

April 24, 2024

### Higher rates for longer, again.

The week was marked by a more aggressive speech from Federal Reserve Chairman Jay Powell, who stated that interest rates will remain elevated for an extended period, delaying the onset of cuts. The market's response was strongly negative, with the MSCI ACWI and the S&P 500 dropping 2% and 3% respectively. Meanwhile, China reported encouraging growth for the first quarter, although it continues to face challenges. For the coming week, the focus will be on the earnings reports from four of the 'Big Seven' and the U.S. March inflation measured by consumer spending (PCE), a favorite of the Fed.

**Powell changed the message.** The inflationary rebound in the first quarter and the solid economic growth of the U.S. prompted Powell and other Federal Reserve members to shift their rhetoric. Throughout the week, they suggested that interest rates would remain high as long as necessary. This, combined with the International Monetary Fund's upward revision of U.S. economic growth for 2024 (from 2.2% to 2.7%), tempered expectations for rate cuts, now anticipated to begin only in September. The yield on the 10-year Treasury note rose to as high as 4.68%, though it later adjusted due to an attack in the Middle East conflict, closing at 4.62%. This week, the PCE index will be released, expected to show a slight deceleration to 2.7%. The preliminary estimate of the first quarter GDP, expected at 2.5%, will also be published.

**Growth was good in China, but not satisfactory.** China's GDP rose by 5.3% y/y in the first quarter, exceeding the expectations of 4.5%. However, other data released during the week indicate that China still faces challenges. The GDP deflator showed a decline for the fourth consecutive quarter, an occurrence not seen since 1999. Additionally, industrial production in March grew by only 4.5% y/y, below the expected 5.5%.

**Awaiting the 'Magnificent Seven'.** After a weak start to the earnings season by major banks, this week will see the results from four of the 'Magnificent Seven': Tesla, Microsoft, Meta, and Alphabet. Although Netflix did not meet market expectations, revealing less-than-promising forecasts this week, the 'Magnificent Seven' are expected to record a 37% y/y increase in their earnings, significantly outperforming the 3% decline of the rest of the index.

|            | Weekly<br>Close | Last<br>Week | Year<br>To<br>Date |
|------------|-----------------|--------------|--------------------|
| S&P 500    | 4.967           | (3,0)        | 4,6                |
| Dow Jones  | 37.986          | 0,0          | 1,4                |
| NASDAQ     | 15.282          | (5,5)        | 2,0                |
| Stoxx 600  | 499             | (1,2)        | 4,2                |
| Shanghai   | 3.542           | 1,9          | 3,2                |
| Bovespa    | 125.124         | (0,7)        | (6,8)              |
| Merval     | 1.118           | (5,7)        | 16,2               |
| Brent      | 87,3            | (3,5)        | 13,3               |
| Gold       | 2.391,9         | 2,0          | 15,9               |
| EUR/USD    | 1,07            | 0,1          | (3,5)              |
| DXY        | 106,2           | 0,1          | 4,8                |
| 2Y Treas.  | 4,99            | 9            | 56                 |
| 10Y Treas. | 4,62            | 10           | 75                 |
| 30Y Treas. | 4,71            | 8            | 75                 |

