

COORDINATED ACTIONS FROM CENTRAL BANKS

Weekly commentary

During the week, the main stock market indices appreciated, driven by assistance from central and private banks to the financial system. In this way, the Dow Jones (1.18%), Nasdaq (1.97%), and S&P 500 (1.39%) increased in value.

After government pronouncements guaranteeing the solidity of financial entities, bank stocks generally recovered. In addition, U.S. regulators and the President of the European Central Bank affirmed the solidity of the financial system and the banking sector in the region, which boosted stock markets despite the fall in Deutsche Bank AG shares.

On the other hand, different central banks tightened their monetary policy stance by raising reference rates during the past week, although not to a considerable extent, despite financial uncertainty. For more information, please refer to our special monetary policy report.

In the United Kingdom, the Bank of England's Monetary Policy Committee voted 7-2 in favor of raising the Bank Rate to 4.25%, a widely anticipated move after the country's inflation surprised to the upside in February, with an annual CPI increase of 10.4%, driven by rising food and energy prices.

The Swiss National Bank increased its policy rate by 50 basis points to 1.5%. This was the fourth consecutive increase and in line with economists' expectations, despite recent turmoil in Switzerland's banking sector.

In addition, the People's Bank of China kept its reference loan rates unchanged for the seventh consecutive month in March, in line with expectations.

Geopolitical tensions increased with Chinese President Xi Jinping's three-day visit to Russia, where economic and political cooperation, as well as the situation in Ukraine, were discussed.

Meanwhile, in the United States, according to the latest data published by the Federal Reserve, the monetary aggregate fell by 1.7% in January 2023, which is the largest decline in the entire historical series, which only goes back to 1960.

US Treasury bond yields showed significant appreciation during the week. The 2- and 10-year maturities appreciated by 7 and 5 basis points, respectively. On the German bond side, during the week, they depreciated by 2 basis points due to European bank instability.

Finally, oil prices rose this week despite turbulence in the banking sector. Brent futures gained 2.8% for the week, while WTI gained 3.8%. This was due to the dollar's fall (-57 basis points) amidst less uncertainty and despite a surprising weekly increase in US crude inventories. However, last week, both registered their biggest declines in months.

Relevant data and events

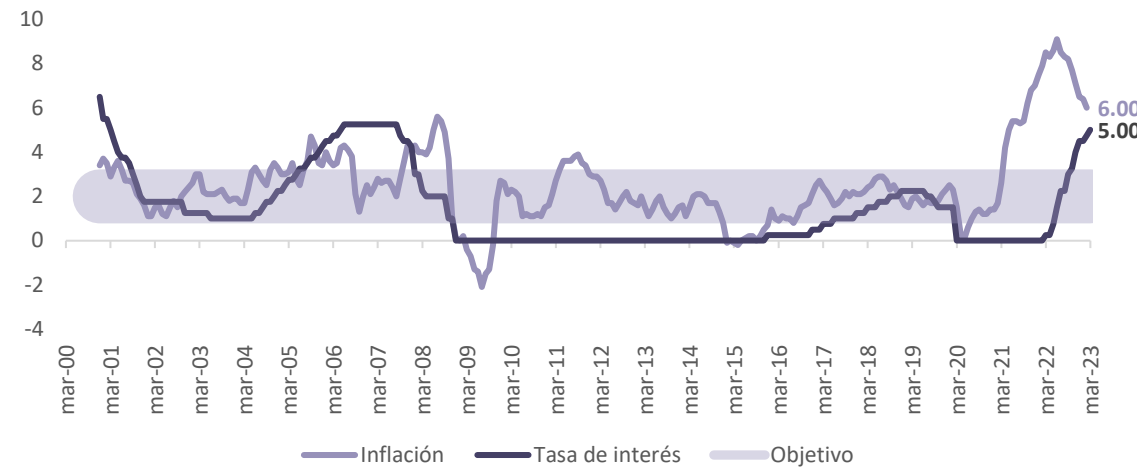
This week:

- USA:** Conference Board. GDP 4Q22.
- Europe:** Ifo Confidence Germany, Gfk Index Germany. CPI Review (Germany, Spain, France, Euro Zone). PIB 4Q22 (UK).
- LatAm:** Trade Balance (Mexico). Central Banks Meeting (Mexico and Colombia)

