

FEBRUARY 19, 2024

### The market finally believes the Fed.

The release of above-expected US consumer inflation pushed stocks off record highs, while convincing the market that the Fed's expected three rate cuts would be right on target. In a few days the market went from estimating 5-6 cuts to just 3.5 25bp cuts. Meanwhile, Japan and the UK fell into technical recession.

**Rate cuts must wait.** CPI inflation showed a slower-than-expected deceleration, rising 3.1% YoY in January, exceeding expectations of 2.9%. Core inflation, which excludes energy and food, remained steady at 3.9%, marking persistent inflation. In addition, producer prices rose 0.3% m/m after a 0.1% decline in December, which would anticipate higher inflation in February. The market now assigns a 70% probability that rate cuts will begin in June, versus 92% before inflation was known. In addition, some Fed members suggest caution due to economic robustness, despite the Atlanta Fed's growth indicator suggesting 2.9% growth in 1Q versus 4.2% earlier in the month. The market is also watching closely the drop in retail sales and industrial production.

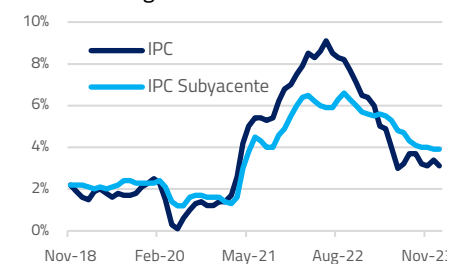
**Japan surprisingly falls into recession.** Fourth quarter GDP declined 0.1% q/q, following a 0.7% drop in the third quarter. The reading was unexpected, as the market anticipated a growth of 0.2%. This diminishes the possibility that the central bank will abandon its negative rate policy. Despite still high inflation, the anticipated decrease in Chinese demand and domestic consumption could result in another quarter without growth. However, the stock market is approaching historical highs, driven by a strong corporate earnings season.

**UK confirms a recessionary 2023.** The UK confirmed a technical recession, with GDP contracting by 0.3% YoY in the last quarter of 2023, following a 0.1% drop in the previous quarter. This economic slowdown helps to contain inflation, which remained stable in January at 4% YoY, reinforcing expectations of rate cuts. The market anticipates three 25 bp cuts this year starting in August.

	Weekly Close	Last Week	Year to Date
S&P 500	5.006	(0,3)	5,1
Dow Jones	38.628	0,0	2,8
NASDAQ	15.776	(1,3)	5,2
Stoxx 600	492	1,4	2,6
Shanghai	3.365		(1,9)
Bovespa	128.726	0,5	(4,1)
Merval	948	2,9	(1,5)
Brent	83,5	1,6	8,3
Gold	2.013,6	(0,5)	(2,4)
EUR/USD	1,08	(0,1)	(2,4)
DX	104,3	0,2	2,9
2Y Treas.	4,64	16	22
10Y Treas.	4,28	10	40
30Y Treas.	4,44	6	47

### Inflation exceeds expectations.

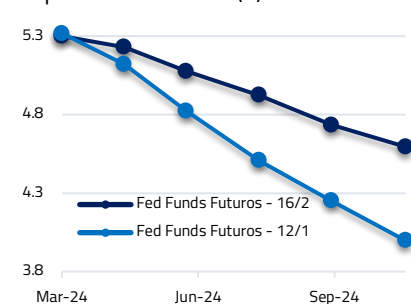
Annual change CPI



Source: Bloomberg

### Strong change in expectations.

Implied federal funds (%)



