

## US labour market creates uncertainty ahead of rate hike

### Weekly commentary

The S&P 500 rose 1.13%, the Dow Jones increased 0.24% and the Nasdaq rose 2.03%; while Treasury yields declined by 18.09 basis points for the 2-year benchmark and 19.14 basis points for the 10-year benchmark.

Similarly, oil prices ended the week in expectation of the OPEC+ meeting held on 4 December, where members decided to maintain the daily reduction of 2 million barrels per day until February 2023, and do not rule out a more aggressive stance in the future. At the same time, on 5 December, the bans on imports of crude oil from Russia to the European Union came into force, as well as the price cap of 60 bpd on the purchase of Russian oil established by the Price Cap Coalition. Benchmark WTI rose 4.85% to 79.89 dpb and Brent rose 2.32% to 85.57 dpb.

In a conference last Wednesday, Federal Reserve Chairman Jerome Powell indicated that the moderation in the rate hike could come at the December 14 meeting, after 4 consecutive meetings increasing by 75 bps. At the end of the week, CME Group's FedWatch indicates a 50 bps hike probability of 79.4%, up from 66.3% last week.

Personal consumption expenditure (PCE) price inflation, a key indicator for the Fed, came in at 6.0% YoY in October, lower than the previous month and better than analysts' expectations. The underlying component declined slightly to 5.0% from 5.2% in September. The decline in this indicator was taken with optimism by the market, ahead of the December meeting.

According to the preliminary US GDP data for the third quarter of the year, the economy expanded 2.9%, driven upwards by the increase in consumption (1.18 p.p.), government spending (0.53 p.p.) and the trade balance (2.93 p.p.), while investment was the negative component that pushed back economic growth (-1.71 p.p.).

Likewise, preliminary inflation in the euro zone decelerated to 10.0%, after the 10.6% published the previous month, which was its highest level ever. The price level was driven upwards mainly by the food and energy sectors, which for November had an annual increase of 13.6% and 34.9% respectively.

In China, President Xi Jinping discussed the protests that began a fortnight ago over the strict zero Covid law with European Council President Charles Michel, and hinted at further relaxations such as no longer requiring a negative Covid test for entry to public transport from 5 December.

Finally, in Europe, the monthly confidence indicator came in at -23.9 for November, remaining at the same level as in October. Similarly in the US, the Conference Board's confidence indicator scored 100.2 versus 102.5 in October amid historically high inflation and rising interest rates.

### Relevant data and events

#### This week

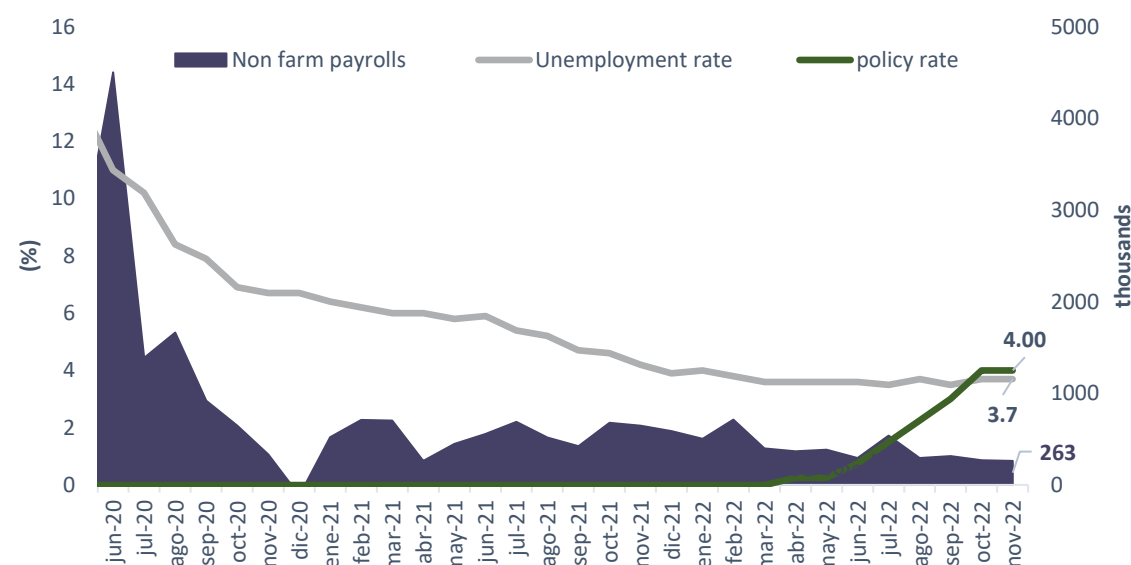
- **Consumer confidence** - University of Michigan.
- **CPI** - Brazil, China, Colombia, Mexico.
- **GDP** - Japan, Eurozone.
- **Interest rate decision** - Canada.
- **PPI** - USA.
- **PMI** - US, UK, Eurozone.