Previous week:

- USA:** Fed Monetary Policy Decision.
- Europe:** PPI Germany, ZEW Confidence Germany and Euro Zone, CPI (United Kingdom). BoE Monetary Policy Decision. Euro Zone PMI.
- International:** IPC (Canada, Japan), China and Russia meeting.
- LatAm:** GDP (Chile)
- Global:** China and Russia meeting

Annual Inflation vs. Monetary Policy Rate in the United States

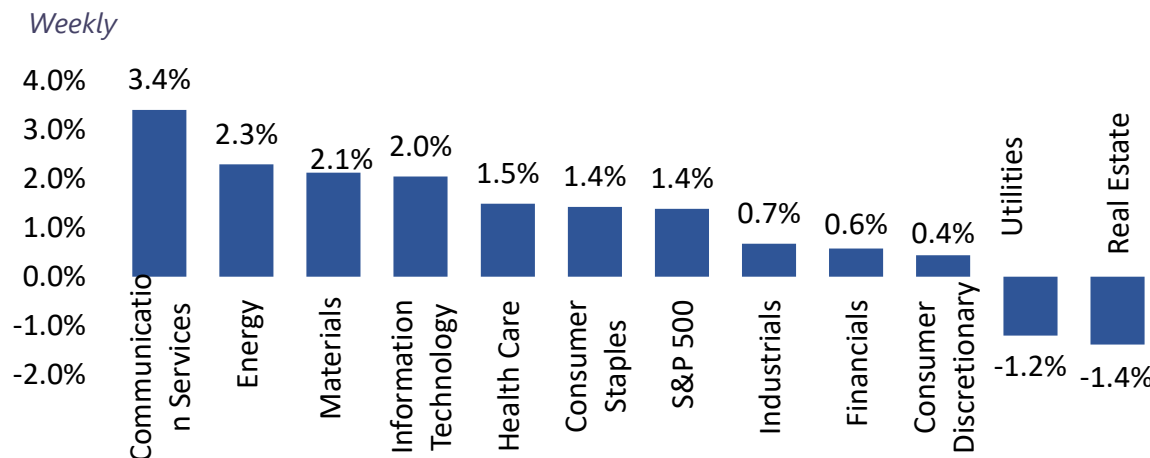


Source: In On Capital Compiled.

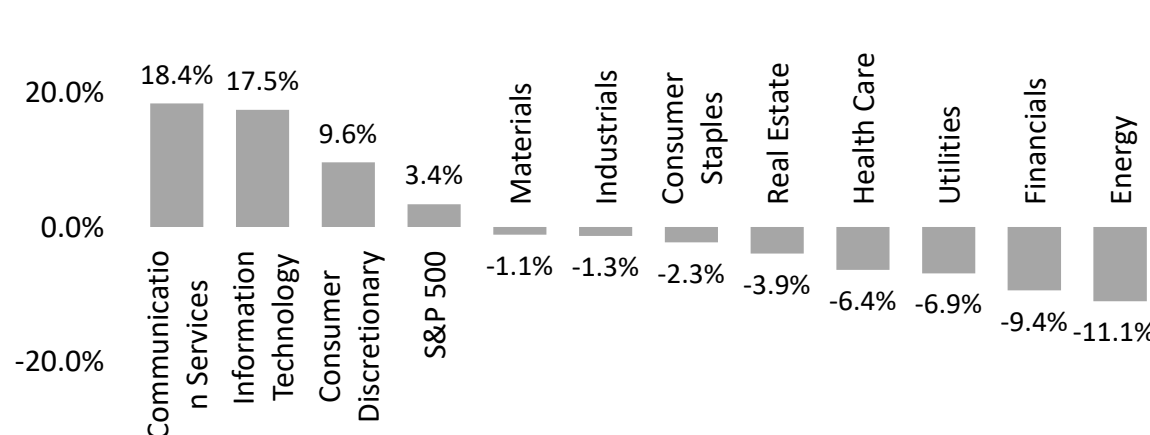
At its March meeting, the Federal Open Market Committee (FOMC) of the Federal Reserve (Fed) unanimously decided to increase the interest rate by 25 basis points to the range of 4.75% - 4.50%, the highest level since October 2007. Accordingly, Jerome Powell, the president of the institution, began his speech by arguing that financial markets are in an adequate situation, as the Short-Term Bank Funding Program (BTFFP) will cover the liquidity needs that some banks may present.