Source: Bloomberg

**WEEKLY RETURNS**
**Fluctuations expressed in USD – Total Returns**

Name	Price	5D	1M	3M	YTD	1 year	Max 52w	Min 52w	Var Max 52w	Var Min 52w
<b>Equity</b>										
S&P 500	5.006	(0,3)	3,6	11,3	5,1	24,7	5.030	3.856	(0,5)	29,8
Nasdaq 100	15.776	(1,3)	3,1	11,9	5,1	33,8	15.991	11.139	(1,3)	41,6
DJIA	38.628	0,0	2,2	11,1	2,8	16,6	38.797	31.819	(0,4)	21,4
Russell 2000	10.856	1,2	4,6	13,5	0,4	6,1	11.015	8.700	(1,4)	24,8
MSCI ACWI	401	0,4	3,7	9,7	3,3	18,3	401	322	(0,0)	24,5
MSCI ACWI EX US	292	1,6	3,8	6,8	0,5	9,0	292	253		15,3
MSCI EM	530	2,1	4,7	4,4	(0,7)	4,3	542	473	(2,1)	12,0
Argentina: Merval (CCL)	948	2,9	5,1	28,6	(1,5)	35,1	1.009	555	(6,1)	70,8
MSCI Brazil	599	0,7	0,5	2,6	(5,4)	23,8	637	428	(6,0)	40,0
MSCI México	57.132	(0,3)	3,0	9,0	(0,4)	10,0	58.712	48.198	(2,7)	18,5
MSCI ASIA	608	2,3	5,4	4,1	(0,5)	2,0	626	547	(3,0)	11,1
MSCI ASIA EX JAPAN	512	2,4	5,3	3,6	(0,8)	0,5	533	464	(3,9)	10,3
MSCI CHINA	3.365		2,9	(5,3)	(3,2)	(18,4)	4.162	3.180	(19,2)	5,8
S&P BSE Sensex	872	1,2	1,2	10,6	0,6	20,0	883	693	(1,2)	25,9
Stoxx 600	492	1,3	3,8	7,0	0,2	10,5	492	430		14,4
<b>Fixed Income</b>										
<b>US</b>										
US Bloomberg Agg	1,08	(0,1)	(1,1)	(1,3)	(2,4)	0,8	1,12	1,05	(4,1)	3,0
US High Yield	150,21	(0,6)	(1,4)	(0,4)	(6,1)	(10,7)	151,72	130,73	(1,0)	14,9
Global Agg	4,97	(0,2)	(0,7)	(1,1)	(2,2)	4,0	5,30	4,73	(6,3)	5,1
Global High Yield	39,14	0,1	(0,3)	1,0	(0,7)	(0,0)	40,06	37,38	(2,3)	4,7
<b>Bonos Tesoro Americano</b>										
Tasa FED	5,33					75	5,33	4,57		76
2 años	4,64	16	26	(24)	(29)	2	5,22	3,77	(58)	87
5 Años	4,27	14	59	20	23	61	4,96	3,30	(68)	98
10 Años	4,28	10	52	21	37	83	4,99	3,31	(71)	97
30 Años	4,44	6	31	5	25	77	5,11	3,55	(67)	89
<b>Currencies &amp; Commodities</b>										
Euro (USD/EUR)	1,08	(0,1)	(1,1)	(1,3)	(2,4)	0,8	1,12	1,05	(4,1)	3,0
Yen (JPY/USD)	150,21	(0,6)	(1,4)	(0,4)	(6,1)	(10,7)	151,72	130,73	(1,0)	14,9
Real (BRL/USD)	4,97	(0,2)	(0,7)	(1,1)	(2,2)	4,0	5,30	4,73	(6,3)	5,1
Peso Uruguayo (UYU/USD)	39,14	0,1	(0,3)	1,0	(0,7)	(0,0)	40,06	37,38	(2,3)	4,7
Peso Argentino (ARS/USD)	1.116,30	10,0	16,8	(24,8)	(13,7)	(67,0)	1.335,70	362,16	(16,4)	208,2
Oro	2.013,6	(0,5)	(0,8)	1,7	(2,4)	9,3	2.077,5	1.811,0	(3,1)	11,2
Oil	83,47	1,6	6,3	3,5	8,3	0,6	96,55	71,84	(13,5)	16,2
Gas	1,61	(12,9)	(36,1)	(45,6)	(36,0)	(29,3)	3,58	1,58	(55,0)	1,8

Fuente: Bloomberg y Latin Securities

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