



Weekly Recap

UNITED STATES

Investors are anticipating further rate hikes from the Federal Reserve as Fed funds futures suggest a 0.25% increase at each of the upcoming meetings in March, May, and June. The likelihood of a 0.5% increase in March has also risen to 27%. The minutes from the February FOMC meeting, which were released this week, indicate that the Fed plans to continue raising rates to achieve its inflation target of 2%, which is currently far from being achieved. However, recent data shows that although economic activity was stronger than expected, progress towards achieving the target has been slower than anticipated. This suggests that the Fed may have to raise rates for longer than originally planned.

The news that core inflation, the preferred price gauge of the agency, rose to 4.7% year-on-year, and 0.6% from a month earlier, supports the view that the recent improvement in inflation may have failed. Moreover, the US GDP was revised down to 2.7% in the fourth quarter from the initial estimate of 2.9%, while consumer spending corrected to 1.4% from 2.1%.

It remains unclear whether there will be a recession in the US, as the composite PMI, which includes manufacturing and services, rebounded to 50.2 in February from 46.8 in January, after a strong employment report.

This week, 107 companies that make up the S&P 500 index reported their results. Notably, companies such as Walmart, Medtronic, Palo Alto Networks, NVIDIA, eBay, Intuit, and Booking exceeded analyst estimates in both sales and earnings per share. Despite revenues increasing by 5.6% year-on-year, earnings contracted by 1.1%, indicating signs of a slowdown. Additionally, with 93% of the companies having reported, the surprise in sales and profits was 1.9% and 1.6%, respectively. These results highlight the strong performance of these companies but also suggest that the broader market may be experiencing a slowdown.

EUROPE

Investors are predicting that the European Central Bank (ECB) will increase its target interest rate by 1.7% in the third quarter, which would raise the rate from its current 2.5% to 3.7%. This anticipation may be driven by the recent trend of central banks raising interest rates to combat inflation and stabilize their economies. The ECB may also feel pressure to raise rates due to the rise in inflationary pressures in the eurozone, which has been fueled by higher energy costs and supply chain disruptions.

February 24th, it marked one year since Russia's invasion of Ukraine, and unfortunately, there seems to be no end in sight for the war. During a recent address to the nation, Russian President Vladimir Putin declared that they will continue their military offensive until they achieve their desired outcome. Putin also announced that Russia would suspend its participation in the Strategic Arms Reduction Treaty, which limits the number of American and Russian nuclear warheads. This move may further escalate tensions between Russia and the United States, as the treaty was seen as a key pillar of global nuclear disarmament efforts.

The ongoing conflict in Ukraine and Russia's aggressive stance could have significant geopolitical implications for the region and beyond. The situation could also impact global markets, particularly energy markets, as Russia is a major oil and gas producer. As tensions escalate, investors may become more cautious and move towards safer investments, which could have ripple effects across financial markets.

ASIA

Japan's inflation rate in January was 4.3% on an annual basis, which was higher than the 4% rate recorded in December. As a result of the sharp rise in bond yields, the Bank of Japan was compelled to intervene to maintain its 0.5% limit on the Japanese 10-year bond yield. The governor of the Bank of Japan assured investors that the central bank would maintain an accommodative monetary policy to achieve stable inflation.

In China, a monetary policy meeting was held, but there were no changes to the 1-year and 5-year loan rates, which remained at 3.65% and 4.30% respectively. This decision indicates that China is adopting a wait-and-see approach as the country tries to balance its economic growth and inflationary pressures. China's economy has been under pressure due to the pandemic, and the government has been taking steps to support growth, including lowering interest rates, increasing government spending, and implementing regulatory measures to support businesses. The government's efforts seem to have paid off, as China's economy has shown signs of recovery, with GDP growth exceeding 6% in the fourth quarter of 2021.

Overall, while Japan's inflation rate continues to rise, the Bank of Japan's pledge to maintain an accommodative monetary policy could help stabilize inflation. On the other hand, China's decision to keep loan rates unchanged suggests that the country is taking a cautious approach to managing its economy, as it balances growth and inflationary pressures amidst the ongoing pandemic.



BALLESTAS GROUP
PRIVATE WEALTH MANAGEMENT

cy	Index	Level	Week	YTD	YTD (usd)	1 Year
Equity Market						
AMERICAS			-2,98	4,00	4,00	-3,84
USD	DOW JONES INDUS. AVG	32.816,92	-2,97	-0,69	-0,69	2,22
USD	S&P 500 INDEX	3.970,05	-2,66	3,65	3,65	-3,46
USD	NASDAQ COMPOSITE	11.394,94	-3,31	9,02	9,02	-10,29
BRL	BRAZIL IBOVESPA INDEX	105.950,89	-2,95	-3,45	-3,45	-3,94
ARS	S&P Merval TR ARS	248.504,20	-0,19	22,97	22,97	171,46
CLP	S&P/CLX IPSA (CLP) TR	5.331,57	0,05	1,32	1,32	21,42
MXN	S&P/BMV IPC	52.639,10	-2,14	8,63	8,63	7,05
EUROPE			-2,05	10,30	8,67	9,54
EUR	Euro Stoxx 50 Pr	4.178,82	-2,24	10,49	8,80	11,11
GBP	FTSE 100 INDEX	7.878,66	-1,32	6,21	4,88	9,60
EUR	DAX INDEX	15.209,74	-1,76	9,24	7,56	5,77
EUR	CAC 40 INDEX	7.187,27	-2,18	11,18	9,48	11,26
EUR	FTSE MIB INDEX	26.986,35	-2,75	14,36	12,61	9,95
ASIA			-2,05	3,79	1,85	-3,28
JPY	NIKKEI 225	27.453,48	-0,23	5,28	1,02	8,06
CNY	CSI 300 INDEX	4.061,05	-1,73	4,92	3,98	-8,27
HKD	HANG SENG INDEX	20.010,04	-4,20	1,16	0,55	-9,63
GLOBAL						
USD	ISHARES MSCI ACWI ETF	88,16	-2,81	3,86	-15,22	-5,35
USD	MSCI WORLD	2.737,41	-1,49	5,43	-13,24	-3,80
USD	MSCI EM	987,74	-1,15	3,39	-17,11	-15,45
USD	MSCI AC ASIA PACIFIC	160,54	-1,24	3,19	-14,16	-10,67
USD	MSCI EM LATIN AMERICA	2.244,72	-0,36	5,84	15,92	3,50
Fixed Income						
GLOBAL		862,17	-0,16	1,17	1,17	-10,11
USD	Global Aggregate	447,52	-0,47	0,36	0,36	-13,01
USD	J.P. Morgan EMBI Global Total	776,38	0,12	1,05	1,05	-10,36
USD	Global High Yield	1.362,61	-0,13	2,10	2,10	-6,96
Commodities						
USD	BBG Commodity	105,55	-0,92	-6,43	-6,43	-7,31
USD	Oro	1.811,39	-1,68	-0,69	-0,69	-4,86
USD	WTI	76,61	-2,40	-4,55	-4,55	-17,46
USD	Soja	1.529,25	0,18	0,66	0,66	-7,96

Source: Bloomberg. Information as of 24th of February 2023 6:00 pm

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