

## US economy grows more than expected in third quarter of 2022

### Weekly commentary

Markets ended the week with a mixed performance following the release of GDP and PCE inflation data in the US. The S&P 500 declined 0.20%, the Dow Jones rose 0.86% and the Nasdaq declined 2.30%; while Treasury yields rose 14.28 basis points for the 2-year benchmark and 26.50 basis points for the 10-year benchmark, on fears of a higher terminal rate next year.

Oil prices ended the week higher, hitting a three-week high, following a statement by Russia that it may cut oil production by 700,000 barrels per day following sanctions imposed by the European Union. Benchmark WTI rose 7.09 per cent to 79.56 dpb and Brent rose 6.17 per cent to 83.92 dpb.

PCE inflation, the main indicator used by the Fed, stood at 5.5% y/y in November compared to 6.1% in October. On the other hand, the annual core component decelerated to 4.7% versus 5.0% in October. The FOMC is expected to assess positively the downward trend in this indicator since October in view of the proposed terminal rate for next year.

Similarly, monthly CPI changes in some developed countries were released during the week. In Canada inflation decelerated slightly in annual terms to 6.8% from 6.9% last month, while in Japan the price level continues to rise, this time to 3.8% y/y from 3.7% in October, reaching a level not seen for 40 years.

At the same time, the Bank of Japan decided to maintain its negative interest rate policy, and will remain committed to the 10-year bond purchase programmes, in order to keep them at around 0%. However, investors' attention was focused on the widening of the fluctuation range for the 10-year bond yield from +/- 25 basis points to +/- 50 basis points. This decision had a strong effect on the Japanese yen during the week, depreciating by 2.70% to 132.91 yen per dollar. (For more information see: Why surprise changes in Japanese monetary policy affects investments?)

Meanwhile, consumer confidence indices in the US and Europe showed an improvement from the previous month's data. In the US, the University of Michigan's confidence indicator scored 59.7 versus 59.1 in November, while the Conference Board's gauge came in at 108.3 versus 101.4 last month, amid falling gasoline prices and CPI. In Europe, consumer confidence also improved to -22.2 from the previous month's figure of -23.9.

Finally, US new home sales rose 5.8% in November from the previous month. They reported sales of 640,000 homes sold compared to 605,000 in October. However, used home sales declined in November, reporting 4.09 million homes sold versus 4.43 million sold the previous month (-7.7% month-over-month). These data reflect the effects on the housing market due to rising interest rates that have directly affected 30-year mortgage rates.

### Relevant data and events

#### This week

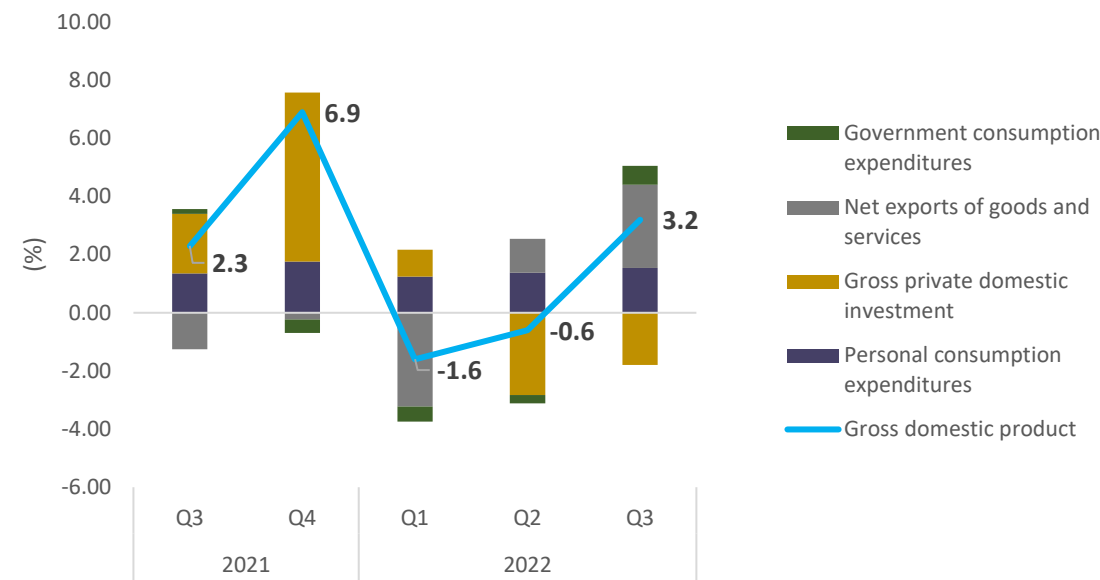
- **Unemployment** - Chile, Japan.
- **Inflation** - Spain
- **PMI** - China
- **Pending home sales** - US