#### Previous week

- **Consumer confidence** - Conference Board Euro Area.
- **CPI** - US (PCE), Switzerland, Euro Area.
- **PPI** - Euro Area.
- **Unemployment** - Canada, USA\*, Brazil.
- **GDP** - Brazil, Canada, Switzerland.
- **PMI** - China.

#### \*Most relevant data of the week

### US labour market performance

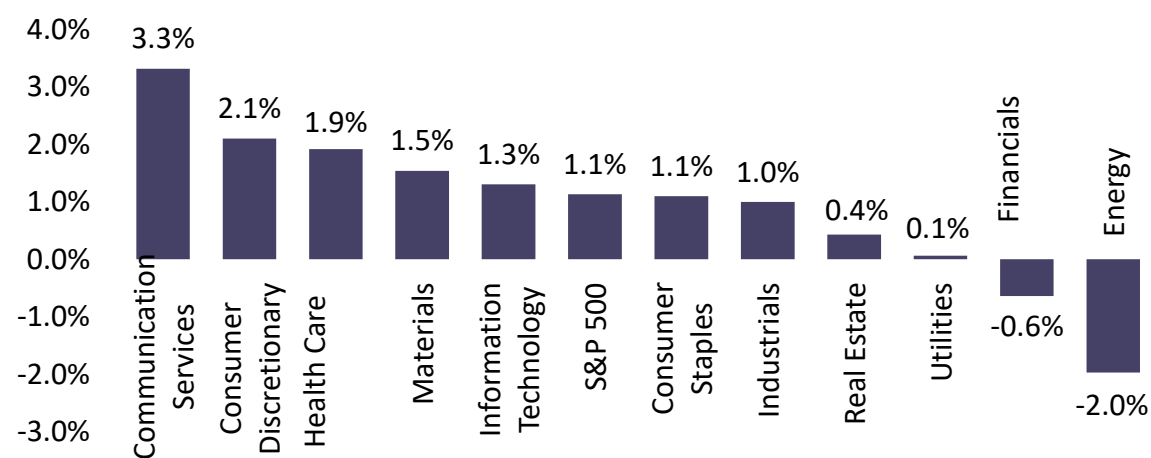


Source: Bureau of Labor Statistics- Compiled from On Capital

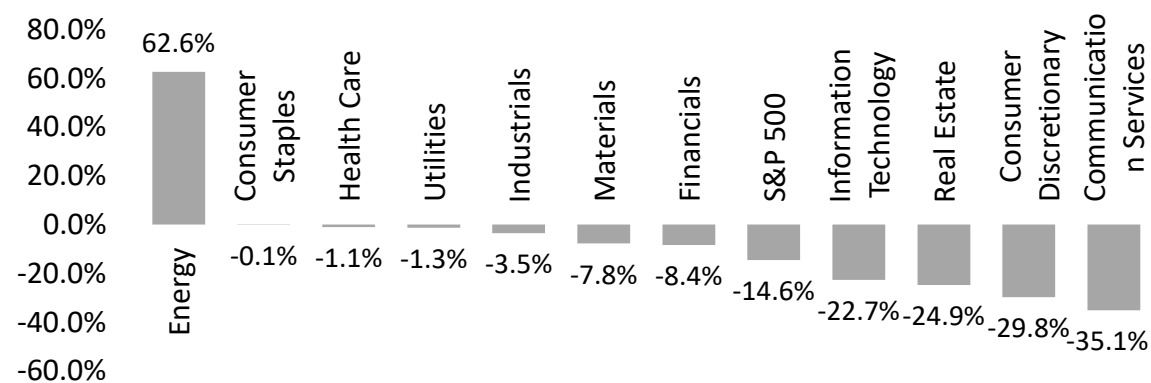
The US labour market maintained solid figures for november and generated uncertainty for investors ahead of the Fed's last meeting of the year. Farm payrolls increased by 263,000 jobs versus the 200,000 expected by the consensus while the unemployment rate remained unchanged at 3.7% and kept the indicator in a range between 3.5% - 3.7% since March 2022.

