

Markets watch the Fed this week

Weekly commentary

Markets ended the week lower, marked by investor nervousness about an upcoming recession in 2023, the Fed's monetary policy decision next Wednesday, and the release of the US PPI. The S&P 500 declined 3.37%, the Dow Jones declined 2.77% (its worst daily drop since September) and the Nasdaq declined 3.59%. Similarly, in the fixed income market, treasury bonds saw a devaluation during the week by 7.26 basis points for their two-year benchmark and 9.26 basis points for their 10-year benchmark.

Similarly, oil prices were volatile during the week amid the sanctions imposed by the European Union, and the possible cut in production by Russia. Crude oil is close to closing two consecutive quarters with losses. WTI closed at 71.02 dpb with a weekly fall of 11.20%, while Brent was trading at 76.10 dpb at the end of the day, accumulating a weekly loss of 11.07%.

The producer price index in the US slowed in November, rising 0.3% monthly (same as the previous month) and 7.4% annually (vs. 8.1% in October), mostly reflecting a fall in prices for final energy demand (-3.3% m/m). Meanwhile, underlying PPI rose to 6.2% y/y, from 6.8% in October.

PMI indices for the US, Europe, UK and China continued to be in contractionary territory, sending signals of a recession early next year. In the US, the composite index came in at 46.4 versus last month's 48.20, the euro zone index came in at 47.9 slightly higher than October's 47.3, and the UK remained unchanged from the previous month (47.2), and China also saw a deterioration in its index to 46.7 from 48.4 in October.

Meanwhile, the second GDP readings for Japan and the Eurozone showed a mixed reading for the third quarter of 2022. The Japanese economy contracted by 0.2%, worse than market expectations, while the Eurozone expanded by 0.3%, while the European Commission expects the European economy to enter recession in the last quarter of this year.

The Central Bank of Canada raised interest rates by 50 bps to 4.25%, in line with market expectations. The board also softened its rate hike rhetoric compared to previous months, predicting a slowdown in rate hikes by 2023.

On the other hand, the emerging economies of Brazil, China and Mexico presented moderations in their price indices for November. Inflation in Brazil was 5.90% YoY and 0.41% m/m, in China it was 1.60% YoY and -0.2% m/m, and Mexico registered 7.80% YoY and 0.58% m/m. On the other hand, Colombia has not yet reached its inflation ceiling, with a CPI change of 12.53% YoY and 0.77% MoM, above market estimates, generating more upward pressure on interest rates, which accumulated an increase of 800 bps during the year.

Finally, last Wednesday, Pedro Castillo was dismissed as president of the Republic of Peru by the congress, hours after he tried to dissolve the congress to avoid the third vacancy motion against him. Dina Boluarte was sworn in four hours later as president of the country, becoming the first woman to hold the position.

Relevant data and events

This week

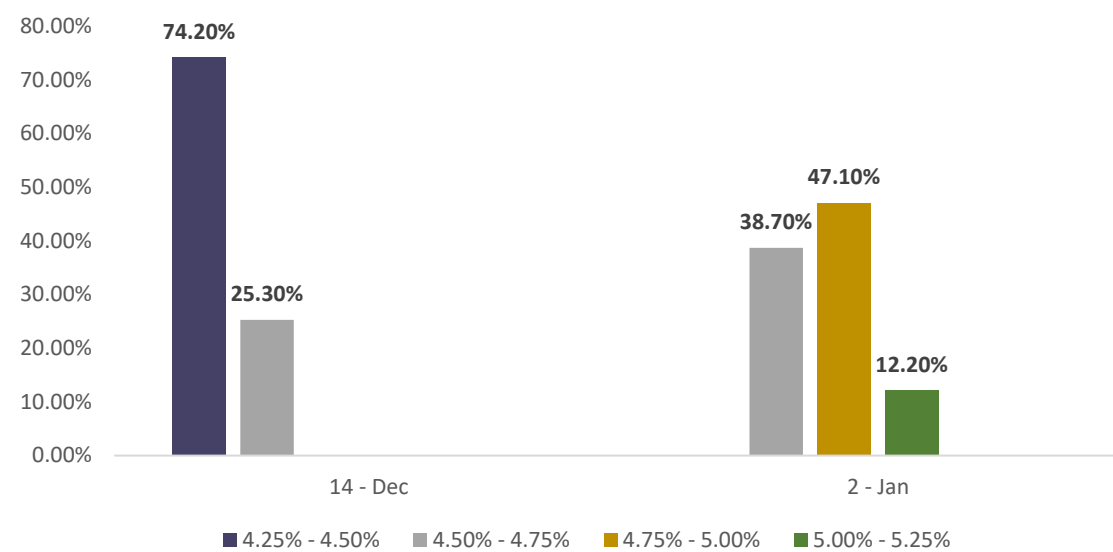
- **CPI** - US, UK, Euro Area.
- **GDP** - UK.
- **Interest rate decision** - Colombia, **US***, Mexico, UK, Eurozone.
- **PPI** - Switzerland, UK.
- **Unemployment** - UK.