#### Previous 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.

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

### Contributions to US GDP

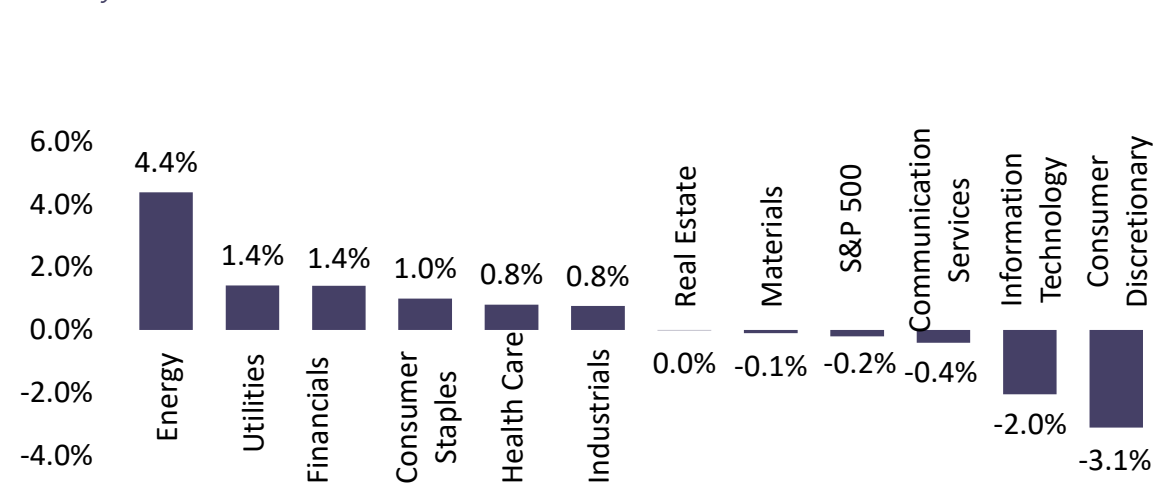


Source: Bureau of Economic Analysis - Compiled In On Capital. Percentage points

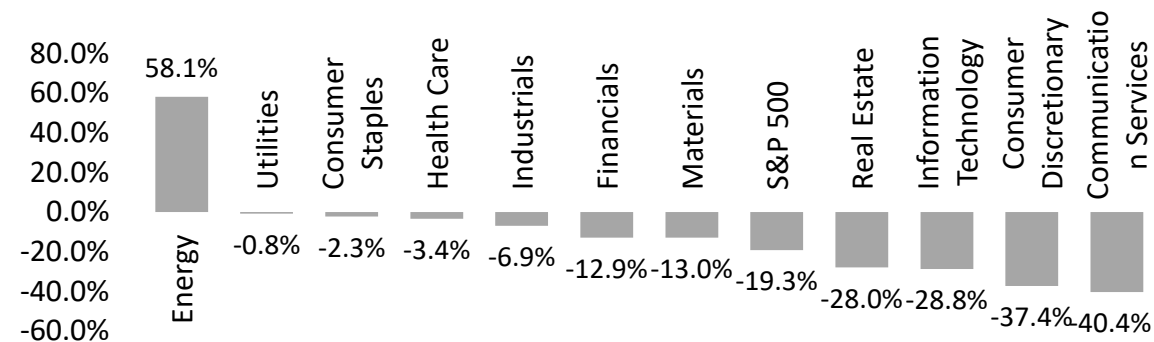
The US economy expanded by 3.2% in the third quarter of 2022, better than the revised previous reading of 2.9%. Investment was the component that contributed negatively to GDP growth by 1.80 p.p., while the trade balance and consumption boosted the US economy by 2.86 p.p. and 1.54 p.p. respectively.

