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BALLESTAS GROUP  
PRIVATE WEALTH MANAGEMENT

# Weekly Recap

## UNITED STATES

Headline inflation in the U.S. fell to its lowest level since November 2021, according to official data. The month-over-month headline Consumer Price Index (CPI) decreased, resulting in an annual change of 6.5%, down from 7.1% in November. However, a closer examination of the report revealed that there was an ongoing acceleration in shelter costs and services inflation, which the Federal Reserve (Fed) has acknowledged will be challenging to bring down. The main contributor to the decline in the CPI was a 9.4% drop in gasoline prices, leading to a 4.5% decrease in the energy subindex month-over-month. Analysts have noted that the drastic decline in energy prices may force the Fed to maintain a hawkish stance as they cannot rely on energy prices as a consistent source of disinflation.

After the release of the inflation report, Patrick Harker, President of the St. Louis Federal Reserve (Fed), joined the group of policymakers who believe that a continued hawkish monetary policy is necessary to curb inflation. Despite acknowledging the progress made on inflation in the past three months, he still believes that the terminal rate will need to be above 5% to reach the Federal Reserve's 2% inflation target.

The 4Q 2022 earnings season began this week with large banks reporting their results. JPMorgan, Bank of America, Wells Fargo, Blackrock, Citigroup, and Bank of NY Mellon were among the first to report. Both analysts and companies have lowered their profit projections for the final quarter of the year. As a result, earnings for the S&P 500 are predicted to be negative, which has not happened since the 4Q 2020.

Contrary to some of the optimistic forecasts released recently, the International Monetary Fund (IMF) lowered their forecast for global growth in mid-2022. They have revised their growth projections from 3% to 1.7% for 2023 due to the worsening economic conditions. The significant revision was in the economy of the USA, where they now forecast growth of 0.5% compared to the previous estimate of 2.4%.

The University of Michigan released their Consumer Sentiment Index on the last day of the week, showing an eight-month high of 65.6 in January, an increase from 59.7 in December. The improvement in sentiment was partly due to the perception that inflation will decrease in the near future. However, respondents expressed concern about inflation expectations for the next 5 years, which increased by 0.1% to 3.0%, above the Federal Reserve's target of 2%.

## EUROPE

Goldman Sachs announced this week that they no longer anticipate a recession in the Eurozone economy and now predict growth of 0.6% this year, an improvement from their previous forecast of contraction. The change in forecast is attributed to the decrease in natural gas prices and the reopening of China's borders. The bank also lowered their inflation expectation to 3.25% by the end of 2023, compared to the previous forecast of 4.50%. They expect the European Central Bank to maintain a hawkish stance, with interest rate hikes of 50 basis points in February and March, slowing to 25 bps and reaching a terminal rate of 3.25% in May.

Additionally, the Russian military claims to have made a significant victory in the war against Ukraine by capturing the town of Soledar, though officials in Kyiv denied losing control of the town. Russia is facing additional pressure as the price cap on Russian oil, implemented in December, has reduced the Kremlin's revenue streams by nearly \$200 million per day, leading to a larger budget deficit.

## ASIA

Morgan Stanley released a positive outlook on China's growth, stock market, and yuan forecasts, building on recent positive developments in the country. The firm upgraded its prediction for Chinese economic growth by 0.3 percentage points to 5.7%, raised its yuan target to 6.65 to the dollar, and forecasted a 16% increase in the MSCI China equity index. These upgrades are based on a note by Morgan Stanley's analysts, who believe that the market is underestimating the far-reaching ramifications of reopening and the possibility of a robust cyclical recovery despite lingering structural headwinds. The potential for a resurgence of China's economy has prompted more discussions about the benefits it could bring to Asia.

## COMMODITIES

Oil prices experienced their largest weekly gains since October due to a combination of a weaker U.S. dollar and increasing indicators of growing demand from China. Gold prices also reached an eight-month high on Friday, driven by decreasing inflation and expectations that the Federal Reserve is nearing the end of its interest rate increases. The metal is currently above the important level of \$1,900 per ounce and is likely to test \$1,950 soon.



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Currency	Index	Level	Week	YTD	1 Year
<b>Equity Market</b>					
<b>AMERICAS</b>			<b>2,83</b>	<b>-19,17</b>	<b>-15,02</b>
USD	DOW JONES INDUS. AVG	34.243,42	1,84	-6,86	-3,80
USD	S&P 500 INDEX	3.979,46	2,20	-18,13	-14,33
USD	NASDAQ COMPOSITE	11.038,87	4,45	-32,51	-26,93
BRL	BRAZIL IBOVESPA INDEX	111.002,25	1,87	4,69	5,83
ARS	S&P MERVAL TR ARS	240.148,50	12,33	142,02	175,15
CLP	S&P/CLX IPSA (CLP) TR	5.154,05	0,34	22,13	15,40
MXN	S&P/BMV IPC	53.803,86	4,02	-5,77	2,90
<b>EUROPE</b>			<b>2,65</b>	<b>-6,48</b>	<b>-0,68</b>
EUR	Euro Stoxx 50 Pr	4.150,80	3,32	-8,55	-0,91
GBP	FTSE 100 INDEX	7.844,07	1,90	4,57	6,98
EUR	DAX INDEX	15.086,52	3,26	-12,35	-5,95
EUR	CAC 40 INDEX	7.023,50	2,37	-6,71	-0,63
EUR	FTSE MIB INDEX	25.783,48	2,40	-9,36	-2,91
<b>ASIA</b>			<b>1,24</b>	<b>-13,26</b>	<b>-8,94</b>
JPY	NIKKEI 225	26.119,52	0,56	-7,38	-6,30
CNY	CSI 300 INDEX	4.074,38	1,53	-19,83	-12,54
HKD	HANG SENG INDEX	21.738,66	1,64	-12,56	-7,97
<b>GLOBAL</b>					
USD	ISHARES MSCI ACWI ETF	89,34	2,60	-18,37	-14,20
USD	MSCI WORLD	2.720,09	2,68	-17,71	-13,51
USD	MSCI EM	1.018,31	3,01	-19,94	-17,12
USD	MSCI AC ASIA PACIFIC	163,98	3,26	-16,89	-14,15
USD	MSCI EM LATIN AMERICA	2.286,76	4,96	9,56	14,74
<b>Fixed Income</b>					
<b>GLOBAL</b>		<b>875,30</b>	<b>1,59</b>	<b>-15,13</b>	<b>-11,67</b>
USD	Global Aggregate	459,69	1,67	-16,25	-13,04
USD	J.P. Morgan EMBI Global Total	785,34	1,33	-16,45	-12,93
USD	Global High Yield	1.380,88	1,77	-12,71	-9,04
<b>Commodities</b>					
USD	BBG Commodity	111,62	3,24	13,75	6,25
USD	Oro	1.921,68	3,00	-0,28	5,44
USD	WTI	79,64	7,96	6,71	-3,02
USD	Soja	1.538,25	2,45	14,34	12,67

Source: Bloomberg. Information as of 13<sup>th</sup> of January 2023 15:45 pm

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