

Mixed Corporate Earnings and Fed Messages

Weekly commentary

The markets closed the week in red. The Dow Jones fell -0.17%, Nasdaq and the S&P 500 declined -2.42% and -1.14%, respectively, recording the largest losses of the year. This movement was explained by the uncertainty surrounding the results of major companies and fears that the Federal Reserve (Fed) will continue with increases in its interest rate in a more prolonged manner than anticipated.

The week continue with corporate earnings. Disney exceeded expectations as the subscriber losses were not as bad as feared. On the other hand, CVS Health's total revenues increased to \$83.8 billion, 9.5% more compared to the previous year and its earnings per share were \$1.75.

In addition, Joe Biden in his State of the Union speech proposed taxing corporations to help reduce the deficit by \$2 billion. But the House speaker, Kevin McCarthy, has already dismissed tax hikes. Under this scenario, no progress was made between Republicans and Democrats for the debt ceiling.

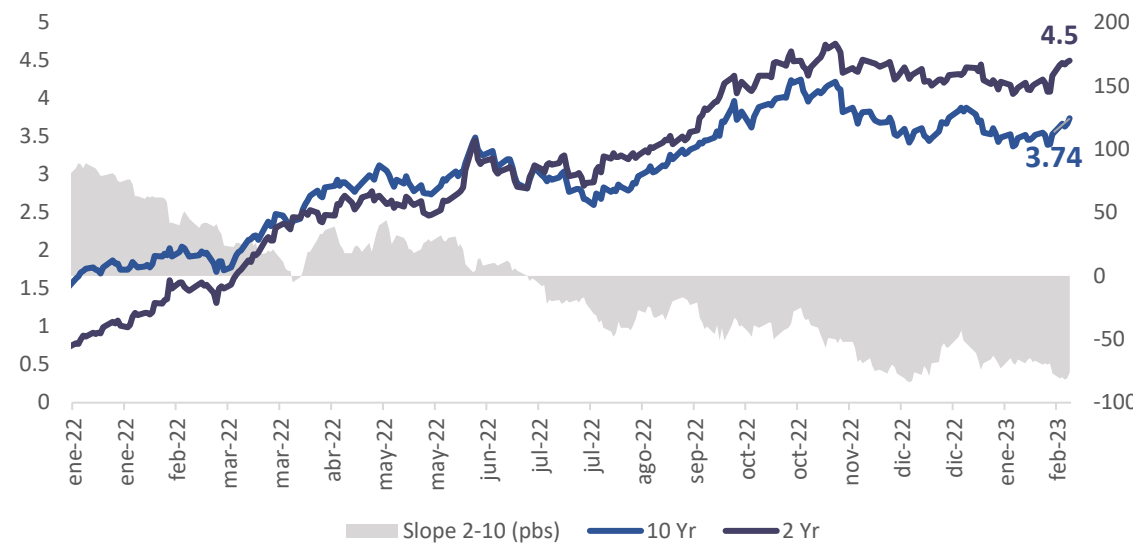
The main oil references rose 9.07% and 8.22%, WTI and Brent, respectively after Russia announced plans to reduce production next month, after Western imposition of price caps on Russian crude and fuel. On the other hand, after Turkey recorded two earthquakes, there were concerns about supply through the country due to the explosion of some oil pipelines, which led the government to declare a state of emergency and close financial markets until February 15th.

Finally, in the regional aspect, investors were attentive to the publication of macroeconomic data and the monetary policy meetings of the main monetary entities. In Brazil, inflation increased 5.77% in January, below the 5.79% of the previous month and the market estimates of 5.8%. It is worth noting that the Central Bank of Brazil has kept the interest rate at 13.75% for 6 months.

In turn, the Central Reserve Bank of Peru kept its interest rate at 7.75%, being the first time it has not increased since July 2021. The entity announced that it does not mean a pause in the increases as it will depend on the performance of inflation.

While the Bank of Mexico decided to increase the monetary policy rate by 50 bps, surprisingly to the upside of the 25 bps that the market expected. In January, the general inflation increased to 7.91%. The underlying component, which better reflects the trend of inflation, was 8.45%, surprisingly to the upside.

