May 24, 2022

Bulltick Research and Strategy

Kathryn Rooney Vera
Head of Research & Strategy
krooney@bulltick.com
+1 786.871.3758

Gregan Anderson, CFA
Macroeconomic Strategist
ganderson@bulltick.com
+1 786.871.374

Global Cross Asset Strategy:

Inflation Woes Spilling Into Confidence Data, Threatening Growth

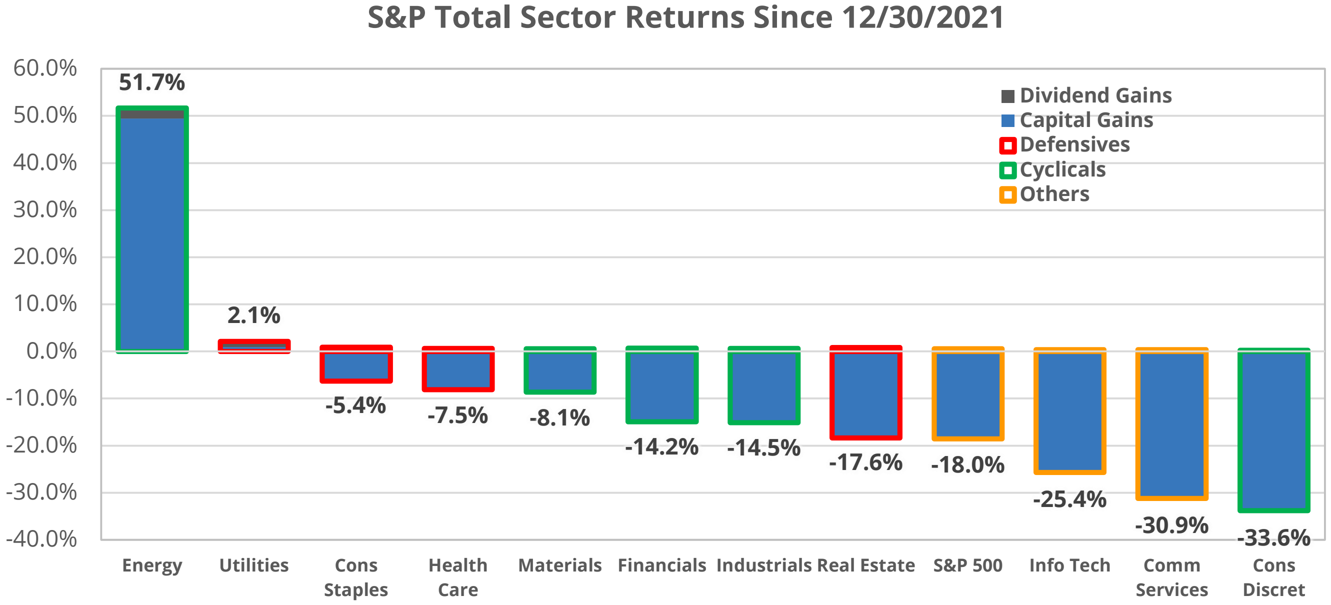
Various consumer confidence measures are showing warning signs on the future performance of the US consumer. Most recently, the Federal Reserve Bank of New York's monthly survey of consumer expectations showed a record high 37.1% of households in March saying they'd be "somewhat worse off" or "much worse off" over the next year. In addition to being a record high, this number compares to 31.9% in the peak of Covid. Consumers are pessimistic according to the consumer confidence board data and Michigan confidence index as well, both of which have been in a strong downtrend. Incomes are not keeping up with inflation, which includes a 25% annualized YTD increase in the prices of food and fuel nation-wide.

We've heard pundits and analysts say because consumption numbers are ok the consumer is holding up and is healthy. Price increases are forcing people to fork over more dollars than they would have a year ago, causing the savings rate to decline, and making the US consumer weaker. Be wary of sectors that are vulnerable to a change in the economic cycle and vulnerable to consumer discretionary spending. Where tactical opportunities that have short time frames may exist, cyclicals and tech/discretionary as sectors are not names to buy and sit in. They are vulnerable to a change in consumer behavior, economic contraction, and rising rates.