### Yields on the Rise

U.S. Treasury Bonds at 2 and 10 Years



Source: Bloomberg

### Delays in Rate Cuts in the US

Market Futures Projections



Source: Bloomberg

**WEEKLY RETURNS**
**Variations Expressed in %**

| Name                                | Price    | 5D    | 1M    | 3M     | YTD    | 1 Year | Máx 52w  | Min 52w | Var Max 52w | Var Min 52w |
|-------------------------------------|----------|-------|-------|--------|--------|--------|----------|---------|-------------|-------------|
| <b>Equity</b>                       |          |       |       |        |        |        |          |         |             |             |
| S&P 500                             | 4.967    | (3,0) | (5,0) | 3,0    | 4,6    | 22,1   | 5.254    | 4.056   | (5,5)       | 22,5        |
| Nasdaq 100                          | 15.282   | (5,5) | (7,0) | (0,0)  | 1,8    | 26,6   | 16.442   | 11.799  | (7,1)       | 29,5        |
| DJIA                                | 37.986   | 0,0   | (3,7) | 0,8    | 1,4    | 14,7   | 39.807   | 32.418  | (4,6)       | 17,2        |
| Russell 2000                        | 10.430   | (2,8) | (5,9) | 0,5    | (3,5)  | 10,4   | 11.373   | 8.700   | (8,3)       | 19,9        |
| MSCI ACWI                           | 399      | (2,9) | (4,7) | 3,0    | 2,7    | 15,8   | 420      | 335     | (5,1)       | 18,9        |
| MSCI ACWI EX US                     | 291      | (2,5) | (4,0) | 3,6    | 0,2    | 6,5    | 304      | 253     | (4,4)       | 15,0        |
| MSCI EM                             | 527      | (3,6) | (3,2) | 4,0    | (1,4)  | 5,1    | 555      | 473     | (5,0)       | 11,2        |
| Argentina: Merval (CCL)             | 1.118    | (5,7) | (0,2) | 23,9   | 16,2   | 66,9   | 1.201    | 647     | (7,0)       | 72,8        |
| MSCI Brazil                         | 554      | (1,7) | (4,8) | (7,0)  | (12,4) | 16,9   | 637      | 462     | (13,0)      | 19,8        |
| MSCI México                         | 55.863   | (1,2) | (1,1) | 1,0    | (2,4)  | 6,7    | 58.712   | 48.198  | (4,9)       | 15,9        |
| MSCI ASIA                           | 607      | (3,8) | (3,4) | 5,2    | (0,6)  | 4,1    | 641      | 547     | (5,3)       | 11,0        |
| MSCI ASIA EX JAPAN                  | 508      | (3,7) | (3,6) | 4,5    | (1,6)  | 1,6    | 537      | 464     | (5,3)       | 9,5         |
| MSCI CHINA                          | 3.542    | 1,9   | (0,2) | 7,6    | 1,3    | (14,3) | 4.113    | 3.180   | (13,9)      | 11,4        |
| S&P BSE Sensex                      | 876      | (1,6) | 0,3   | 1,6    | 1,0    | 22,1   | 899      | 714     | (2,6)       | 22,6        |
| Stoxx 600                           | 499      | (0,7) | (3,0) | 5,3    | 1,7    | 7,0    | 513      | 430     | (2,6)       | 16,2        |
| <b>Fixed Income</b>                 |          |       |       |        |        |        |          |         |             |             |
| <b>US</b>                           |          |       |       |        |        |        |          |         |             |             |
| US Bloomberg Agg                    | 2.095    | (0,6) | (2,1) | (1,7)  | (3,1)  | (0,5)  | 2.169    | 1.978   | (3,4)       | 5,9         |
| US High Yield                       | 2.475    | (0,6) | (1,5) | 0,5    | (0,2)  | 8,8    | 2.517    | 2.257   | (1,6)       | 9,7         |
| Global Agg                          | 451      | (0,6) | (2,1) | (1,9)  | (4,3)  | (1,4)  | 473      | 429     | (4,5)       | 5,2         |
| Global High Yield                   | 426      | (0,4) | (1,5) | 0,4    | (0,2)  | 8,6    | 433      | 388     | (1,6)       | 9,8         |
| <b>United States Treasury Bonds</b> |          |       |       |        |        |        |          |         |             |             |
| Tasa FED                            | 5,33     |       |       |        |        | 50     | 5,33     | 4,83    |             | 50          |
| 2 Years                             | 4,99     | 9     | 40    | 60     | (17)   | 80     | 5,22     | 3,79    | (24)        | 120         |
| 5 Years                             | 4,67     | 11    | 80    | 94     | 3      | 132    | 4,96     | 3,30    | (29)        | 137         |
| 10 Years                            | 4,62     | 10    | 79    | 86     | (0)    | 141    | 4,99     | 3,34    | (37)        | 129         |
| 30 Years                            | 4,71     | 8     | 61    | 66     | (12)   | 121    | 5,11     | 3,66    | (40)        | 105         |
| <b>Currencies &amp; Commodities</b> |          |       |       |        |        |        |          |         |             |             |
| Euro (USD/EUR)                      | 1,07     | 0,1   | (1,4) | (2,2)  | (3,5)  | (3,0)  | 1,12     | 1,05    | (5,2)       | 1,8         |
| Yen (JPY/USD)                       | 154,64   | (0,9) | (2,1) | (4,2)  | (8,8)  | (13,2) | 154,72   | 133,67  | (0,1)       | 15,7        |
| Real (BRL/USD)                      | 5,20     | (1,6) | (3,9) | (5,2)  | (6,6)  | (2,9)  | 5,28     | 4,73    | (1,5)       | 10,1        |
| Peso Uruguayo (UYU/USD)             | 38,53    | 0,7   | (1,8) | 1,3    | 0,8    | 1,2    | 40,06    | 37,38   | (3,8)       | 3,1         |
| Peso Argentino (ARS/USD)            | 1.086,48 | (3,0) | 1,8   | 20,0   | (11,3) | (58,7) | 1.335,70 | 420,79  | (18,7)      | 158,2       |
| Gold                                | 2.391,9  | 2,0   | 10,5  | 17,9   | 15,9   | 20,6   | 2.391,9  | 1.820,3 |             | 31,4        |
| Oil                                 | 87,29    | (3,5) | 2,2   | 11,1   | 13,3   | 6,9    | 96,55    | 71,84   | (9,6)       | 21,5        |
| Gas                                 | 1,75     | (1,0) | 5,6   | (30,4) | (30,3) | (21,5) | 3,58     | 1,58    | (51,0)      | 11,2        |

Source: Bloomberg y Latin Securities

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