

Markets hit by central banks contractionary tone.

Weekly commentary

Markets ended the week lower, marked by investor nervousness about Markets closed lower for the second week in a row after major central banks' interest rate moves and their more hawkish than expected tone ahead of next year (see Special report: Central bank rate hikes slow down, but recession fears rise); the release of inflation data in the US, UK and Eurozone. However, despite the interest rate hikes, US Treasuries appreciated, declining 16 basis points on their two-year benchmark and 9.61 basis points on their 10-year benchmark. By contrast, the S&P 500 declined 2.08%, the Dow Jones declined 1.6% and the Nasdaq declined 2.76%.

Similarly, oil prices closed higher despite seeing their price decline at the end of the week. Their positive performance was due to the projections of an increase in crude oil prices for 2023 by the IEA and the total closure and then partial opening of the Keystone pipeline (in charge of transporting oil from Canada to the US), which suffered a spill of more than 14,000 barrels of oil on 7 December. Benchmark WTI rose 4.60% to 74.29 dpb and Brent rose 3.86% to 79.04 dpb.

US retail sales surprised on the downside, falling 0.6% m/m (its biggest drop in 11 months) versus the expected -0.1%. This was against the current inflationary backdrop, with consumers bringing forward their Christmas shopping to take advantage of bargains, as a result of excess inventory by companies.

Similarly, CPI in the Eurozone slowed for the first time in months, rising 10.1% on a yearly basis and declining 0.1% month-on-month. Energy (+3.82 p.p.) and food (+2.84 p.p.) were the main contributors to the annual price increase. The data was published a day after the ECB's decision to raise rates by 50 basis points to 2.50% and to warn of further hikes by 2023 in order to push inflation back into its target range.

Likewise, the UK inflation rate for November was also down from last month. Prices rose 10.7% y/y versus the forecast of 10.9% and 0.4% month-on-month versus the expected 0.6%. Specifically, the housing services sector (+3.67 p.p.) and food (+1.87 p.p.) were the components that weighed the most in the CPI increase. As in the US and the Eurozone, the ONS release was one day before the monetary policy meeting, where the BoE hiked 50 basis points to 3.50%.

Finally, preliminary purchasing managers' indices for the US, Europe and the UK are in contractionary territory in December. In the US, the composite PMI came in at 44.6 points, the Eurozone PMI came in at 48.8 points, while the UK PMI came in at 49.0 points. Overall, manufacturing activity continues to deteriorate amid high inflation and falling private demand.

Relevant data and events

This week

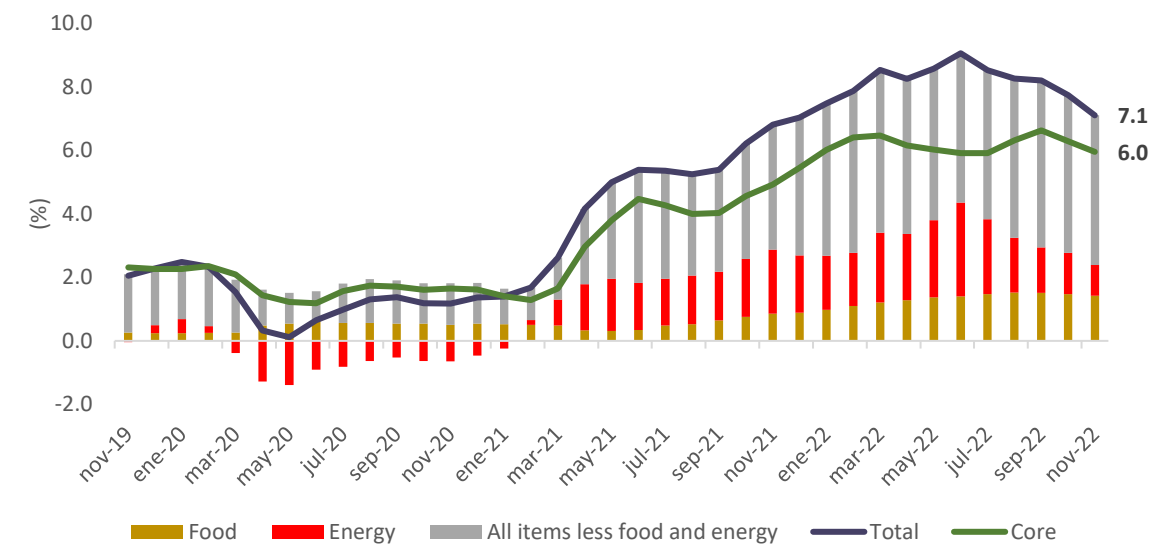
- **Consumer confidence** - Conference Board, U Michigan, Euro zone.
- **GDP** - Canada, US*, UK.
- **Interest rate decision** - Japan.
- **Inflation** - US (PCE), Canada, Japan.
- **New and resale home sales** - US.
- **Retail Sales** - Canada, Mexico.