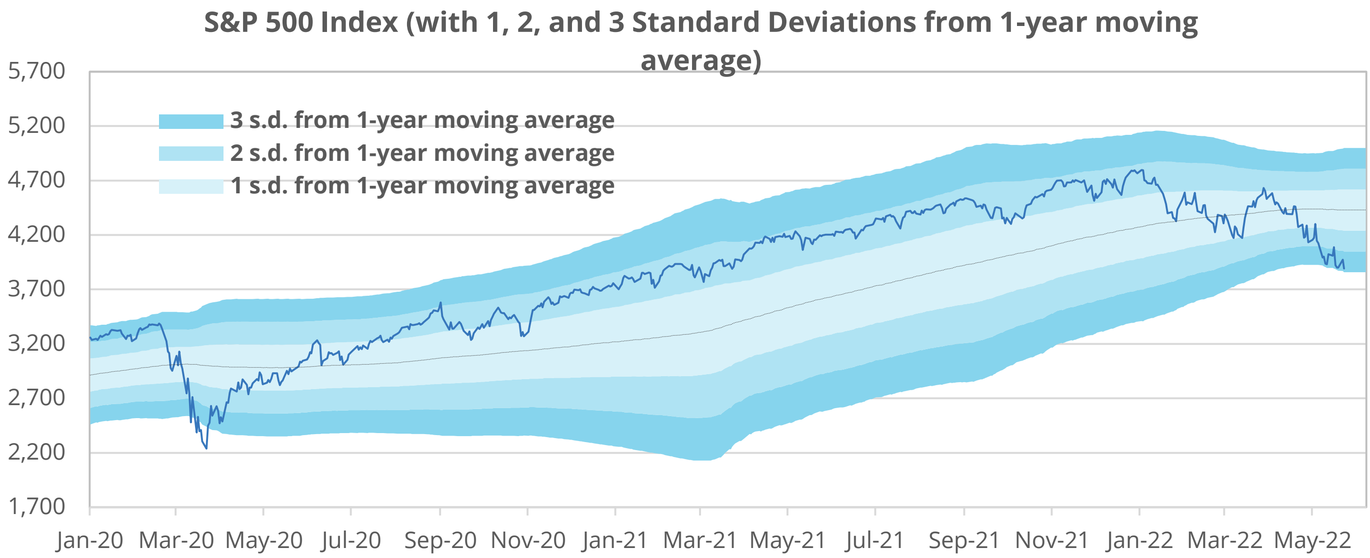
Asset	Spot	Chg In Past 2 Weeks	YTD Change	End- 2022 Target
USG10Y	2.75	-24bps	+124bps	2.75
USG30Y	2.97	-16bps	+106bps	3.25
JGB10Y	0.24	-1bps	+17bps	0.10
DXY	101.86	-1.99%	6.47%	98.00
EUR	1.07	1.96%	-5.58%	1.18
JPY	126.88	2.81%	-9.31%	115.00
MXN	19.84	2.77%	3.47%	20.50
BRL	4.82	6.53%	15.61%	5.20
SPX	3941	-1.49%	-17.30%	4700
IBOV	110581	7.25%	5.49%	120000
MEXBOL	51304	4.46%	-3.69%	56000
Brazil 10Y	12.40	-17bps	+160bps	11.75
Mexico 10Y	8.64	-39bps	+108bps	8.50
MXEF	1017	0.97%	-17.45%	1450
Gold	1866	1.51%	2.01%	1950
WTI Crude	110.2	10.50%	46.56%	110.0

As of 05/24/2022

US sector equity performance is consistent with our top picks and sector recommendations coming into the year with Energy, Utilities, Staples, and Healthcare outperforming year-to-date. These have been our OW sector picks and remain so. As forecasted, the bottom performers have been discretionary, comm services, and info tech.



We have never counted on the "soft landing" promised by the Fed but instead have consistently recommended clients portfolios brace for a steep economic slowdown and extended, sticky inflation. Recession risks are rising. We like defensive sectors within the SPX, gold, cash, alternatives positioning in a diversified portfolio. Inflation in the US (and globally) will remain above-target. After a near 20% drop year-to-date, S&P 500 valuations have cheapened dramatically. However, they can get cheaper if the Fed does not in fact nail the soft landed they have asserted.



Source: Bloomberg, Bulltick

Fixed Income Strategy:

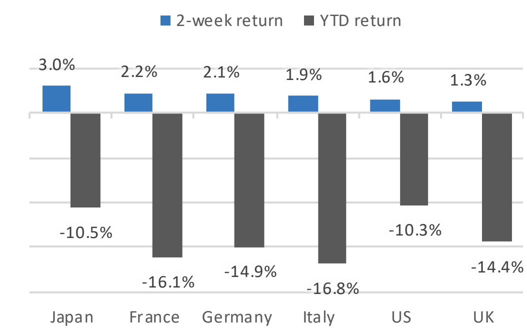
- ***Amid another bout of risk-off sentiment, as well as indications of economic headwinds, saw yields fall sharply*** on Tuesday. Already off recent highs above 3.00%, the US10Y bond yield fell another 10bps, to 2.72%, following the release of disappointing home sales data and below-consensus manufacturing PMI data, both suggestive of a possible slowdown in economic growth more broadly.