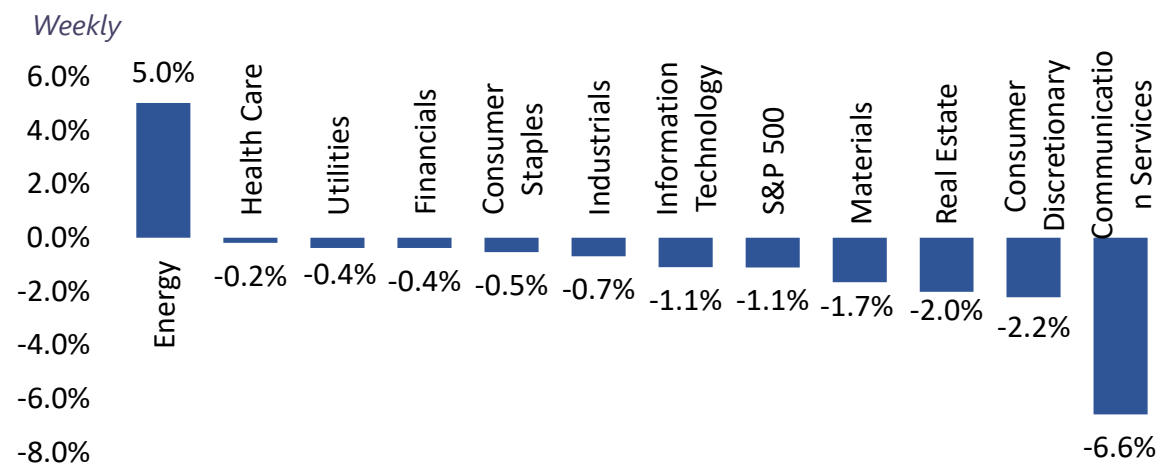
Performance of Treasures (2 and 10 years) vs Slope



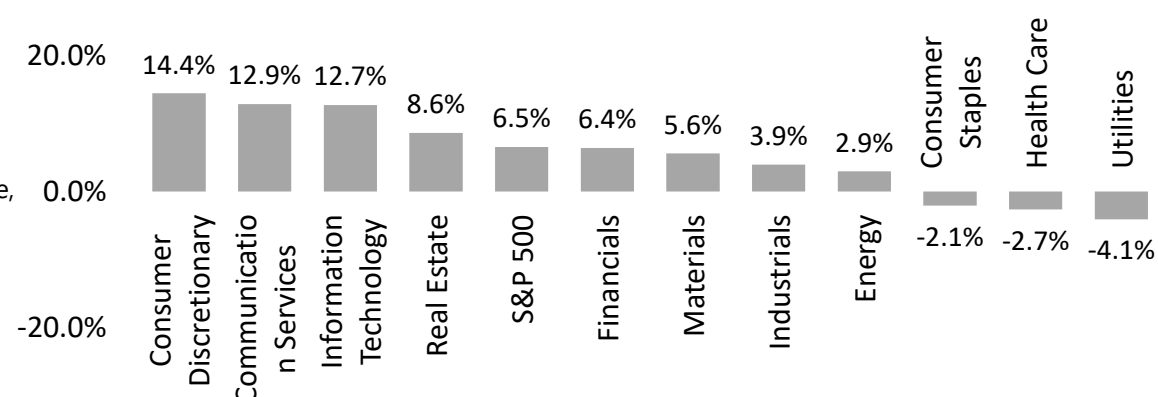
Source: In On Capital Compiled.

The yield curve slope, or the difference in rate between 2-year (4.46%) and 10-year bonds (3.60%), reached a level not seen since 1980. This is amidst investor uncertainty about the ability of the US economy to withstand further rate hikes, following the Federal Reserve's last adjustment (+25 bps to 4.25% to 4.5%). However, the market discounts a maximum rate of 5.0% to 5.25% for 2023. On the other hand, German bonds showed depreciation along the curve due to the more aggressive stance of ECB members.