Previous week

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

*Most relevant data of the week

Contributions to annual US inflation by sector

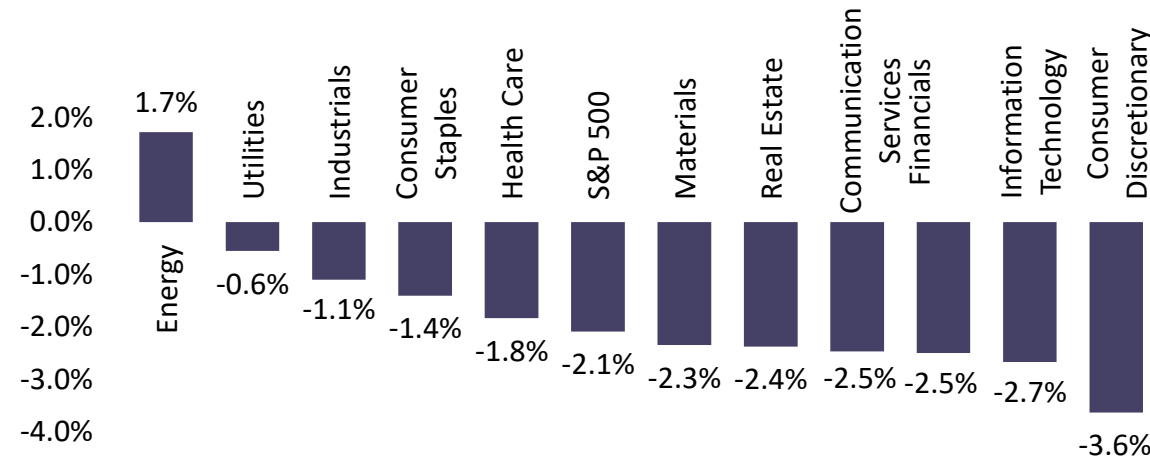


Source: Bureau of Labor Statistics- Compiled In On Capital. Percentage points

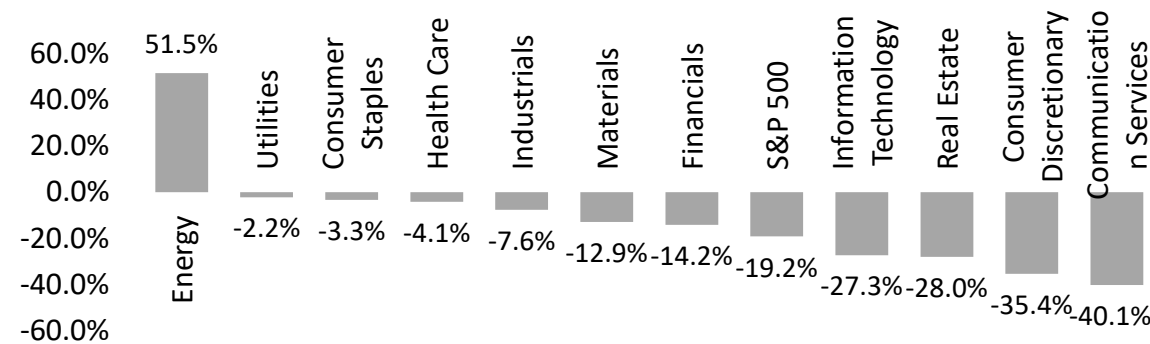
In the US, prices continued to decelerate in November. The CPI rose 0.1% m/m, due to the increase in energy (+0.068 p.p.). Thus, inflation stood at 7.1% YoY, where the main contributors were energy (+0.97 p.p.) and food (+1.42 p.p.). The core inflation rate also declined to 6.0% YoY, slightly lower than the 6.1% expected by the consensus.