- ***This is in keeping with a broader theme in fixed income, where investors are increasingly pricing in credit risk,*** versus previous concerns which centered around inflation risk. This is discernable in the fact that while yields are stable or even falling in USTs, inflation breakevens have behaved similarly, while spreads on high-yield debt have risen sharply. Inflation risk, while very real and perhaps even still underpriced, is at least mostly priced into asset prices. A full-fledged recession or steep slowdown in growth and earnings, has not.

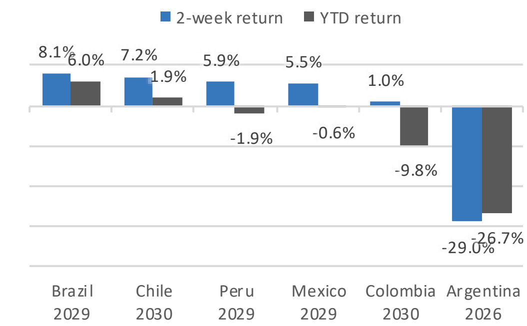
- ***Investors are weighing the possibility that a sharper slowdown in economic activity may alter the path of Fed hikes,*** and indeed Fed-policy-sensitive parts of the yield curve - those of shorter duration - led the bond rally, with yields falling by 16bps on the 2Y. We expect that a recession will be avoided over the medium term, but that growth will slow markedly compared to recent prints.

- ***Despite risk-wariness broadly, we believe there is some value in some EM names,*** including those with outsized exposure to commodities, including quasi-sovereign energy companies and local-currency bonds in Brazil, given our constructive view on the BRL.

