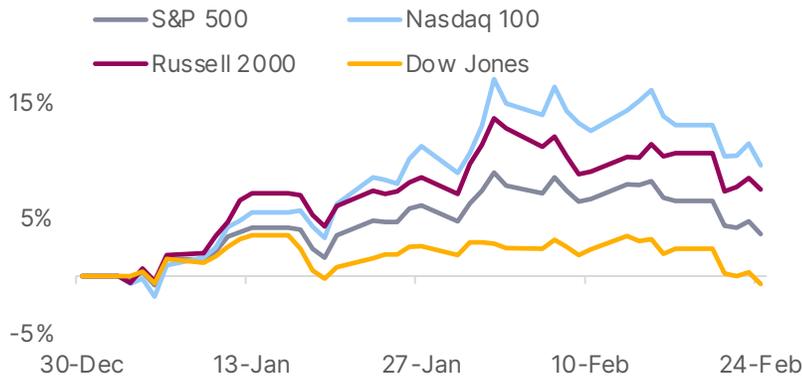# Weekly Commentary
## # 5 | February 27th

Markets | New beliefs, new prices. Amid worse than expected inflation data and the Fed minutes, the S&P 500 was down 2.7% w/w. Volatility, measured by the VIX, increased 8.2%. The Dow Jones and the Russell 2000 decreased 3.0% and 2.9%, respectively. In Europe, both the Euro Stoxx 50 and the FTSE 100 decreased 2.3% and 1.8%, respectively.
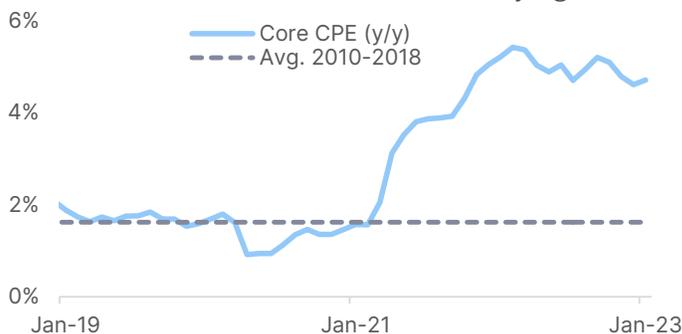

Source: Altafid with data from Bloomberg provided by Innealta Capital, from 12-30-2022 to 02-17-2023. Past returns are not an indicator of future returns. There is no guarantee that any investment will achieve its goals, generate positive returns, or avoid losses.

Markets | Stronger dollar amid tighter policy expectations. The USD, measured by the Dollar Index, increased 1.3% w/w. The week wasn't bright for European curriencies: the Euro is 1.3% down, the Pound is 0,8% down and the Swiss Franc 1,7% down. In other regions, the Yen decreased 1,7% and the Brazilian Real 0,8%.
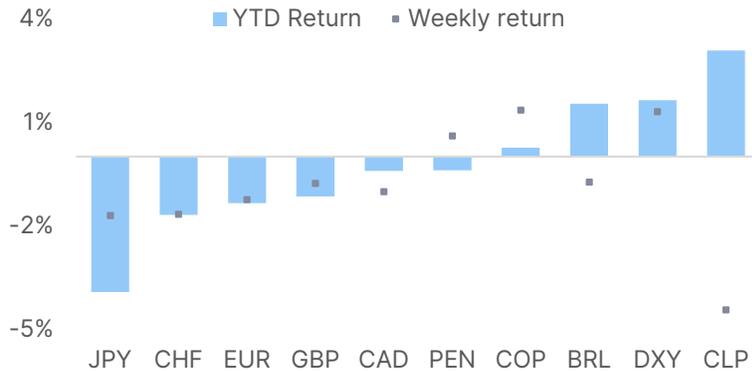
Source: Altafid with data from Bloomberg provided by Innealta Capital, from 12-30-2022 to 02-24-2023. Past returns are not an indicator of future returns. There is no guarantee that any investment will achieve its goals, generate positive returns, or avoid losses.

Macro | Core CPE rose more than expected. The Fed's preferred measure to measure inflation continues to add pressure on its board to keep increasing their policy rate. Specifically, in January, total CPE increased 5.4% y/y (5.3% in December) and core CPE increased 4.7% y/y (4.6% in December). Amid a strong economic outlook, now the market expects with a 27% probability that the Fed will increase its rate in 50bps, while in two weeks ago this probability was just 9.2%. In our view, it's to naïve to believe that we will observe rate cuts this year. The Fed is committed to control inflation and underlaying risks remain high.

Source: Altafid with data from the National Institute of Statistics of Chile, from 01-01-2000 to 01-01-2023. Past returns are not an indicator of future returns. There is no guarantee that any investment will achieve its goals, generate positive returns, or avoid losses.

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KEY POINTS:

- Bad week for stock markets amid strong economic data, higher than expected CPE, and Fed minutes

- Core CPE rose more than expected. Underlying inflation risks remain high

- In the U.K., the FTSE 100 sets a new record

TEAM:

Vito Sciaraffia, PhD
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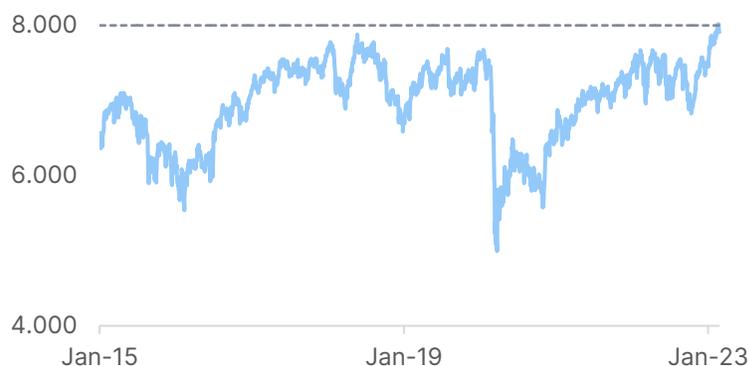Chief Economist

Sebastián Ronda
Economist

Gonzalo Viveros
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Glossary

- The **S&P 500 index** includes the 500 largest companies trading on the NYSE or NASDAQ in the U.S. market.
- The **Dow Jones index** measures the performance of the industrial component of the U.S. stock markets. It is the oldest stock market index in the U.S.
- The **Nasdaq 100 index** is a basket of the 100 largest and most traded companies listed on the Nasdaq stock exchange.
- The **Russell 2000 index** is a stock index that contains the 2,000 smallest companies of the Russell 3000.
- The **VIX index** represents market volatility expectations for the next 30 days.
- The **Dollar Index (DXY)** is a weighted index that measures the value of the US dollar relative to a basket of foreign currencies. It is used as a benchmark for the performance of the US dollar in the global foreign exchange market.
- The **FTSE 100** is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization.
- The **Russell 3000 index** is a stock index that aims to emulate the U.S. stock market. It contains the 3,000 largest publicly traded companies and represents 97% of the North American market.
- The **CSI 300 index** represents the performance of the 300 most traded stocks on the Shanghai and Shenzhen stock exchanges in China.
- The **S&P 500 Communication Services Sector GICS Level 1 Index** tracks the performance of the communication services sector of the S&P 500, which is comprised of companies that provide telecommunication, media, and internet services.
- The **Fama/French US Total Market Research Index** is a value-weighed monthly US market index that uses all issues listed on the NYSE, AMEX, or Nasdaq with available outstanding shares and valid prices for that month and the month before.

Disclosures