### Sector performance

#### Weekly



#### Annual



### In On Financial Markets Monitor

	Level	Price return (%)		Features
	12/02/2022	1 Week	YTD	Fwd P/E
<b>Equities</b>				
S&P 500	4071.70	▲ 1.13	▼ -14.57	18.51
Dow Jones 30	34429.88	▲ 0.24	▼ -5.25	18.81
Nasdaq 100	11994.26	▲ 2.03	▼ -26.51	23.16
Russell 2000	1892.84	▲ 1.27	▼ -15.70	24.11
Russell 1000 Growth	2335.39	▲ 1.70	▼ -24.05	25.00
Russell 1000 Value	1560.75	▲ 0.71	▼ -5.74	15.07
MSCI Emerging Markets	39.54	▲ 4.69	▼ -19.06	11.60
MSCI Developed & Emerging World	633.54	▲ 1.34	▼ -16.07	15.62
MSCI China	61.71	▲ 8.19	▼ -26.79	11.72
Topix - Japan	1953.98	▼ -3.17	▼ -1.92	12.38
EuroStoxx 50	3977.90	▲ 0.39	▼ -7.46	11.90
FTSE 100 - United Kingdom	7556.23	▲ 0.93	▲ 2.32	9.63

	Yield	Total return (%)	
	12/02/2022	1 Week	YTD
<b>Fixed income</b>			
U.S. Aggregate	4.39	▲ 1.54	▼ -11.44
U.S. Corporate High Yield	8.38	▲ 0.94	▼ -9.81
Global Aggregate	3.42	▲ 1.60	▼ -15.13
Global High Yield	9.00	▲ 1.41	▼ -12.15
Emerging Markets Hard Currency	4.66	▲ 2.37	▼ -19.83
Emerging Markets Local Currency	4.36	▲ 2.37	▼ -10.76

	Yield		Change in Basic Points	
	12/02/2022	12/31/2021	1 Week	YTD
<b>Interest rate</b>				
2-yr U.S. Treasuries	4.27	0.73	▼ -18.09	▲ 353.95
10-yr U.S. Treasuries	3.49	1.51	▼ -19.14	▲ 197.61
10-yr German Bund	1.85	-0.18	▼ -12.00	▲ 203.30

	Levels		Percentage change (%)	
	12/02/2022	12/31/2021	1 Week	YTD
<b>Currencies</b>				
Dolar Index	104.55	95.67	▼ -1.33	▲ 9.28
Euro	1.05	1.14	▲ 1.35	▼ -7.34
British pound	1.23	1.35	▲ 1.55	▼ -9.25
Japanease Yen	134.31	115.08	▼ -3.51	▲ 16.71
Yuan renminbi chinese	7.02	6.36	▼ -2.40	▲ 10.45
Mexican peso	19.40	20.53	▲ 0.35	▼ -5.50
Colombian peso	4778.50	4070.00	▼ -1.78	▲ 17.41

	Level	Percentage change (%)	
	12/02/2022	1 Week	YTD
<b>Commodities</b>			
Crude oil WTI	79.98	▲ 4.85	▲ 6.34
Crude oil Brent	85.57	▲ 2.32	▲ 10.02
Natural Gas	6.28	▼ -10.58	▲ 68.39
Gold	1797.63	▲ 2.43	▼ -1.73
Copper	384.80	▲ 6.08	▼ -13.79
Corn	635.00	▼ -4.94	▲ 7.04
Coffee (US\$/pound)	1.60	▼ -2.08	▼ -29.17
Bloomberg Commodity Index	114.47	▼ -0.39	▲ 15.43

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