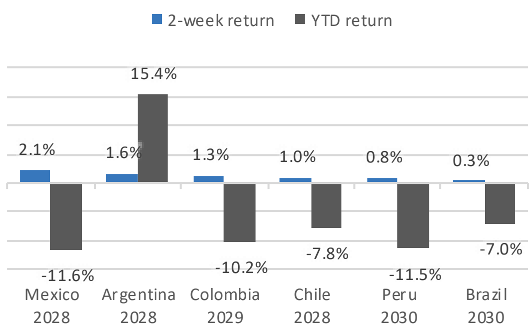
Developed Markets 10Y Total Returns



EM Local Currency Bond Total Returns



EM USD-Denominated Bond Total Returns

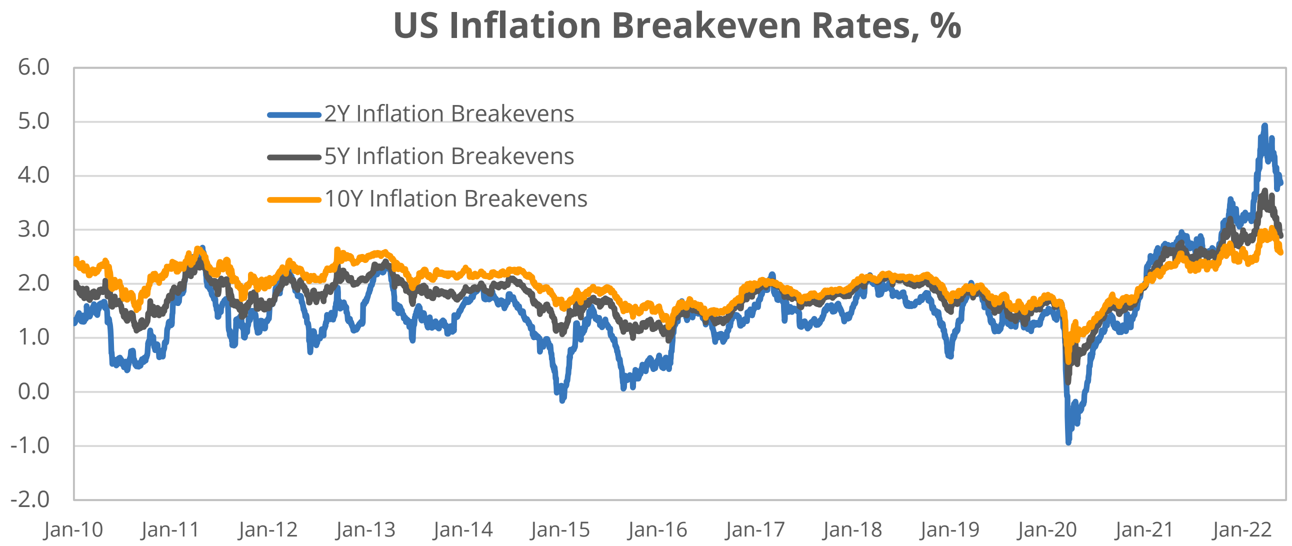


Benchmark Asset	Begin-2022 YTM	Current YTM	YTD Interest Gains, %	YTD Capital Gains, %	YTD Forex Gains, %	Total YTD Return, %	2022 Target YTM	2022 Return, %
UST 10Y	1.51	2.82	0.56%	-10.84%	-	-10.28%	3.00	-11.33%
German 10Y	-0.18	0.94	0.00%	-9.89%	-5.57%	-14.90%	-0.20	4.02%
Japan 10Y	0.07	0.22	0.04%	-1.46%	-9.24%	-10.53%	0.10	-0.14%
Mexico MBONO 2031	7.56	8.66	3.06%	-6.85%	3.36%	-0.55%	8.50	1.72%
Mexico USD, 2031	2.95	4.69	1.09%	-12.68%	-	-11.60%	3.10	1.48%
Brazil BRL 2031	10.84	12.39	4.18%	-3.76%	15.65%	16.14%	11.75	17.14%
Colombia TES 2031	6.34	11.20	2.80%	-26.05%	3.69%	-20.41%	8.00	1.37%
Chile CLP 2032	5.65	6.41	2.32%	-3.01%	2.60%	1.90%	6.00	9.33%
Argentina ARS, 2026	49.55	55.10	14.54%	-10.47%	-13.40%	-9.88%	50.00	-6.05%
Peru Soberano 2031	5.90	7.76	2.58%	-11.76%	8.05%	-1.87%	6.00	8.54%

Source: Bloomberg, Bulltick. All returns are in USD

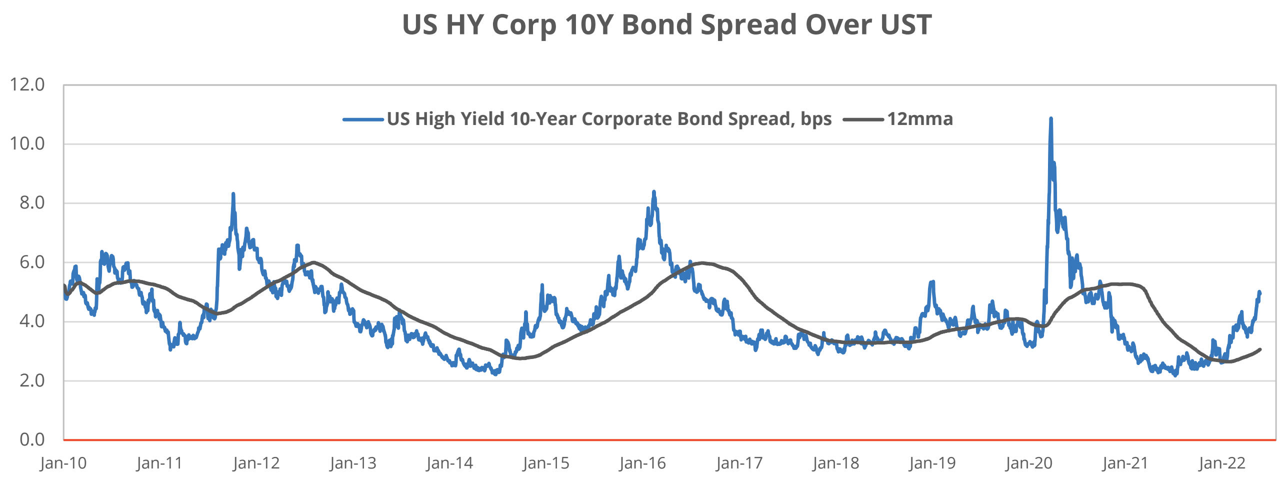
As of 05/24/2022

Breakeven inflation rates have eased significantly, partially explaining the reversion of UST yields, with the US10Y yield falling from a high of 3.13% on May 6, to 2.75% at the time of writing.



Source: Bloomberg, Bulltick

Nevertheless, even as inflation concerns have eased (or, perhaps more precisely, have been more adequately priced in), credit risk concerns have yet to peak, as illustrated by HY corporate bond spreads over USTs, which have continued to climb. As growth concerns increasingly accompany inflation concerns in the minds of investors, we expect such trends to persist.



Source: Bloomberg, Bulltick

FX Strategy:

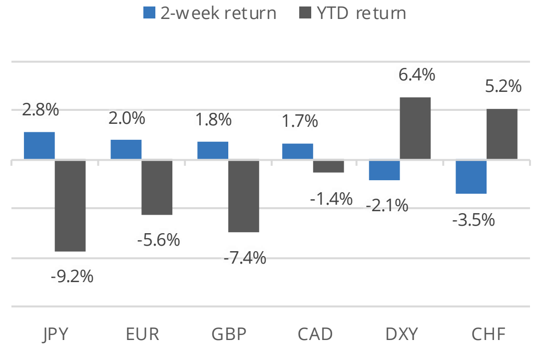
- ***While remaining above the 100 threshold, the DXY Index has fallen about 5%*** since its recent highs, tracking a similar decline in yields as US growth concerns have increased. Indeed, the top performer among DMFX over the past two weeks has been the JPY, which often tracks the performance of USTs as it similarly acts as a safe haven asset globally.