The market expects an additional increase of 25 basis points for the May meeting, placing the rate in the range of 5.25% - 5.50%, which would be maintained throughout the year. It should be noted that for the March meeting, the market shifted from discounting a 50pbs increase to a 25pbs increase due to financial instability and the inflation rate in the United States, which rose to 6.0% on an annual basis, but below market expectations.

Sector performance



Annual 2023



In On Financial Markets Monitor

	Level	Price return (%)		Features	
		24/03/2023	1 Week		2022
Equities					
S&P 500	3970.99	▲	1.39	▼ -17.09	18.09
Dow Jones 30	32237.53	▲	1.18	▼ -11.27	16.58
Nasdaq 100	12767.05	▲	1.97	▼ -23.02	24.61
Russell 2000	1734.92	▲	0.52	▼ -23.28	23.07
Russell 1000 Growth	2383.65	▲	1.63	▼ -23.38	24.05
Russell 1000 Value	1444.86	▲	0.97	▼ -12.42	14.47
MSCI Emerging Markets	972.17	▲	2.17	▼ -23.46	12.11
MSCI Developed & Emerging World	625.06	▲	1.46	▼ -17.86	15.58
MSCI China	66.34	▲	2.93	▼ -25.06	14.01
Topix - Japan	1955.32	▼	-0.21	▼ -3.16	12.92
EuroStoxx 50	4130.62	▲	1.61	▼ -4.16	12.11
FTSE 100 - United Kingdom	7405.45	▲	0.95	▲ 0.26	10.11

	Yield	Total return (%)		
		24/03/2023	1 Week	2022
Fixed income				
U.S. Aggregate	4.26	▲	0.52	▼ -10.91
U.S. Corporate High Yield	8.93	▲	0.35	▼ -10.05
Global Aggregate	3.42	▲	0.75	▼ -14.00
Global High Yield	9.47	▲	0.54	▼ -12.07
Emerging Markets Hard Currency	5.32	▲	1.41	▼ -22.79
Emerging Markets Local Currency	0.84	▲	1.24	▼ -10.38

	Yield		Change in Basic Points	
	24/03/2023	30/12/2022	1 Week	2022
Interest rate				
2-yr U.S. Treasuries	3.77	4.43	▼ -7.07	▲ 324.41
10-yr U.S. Treasuries	3.38	3.87	▼ -5.24	▲ 197.46
10-yr German Bund	2.12	2.57	▲ 2.20	▲ 230.20

	Levels		Percentage change (%)	
	24/03/2023	30/12/2022	1 Week	2022
Currencies				
Dolar Index	103.12	103.52	▼ -0.57	▲ 7.96
Euro	1.08	1.07	▲ 0.84	▼ -5.71
British pound	1.22	1.21	▲ 0.49	▼ -9.27
Japanese Yen	130.73	131.12	▼ -0.85	▲ 14.11
Yuan renminbi chinese	6.87	6.92	▼ -0.28	▲ 8.13
Mexican peso	18.44	19.50	▼ -2.46	▼ -8.24
Colombian peso	4725.10	4070.00	▼ -2.27	▲ 18.80

	Level	Percentage change (%)		
		24/03/2023	1 Week	2022
Commodities				
Crude oil WTI	69.26	▲	3.78	▼ -10.07
Crude oil Brent	74.99	▲	2.77	▼ -5.13
Natural Gas	2.22	▼	-5.22	▼ -40.40
Gold	1978.21	▼	-0.55	▲ 8.18
Copper	410.15	▲	4.80	▼ -10.93
Corn	643.00	▲	1.38	▲ 6.70
Coffee (US\$/pound)	1.79	▼	-2.05	▼ -18.22
Bloomberg Commodity Index	103.02	▲	0.42	▲ 3.43

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