### Sector performance

#### Weekly



#### Annual



### In On Financial Markets Monitor

|                                 | Level      | Price return (%) |          | Features |
|---------------------------------|------------|------------------|----------|----------|
|                                 | 12/23/2022 | 1 Week           | YTD      | Fwd P/E  |
| <b>Equities</b>                 |            |                  |          |          |
| S&P 500                         | 3844.82    | ▼ -0.20          | ▼ -19.33 | 17.53    |
| Dow Jones 30                    | 33203.93   | ▲ 0.86           | ▼ -8.63  | 18.24    |
| Nasdaq 100                      | 10985.45   | ▼ -2.30          | ▼ -32.69 | 22.02    |
| Russell 2000                    | 1760.93    | ▼ -0.14          | ▼ -21.57 | 22.73    |
| Russell 1000 Growth             | 2165.62    | ▼ -1.35          | ▼ -29.57 | 23.15    |
| Russell 1000 Value              | 1495.36    | ▲ 0.82           | ▼ -9.69  | 14.55    |
| MSCI Emerging Markets           | 37.80      | ▼ -0.08          | ▼ -22.62 | 11.35    |
| MSCI Developed & Emerging World | 605.79     | ▼ -0.06          | ▼ -19.74 | 14.92    |
| MSCI China                      | 63.66      | ▼ -0.62          | ▼ -24.48 | 11.86    |
| Topix - Japan                   | 1897.94    | ▼ -2.68          | ▼ -4.74  | 12.10    |
| EuroStoxx 50                    | 3817.01    | ▲ 0.34           | ▼ -11.20 | 11.37    |
| FTSE 100 - United Kingdom       | 7473.01    | ▲ 1.92           | ▲ 1.20   | 9.46     |

|                                 | Yield      | Total return (%) |          |
|---------------------------------|------------|------------------|----------|
|                                 | 12/23/2022 | 1 Week           | YTD      |
| <b>Fixed income</b>             |            |                  |          |
| U.S. Aggregate                  | 4.56       | ▼ -1.47          | ▼ -12.44 |
| U.S. Corporate High Yield       | 8.69       | ▼ -0.44          | ▼ -10.35 |
| Global Aggregate                | 3.64       | ▼ -0.82          | ▼ -15.96 |
| Global High Yield               | 9.25       | ▼ -0.33          | ▼ -12.34 |
| Emerging Markets Hard Currency  | 4.79       | ▼ -0.80          | ▼ -21.90 |
| Emerging Markets Local Currency | 7.69       | ▲ 0.78           | ▼ -11.60 |

|                       | Yield      |            | Change in Basic Points |          |
|-----------------------|------------|------------|------------------------|----------|
|                       | 12/23/2022 | 12/31/2021 | 1 Week                 | YTD      |
| <b>Interest rate</b>  |            |            |                        |          |
| 2-yr U.S. Treasuries  | 4.32       | 0.73       | ▲ 14.28                | ▲ 358.89 |
| 10-yr U.S. Treasuries | 3.75       | 1.51       | ▲ 26.50                | ▲ 223.71 |
| 10-yr German Bund     | 2.39       | -0.18      | ▲ 24.50                | ▲ 257.50 |

|                       | Levels     |            | Percentage change (%) |          |
|-----------------------|------------|------------|-----------------------|----------|
|                       | 12/23/2022 | 12/31/2021 | 1 Week                | YTD      |
| <b>Currencies</b>     |            |            |                       |          |
| Dolar Index           | 104.31     | 95.67      | ▼ -0.37               | ▲ 9.04   |
| Euro                  | 1.06       | 1.14       | ▲ 0.29                | ▼ -6.62  |
| British pound         | 1.21       | 1.35       | ▼ -0.78               | ▼ -10.93 |
| Japanease Yen         | 132.91     | 115.08     | ▼ -2.70               | ▲ 15.49  |
| Yuan renminbi chinese | 7.00       | 6.36       | ▲ 0.37                | ▲ 10.16  |
| Mexican peso          | 19.37      | 20.53      | ▼ -2.05               | ▼ -5.63  |
| Colombian peso        | 4737.00    | 4070.00    | ▼ -1.10               | ▲ 16.39  |

|                           | Level      | Percentage change (%) |          |
|---------------------------|------------|-----------------------|----------|
|                           | 12/23/2022 | 1 Week                | YTD      |
| <b>Commodities</b>        |            |                       |          |
| Crude oil WTI             | 79.56      | ▲ 7.09                | ▲ 5.78   |
| Crude oil Brent           | 83.92      | ▲ 6.17                | ▲ 7.89   |
| Natural Gas               | 5.08       | ▼ -23.05              | ▲ 36.17  |
| Gold                      | 1798.20    | ▲ 0.29                | ▼ -1.69  |
| Copper                    | 380.30     | ▲ 1.10                | ▼ -14.80 |
| Corn                      | 666.25     | ▲ 2.03                | ▲ 12.31  |
| Coffee (US\$/pound)       | 1.72       | ▲ 4.78                | ▼ -23.93 |
| Bloomberg Commodity Index | 112.56     | ▼ -0.14               | ▲ 13.50  |

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