- ***We expect that yields will begin to pick back up as the Fed continues to hike rates, offering some support to the dollar*** over the medium term. We expect that as inflation falls and some apprehension on this front subsides, the dollar will edge lower, such that our end-year target is below the current spot, at 95.0.

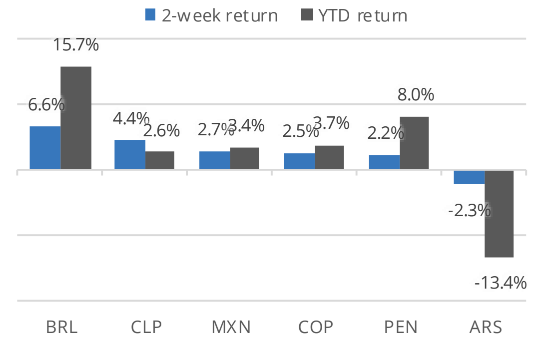
- ***The Chinese yuan has been a major theme in EMFX, losing more than 6% of its value*** over the course of less than a month from mid-April to mid-May. This has been a result of dollar strength, growing concerns regarding Chinese economic expansion, and specifically the disruptions to the critical export markets amid widespread COVID lockdowns. We expect these concerns as a group will subside, while the PBoC has also stepped in to support the currency and stem further depreciation, indicating that at least a tentative 'central bank put' exists for the currency. However, saber-rattling on Taiwan may spur a further bout of depreciation, unless Beijing eases concerns about a potential escalation of tensions.

- ***In LatAm, we continue to like the BRL,*** which we favored at the outset of the year and which ranks head and shoulders above the rest of the region. Nevertheless, LatAm in general has benefitted from strong commodity prices, and all major currencies are up solidly ytd.