Sector performance



Annual 2023



In On Financial Markets Monitor

Equities	Level	Price return (%)		Features
	10/02/2023	1 Week	2022	Fwd P/E
S&P 500	4090,46	▼ -1,11	▼ -13,74	19,49
Dow Jones 30	33869,27	▼ -0,17	▼ -6,73	17,31
Nasdaq 100	12304,92	▼ -2,13	▼ -23,62	26,63
Russell 2000	1918,81	▼ -3,36	▼ -12,81	26,64
Russell 1000 Growth	2363,36	▼ -1,55	▼ -22,52	27,54
Russell 1000 Value	1562,86	▼ -1,02	▼ -5,19	15,90
MSCI Emerging Markets	1013,67	▼ -2,41	▼ -17,66	11,19
MSCI Developed & Emerging World	646,87	▼ -1,43	▼ -14,03	16,51
MSCI China	70,16	▼ -2,85	▼ -16,51	13,15
Topix - Japan	1986,96	▲ 0,85	▼ -0,66	13,01
EuroStoxx 50	4197,94	▼ -1,41	▼ -2,16	12,80
FTSE 100 - United Kingdom	7882,45	▼ -0,24	▲ 6,12	10,59

Fixed income	Yield	Total return (%)	
	10/02/2023	1 Week	2022
U.S. Aggregate	4,56	▼ -1,43	▼ -10,98
U.S. Corporate High Yield	8,38	▼ -1,78	▼ -7,39
Global Aggregate	3,61	▼ -1,63	▼ -14,28
Global High Yield	8,82	▼ -1,94	▼ -8,97
Emerging Markets Hard Currency	4,36	▼ -2,79	▼ -20,16
Emerging Markets Local Currency	0,85	▼ -1,42	▼ -9,61

Interest rate	Yield		Change in Basic Points	
	10/02/2023	30/12/2022	1 Week	2022
2-yr U.S. Treasuries	4,52	4,43	▲ 22,84	▲ 374,02
10-yr U.S. Treasuries	3,73	3,87	▲ 20,74	▲ 212,98
10-yr German Bund	2,36	2,57	▲ 17,30	▲ 247,40

Currencies	Levels		Percentage change (%)	
	10/02/2023	30/12/2022	1 Week	2022
Dolar Index	103,63	103,52	▲ 0,69	▲ 8,31
Euro	1,07	1,07	▼ -1,08	▼ -5,66
British pound	1,21	1,21	▲ 0,05	▼ -11,18
Japanese Yen	131,36	131,12	▲ 0,13	▲ 15,28
Yuan renminbi chinese	6,82	6,92	▲ 0,25	▲ 7,06
Mexican peso	18,67	19,50	▼ -1,57	▼ -6,63
Colombian peso	4801,00	4070,00	▲ 3,89	▲ 13,55

Commodities	Level	Percentage change (%)	
	10/02/2023	1 Week	2022
Crude oil WTI	79,72	▲ 8,63	▼ -1,46
Crude oil Brent	86,39	▲ 8,07	▲ 4,13
Natural Gas	2,51	▲ 4,32	▼ -34,13
Gold	1865,57	▲ 0,03	▲ 2,09
Copper	401,65	▼ -0,99	▼ -9,60
Corn	680,50	▲ 0,44	▲ 14,45
Coffee (US\$/pound)	1,75	▲ 1,13	▼ -22,29
Bloomberg Commodity Index	108,68	▲ 1,50	▲ 7,57

Relevant data and events

This week

- **USA:** Inflation, PPI, Fed Minutes.
- **Japan:** 4Q 2022 GDP.
- **Europe:** United Kingdom inflation.
- **Corporate reports:** Nu Bank, Coca-Cola, Zoetis, Cisco, Nestle, Allianz, Airbnb.

Previous week

- **USA:** Trade Balance. Joe Biden's speech.
- **Europe:** Germany inflation. UK 4Q 2022 GDP.
- **International:** Inflation (Brazil and Mexico). BCRP meeting (Mexico); RBA meeting (India).
- **Corporate reports:** Walt Disney, CVS, PepsiCo, PayPal.

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