Previous week

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

*Most relevant data of the week

Expected range of rates and probability of increase

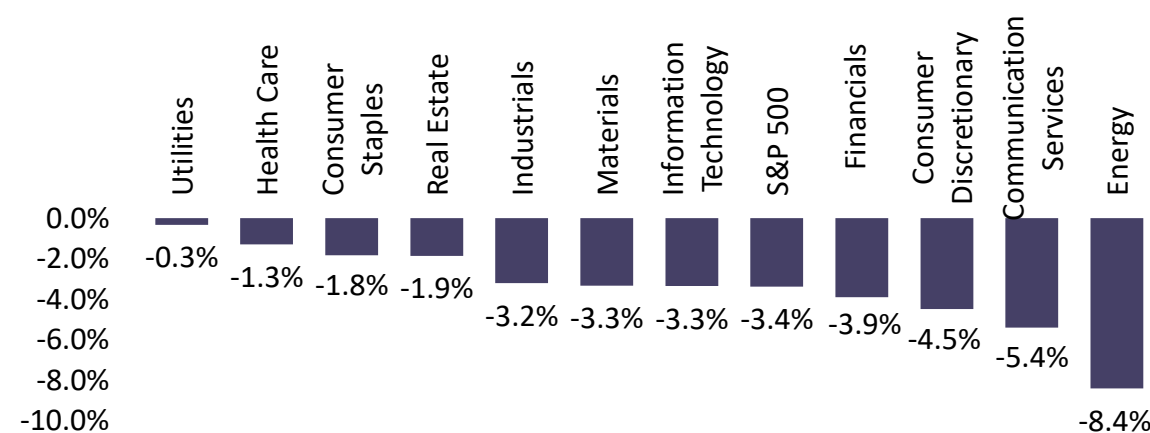


CME Group - Compiled In On Capital. Data as of 12 December

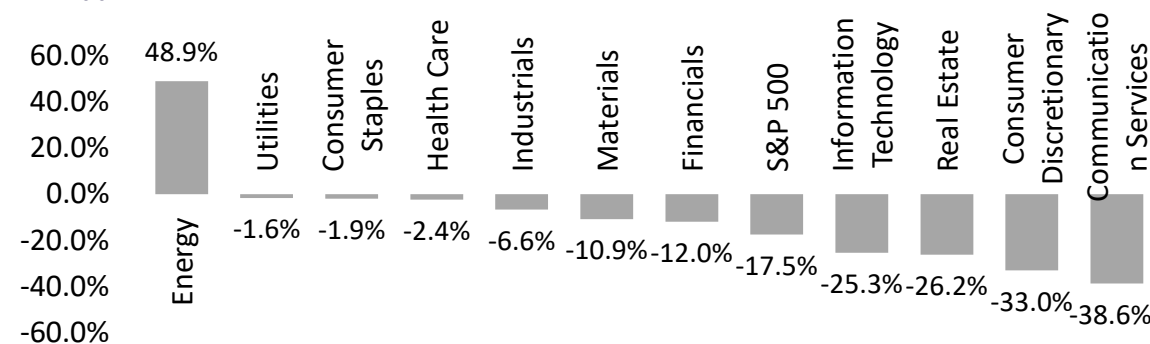
After a volatile week ahead of the Fed's policy meeting, the odds calculated by the CME group predict at 74.2% that the Federal Reserve Board will raise rates by 50 basis points, while with a probability of 25.3%, they expect the Fed to continue to raise rates aggressively. The last meeting of the year will be held on 14 December at 2pm.