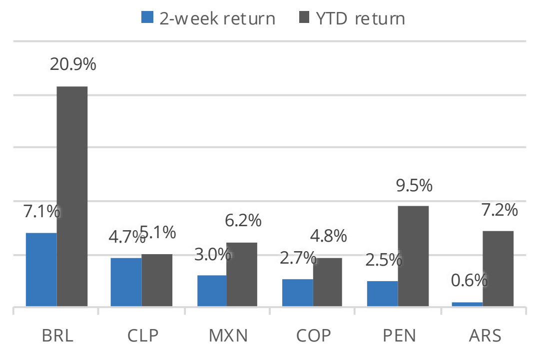
Developed Markets, FX Spot Returns



Emerging Markets, FX Spot Returns



Emerging Markets, FX Carry Returns

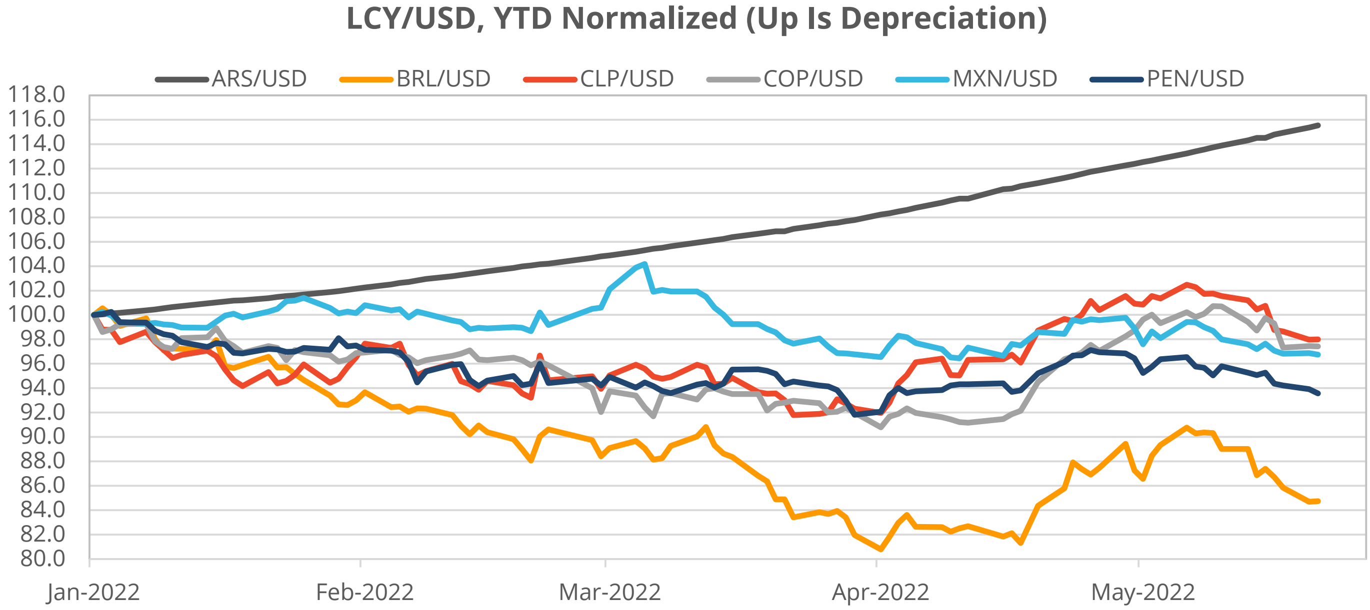


Asset	Begin 2022	Current	YTD Spot Return	YTD Interest Gains	End-2022 Target	2022 Expected Spot Return	2022 Expected Total Return
DXY	95.7	101.8	6.4%	-	95.0	-0.7%	-
USD/EUR	1.14	1.07	-5.6%	-0.19%	1.18	3.8%	3.3%
JPY/USD	115.1	126.8	-9.2%	-0.03%	115.0	0.1%	0.0%
CNY/USD	6.36	6.65	-4.5%	-	6.50	-2.2%	-
MXN/USD	20.52	19.85	3.4%	2.97%	20.50	0.1%	7.8%
BRL/USD	5.57	4.82	15.7%	4.69%	5.20	7.1%	23.6%
COP/USD	4,122	3,975	3.7%	2.37%	3900	5.7%	13.7%
CLP/USD	852.0	830.4	2.6%	2.74%	800.0	6.5%	14.2%
PEN/USD	4.00	3.70	8.0%	1.61%	3.90	2.6%	9.0%
ARS/USD	103.09	119.05	-13.4%	24.57%	140.00	-26.4%	9.4%

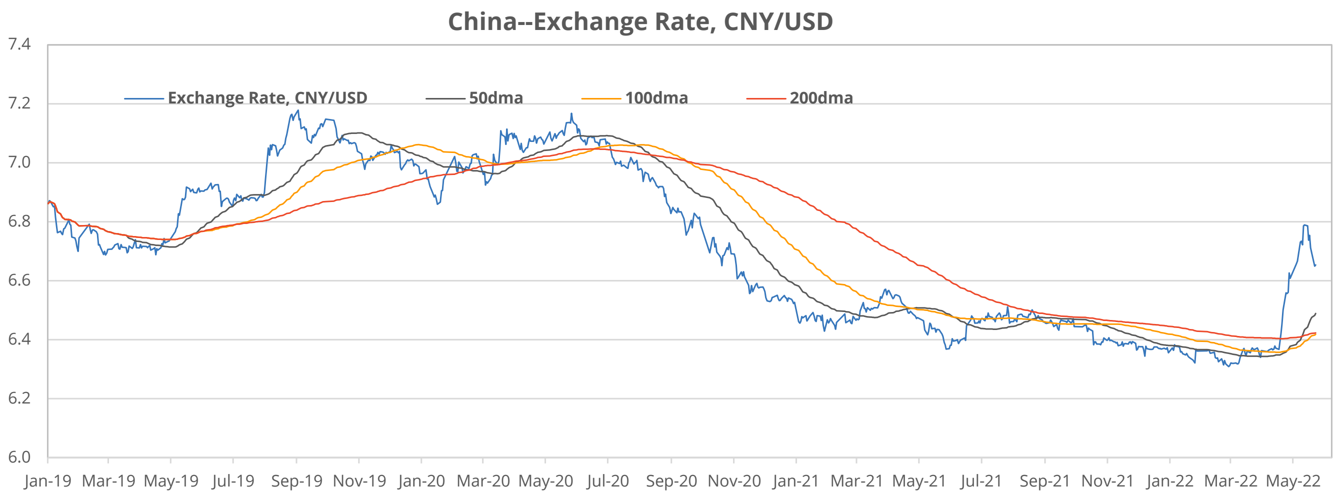
Source: Bloomberg, Bulltick. Note: Total returns include 3m deposit (or comparable) interest gains. Carry gains incorporate interest rate differential with US rates. All FX returns are against USD

As of 05/24/2022

Latin American currencies, with the exception of the managed-depreciation of the Argentine peso, have in general firmed against the dollar over the course of the year, bolstered by strong commodity prices amid high US and global inflation. The BRL has strengthened the most, but we believe it has yet further to run.



The sharp decline in the value of the Chinese yuan was arrested by the PBoC, which changed the foreign currency holding requirements of Chinese banks, reducing demand for hard currency, signaling a willingness to react to a sliding yuan, and ultimately resulting in a bounce in the currency from recent weakness. We expect that a return of the trade strength will support the yuan over the medium term, and barring another major disruption (with Taiwan being an obvious potential flashpoint), that the value of the currency will firm from here to the end of the year.