Sector performance

Weekly



Annual



In On Financial Markets Monitor

	Level	Price return (%)		Features
	12/16/2022	1 Week	YTD	Fwd P/E
Equities				
S&P 500	3852.36	▼ -2.08	▼ -19.17	17.55
Dow Jones 30	32920.46	▼ -1.66	▼ -9.41	18.03
Nasdaq 100	11243.72	▼ -2.76	▼ -31.10	21.76
Russell 2000	1763.42	▼ -1.85	▼ -21.46	22.40
Russell 1000 Growth	2195.19	▼ -2.46	▼ -28.61	23.49
Russell 1000 Value	1483.19	▼ -1.64	▼ -10.42	14.35
MSCI Emerging Markets	37.83	▼ -3.05	▼ -22.56	11.45
MSCI Developed & Emerging World	606.13	▼ -2.14	▼ -19.70	14.93
MSCI China	64.06	▼ -2.78	▼ -24.00	11.97
Topix - Japan	1950.21	▼ -0.58	▼ -2.11	12.43
EuroStoxx 50	3804.02	▼ -3.52	▼ -11.50	11.37
FTSE 100 - United Kingdom	7332.12	▼ -1.93	▼ -0.71	9.67

	Yield	Total return (%)	
	12/16/2022	1 Week	YTD
Fixed income			
U.S. Aggregate	4.35	▲ 0.80	▼ -11.13
U.S. Corporate High Yield	8.56	▲ 0.03	▼ -9.96
Global Aggregate	3.49	▼ -0.09	▼ -15.27
Global High Yield	9.12	▲ 0.19	▼ -12.05
Emerging Markets Hard Currency	4.75	▼ -0.27	▼ -21.26
Emerging Markets Local Currency	7.39	▼ -1.12	▼ -12.29

	Yield		Change in Basic Points	
	12/16/2022	12/31/2021	1 Week	YTD
Interest rate				
2-yr U.S. Treasuries	4.18	0.73	▼ -16.60	▲ 344.61
10-yr U.S. Treasuries	3.48	1.51	▼ -9.61	▲ 197.21
10-yr German Bund	2.15	-0.18	▲ 22.00	▲ 233.00

	Levels		Percentage change (%)	
	12/16/2022	12/31/2021	1 Week	YTD
Currencies				
Dolar Index	104.70	95.67	▼ -0.10	▲ 9.44
Euro	1.06	1.14	▲ 0.44	▼ -6.90
British pound	1.21	1.35	▼ -0.91	▼ -10.23
Japanease Yen	136.60	115.08	▲ 0.03	▲ 18.70
Yuan renminbi chinese	6.98	6.36	▲ 0.19	▲ 9.76
Mexican peso	19.78	20.53	▲ 0.08	▼ -3.65
Colombian peso	4789.60	4070.00	▼ -0.40	▲ 17.68

	Level	Percentage change (%)	
	12/16/2022	1 Week	YTD
Commodities			
Crude oil WTI	74.29	▲ 4.60	▼ -1.22
Crude oil Brent	79.04	▲ 3.86	▲ 1.62
Natural Gas	6.60	▲ 5.68	▲ 76.94
Gold	1793.08	▼ -0.24	▼ -1.97
Copper	376.15	▼ -2.95	▼ -15.73
Corn	653.00	▲ 2.88	▲ 10.07
Coffee (US\$/pound)	1.64	▲ 4.06	▼ -27.40
Bloomberg Commodity Index	112.71	▲ 0.87	▲ 13.65

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