Sector performance

Weekly



Annual



In On Financial Markets Monitor

	Level	Price return (%)		Features
	12/09/2022	1 Week	YTD	Fwd P/E
Equities				
S&P 500	3934.38	▼ -3.37	▼ -17.45	17.89
Dow Jones 30	33476.46	▼ -2.77	▼ -7.88	18.31
Nasdaq 100	11563.33	▼ -3.59	▼ -29.15	22.33
Russell 2000	1796.66	▼ -5.08	▼ -19.98	22.80
Russell 1000 Growth	2250.53	▼ -3.63	▼ -26.81	24.08
Russell 1000 Value	1507.93	▼ -3.38	▼ -8.93	14.57
MSCI Emerging Markets	39.02	▼ -1.32	▼ -20.12	11.75
MSCI Developed & Emerging World	619.36	▼ -2.24	▼ -17.95	15.28
MSCI China	65.89	▲ 6.77	▼ -21.83	12.35
Topix - Japan	1961.56	▲ 0.39	▼ -1.54	12.47
EuroStoxx 50	3942.62	▼ -0.89	▼ -8.28	11.77
FTSE 100 - United Kingdom	7476.63	▼ -1.05	▲ 1.25	9.78

	Yield	Total return (%)	
	12/09/2022	1 Week	YTD
Fixed income			
U.S. Aggregate	4.49	▼ -0.44	▼ -11.84
U.S. Corporate High Yield	8.52	▼ -0.19	▼ -9.98
Global Aggregate	3.47	▼ -0.07	▼ -15.19
Global High Yield	9.11	▼ -0.07	▼ -12.22
Emerging Markets Hard Currency	4.73	▼ -1.52	▼ -21.05
Emerging Markets Local Currency	4.39	▼ -0.60	▼ -11.30

	Yield		Change in Basic Points	
	12/09/2022	12/31/2021	1 Week	YTD
Interest rate				
2-yr U.S. Treasuries	4.34	0.73	▲ 7.26	▲ 361.21
10-yr U.S. Treasuries	3.58	1.51	▲ 9.21	▲ 206.82
10-yr German Bund	1.93	-0.18	▲ 7.70	▲ 211.00

	Levels		Percentage change (%)	
	12/09/2022	12/31/2021	1 Week	YTD
Currencies				
Dolar Index	104.81	95.67	▲ 0.25	▲ 9.55
Euro	1.05	1.14	▲ 0.05	▼ -7.30
British pound	1.23	1.35	▼ -0.17	▼ -9.41
Japanease Yen	136.56	115.08	▲ 1.68	▲ 18.67
Yuan renminbi chinese	6.96	6.36	▼ -0.81	▲ 9.55
Mexican peso	19.77	20.53	▲ 1.88	▼ -3.72
Colombian peso	4809.00	4070.00	▲ 0.64	▲ 18.16

	Level	Percentage change (%)	
	12/09/2022	1 Week	YTD
Commodities			
Crude oil WTI	71.02	▼ -11.20	▼ -5.57
Crude oil Brent	76.10	▼ -11.07	▼ -2.16
Natural Gas	6.25	▼ -0.57	▲ 67.43
Gold	1797.32	▼ -0.02	▼ -1.74
Copper	387.60	▲ 0.73	▼ -13.16
Corn	634.75	▼ -0.04	▲ 7.00
Coffee (US\$/pound)	1.58	▼ -1.50	▼ -30.23
Bloomberg Commodity Index	111.73	▼ -2.39	▲ 12.67

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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