Source: Bloomberg, Bulltick

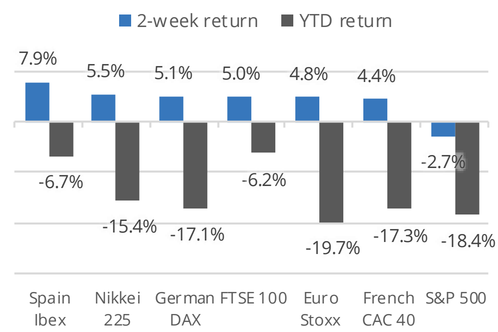
Equities Strategy:

- ***The selloff in the S&P 500 has taken valuations to increasingly attractive levels.*** However, this doesn't mean these metrics couldn't get even more attractive. The Fed got us here and it is the Fed that will continue to move markets. This time, however, there is no cushion for accommodative policy. The combination of sticky high inflation, hawkish comments, war, oil prices, stagflation and threat of recession, have taken the benchmark US bourse down 18.4% year-to-date, bested in the developed market only by Europe, which is down 19.7%.

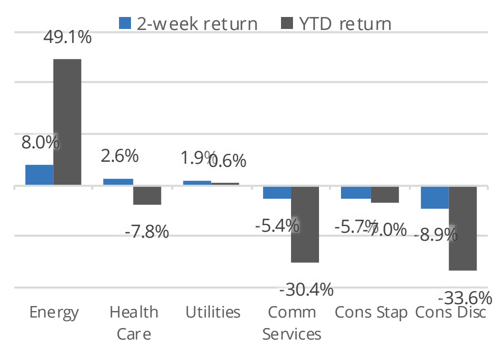
- ***This Fed has a double-barreled tightening requirements*** rate hikes and balance sheet draw-down. And inflation rates give no room for anything other than tight policymaking. The markets should not expect rate cuts any time soon. We have been surprised to hear serious market participants even mention this possibility. All to the contrary: balance sheet drawdown will see incremental increases to get to US$95bn in roll-offs per month and a 75bps rate hike is not off the cards.

- ***Emerging Markets are starting to catch a bid not for fundamentals improvements but rather because everything has a price*** and much of the worst case scenario has already been priced in. Anything better than the worst case scenario would lead to renewed outperformance in this seeking alpha trade. We like LatAm over Asia or Emerging Europe and within LatAm we favor Brazil and Colombia. Within Asia we like China consumer.

