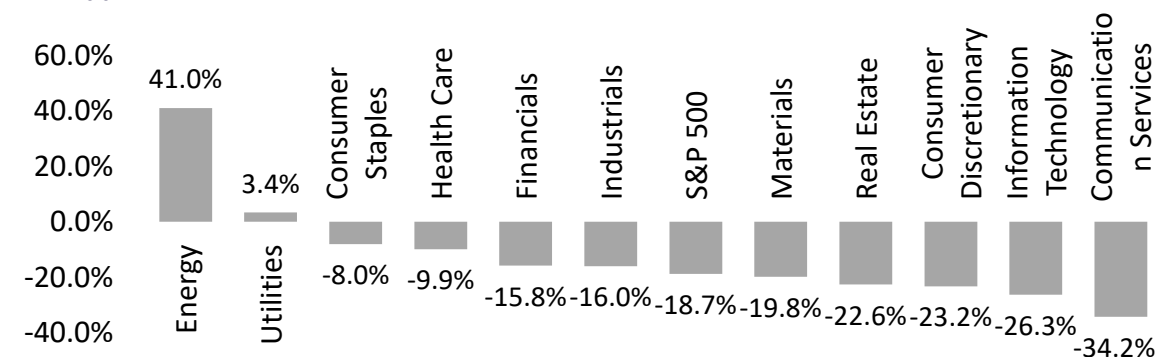
In the US, the price level continued to decline in August. Annual inflation decreased by 20 bps compared to the previous month, standing at 8.3% due to the increase in energy (+23.8%) and food (+11.4%). On the other hand, the monthly figure came in at 0.1%, slightly above market expectations, while the underlying index continued to move away from the Fed's target at 6.3% YoY and 0.6% m/m.

Sector performance

Weekly



Annual



In On Financial Markets Monitor

	Level	Price return (%)		Features
	09/16/2022	1 Week	YTD	Fwd P/E
Equities				
S&P 500	3873.33	▼ -4.77	▼ -18.73	17.13
Dow Jones 30	30822.42	▼ -4.13	▼ -15.18	16.47
Nasdaq 100	11861.38	▼ -5.77	▼ -27.32	22.02
Russell 2000	1798.19	▼ -4.50	▼ -19.91	21.69
Russell 1000 Growth	2284.42	▼ -5.39	▼ -25.71	23.75
Russell 1000 Value	1451.43	▼ -4.26	▼ -12.34	13.66
MSCI Emerging Markets	37.79	▼ -3.10	▼ -22.64	11.19
MSCI Developed & Emerging World	597.59	▼ -4.07	▼ -20.83	14.68
MSCI China	62.30	▼ -4.40	▼ -26.09	11.42
Topix - Japan	1938.56	▲ 2.05	▼ -2.70	12.28
EuroStoxx 50	3500.41	▼ -1.95	▼ -18.57	10.68
FTSE 100 - United Kingdom	7236.68	▼ -1.56	▼ -2.00	9.08

	Yield	Total return (%)	
	09/16/2022	1 Week	YTD
Fixed income			
U.S. Aggregate	4.31	▼ -0.93	▼ -12.38
U.S. Corporate High Yield	8.74	▼ -2.02	▼ -12.03
Global Aggregate	3.35	▼ -0.90	▼ -17.29
Global High Yield	9.29	▼ -1.59	▼ -15.54
Emerging Markets Hard Currency	4.45	▼ -2.24	▼ -22.79
Emerging Markets Local Currency	4.54	▼ -1.06	▼ -14.23

	Yield		Change in Basic Points	
	09/16/2022	12/31/2021	1 Week	YTD
Interest rate				
2-yr U.S. Treasuries	3.87	0.73	▲ 0.31	▲ 3.13
10-yr U.S. Treasuries	3.45	1.51	▲ 0.14	▲ 1.94
10-yr German Bund	1.75	-0.18	▲ 0.06	▲ 1.94

	Levels		Percentage change (%)	
	09/16/2022	12/31/2021	1 Week	YTD
Currencies				
Dolar Index	109.76	95.67	▲ 0.70	▲ 14.73
Euro	1.00	1.14	▼ -0.26	▼ -11.91
British pound	1.14	1.35	▼ -1.46	▼ -15.61
Japanese Yen	142.92	115.08	▲ 0.32	▲ 24.19
Yuan renminbi chinese	7.00	6.36	▲ 0.89	▲ 10.11
Mexican peso	20.04	20.53	▲ 0.70	▼ -2.40
Colombian peso	4435.20	4070.00	▲ 1.89	▲ 8.97

	Level	Percentage change (%)	
	09/16/2022	1 Week	YTD
Commodities			
Crude oil WTI	85.11	▼ -1.94	▲ 13.16
Crude oil Brent	91.35	▼ -1.60	▲ 17.45
Natural Gas	7.76	▼ -2.90	▲ 108.15
Gold	1675.06	▼ -2.43	▼ -8.43
Copper	356.10	▼ -0.56	▼ -20.22
Corn	677.25	▼ -3.04	▲ 14.16
Coffee (US\$/pound)	2.18	▼ -5.81	▼ -3.56
Bloomberg Commodity Index	116.74	▼ -1.50	▲ 17.72

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