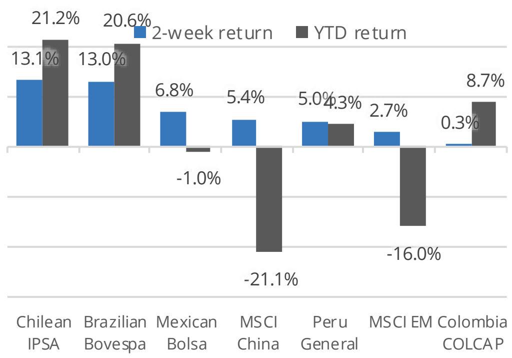
Developed Market Equity Returns



Select S&P 500 Sectors Returns



Emerging Market Equity Returns

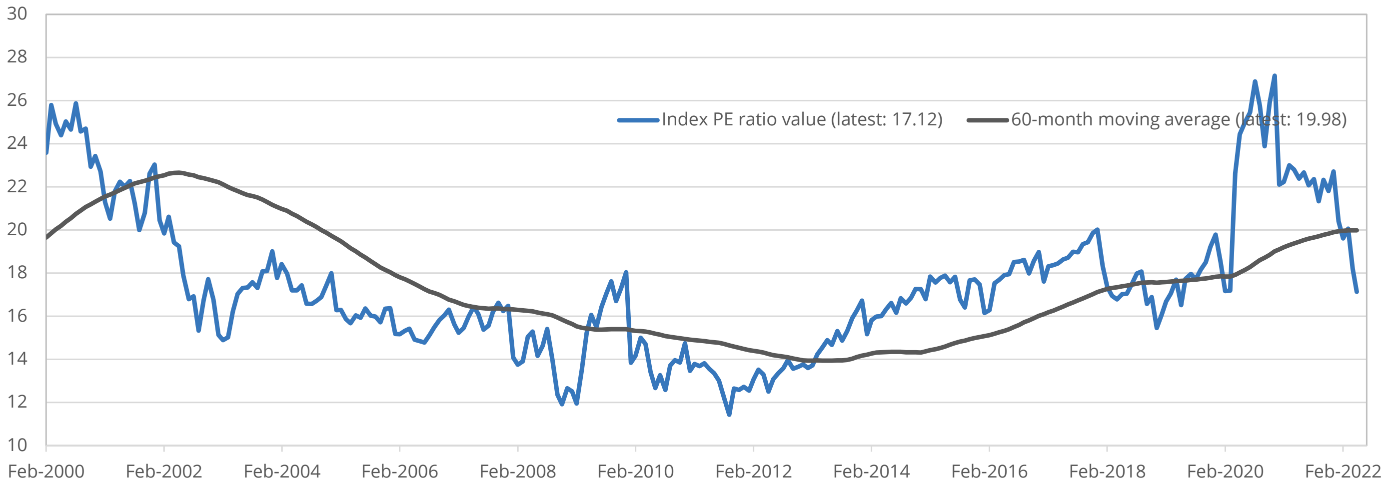


Asset	Div Yld	Begin 2022 Price	Current Price	Cap Gains (LCY, YTD)	Cap Gains (USD, YTD)	Target 2022	2022 Expected LCY	w/Div	Total Returns USD	w/Div
S&P 500	1.7%	4,766	3,892	-18.4%	-18.4%	4,700	-1.4%	-0.1%	-1.4%	-0.1%
Euro Stoxx	3.6%	4,298	3,653	-15.0%	-19.7%	4,200	-2.3%	0.5%	1.4%	4.3%
German DAX	3.5%	15,885	13,945	-12.2%	-17.1%	15,500	-2.4%	0.2%	1.3%	4.0%
Nikkei 225	2.2%	28,792	26,748	-7.1%	-15.4%	29,500	2.5%	4.3%	2.6%	4.4%
Shanghai Comp	3.0%	3,640	3,071	-15.6%	-19.4%	4,100	12.6%	15.0%	10.1%	12.4%
MSCI India	1.6%	2,037	1,886	-7.4%	-11.0%	2,250	10.5%	11.7%	6.9%	8.1%
MSCI EM	3.3%	1,232	1,035	-16.0%	-16.0%	1,450	17.7%	20.5%	17.7%	20.5%
MSCI World	2.3%	755	631	-16.3%	-16.3%	775	2.7%	4.5%	2.7%	4.5%
Mexican Bolsa	3.7%	53,272	51,076	-4.1%	-1.0%	56,000	5.1%	7.9%	5.2%	8.0%
Brazilian Bovespa	8.3%	104,822	108,817	3.8%	20.6%	120,000	14.5%	22.1%	22.6%	30.8%
Colombia COLCAP	6.2%	1,411	1,478	4.8%	8.7%	1,400	-0.8%	2.6%	4.9%	8.5%

Source: Bloomberg, Bulltick. Chart returns are in USD, excluding dividends *As of 05/24/2022*

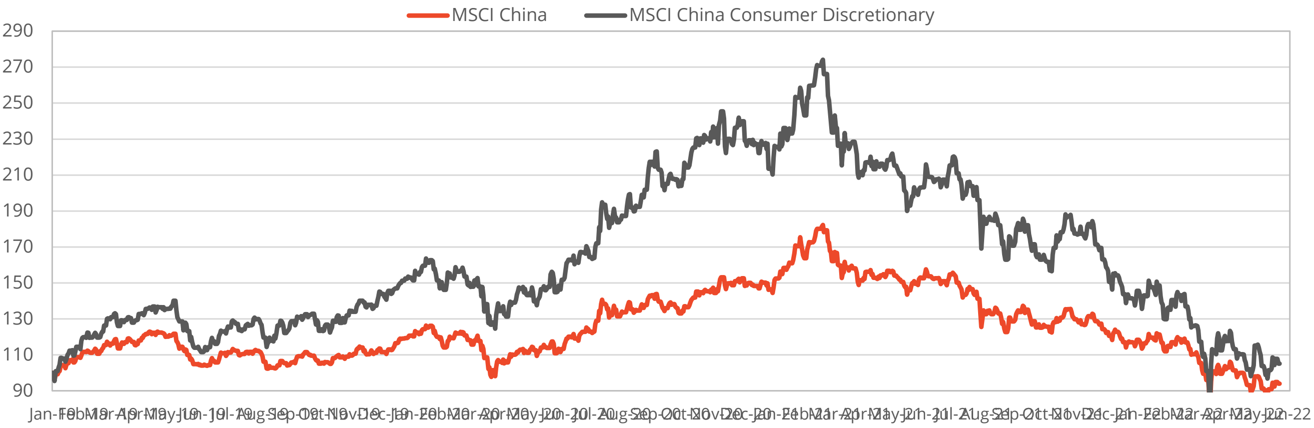
SPX valuations have cheapened dramatically after the near bear market the bourse has entered.

S&P 500 Monthly Forward PE Ratio, Including 60-month moving average



Japan is outperforming DM peers in recent weeks, with broad Europe underperforming all comparables. The ECB is set to take rates out of negative territory this summer despite lofty recession risks and geopolitical hostility. China, meanwhile, has fallen more than 20% and we see opportunities in the Chinese consumer discretionary sector, particularly for long term portfolios.

China Cons Discretionary Vs China Broad Index--Comparative Performance (Jan 2019=100)



Source: Bloomberg, Bulltick

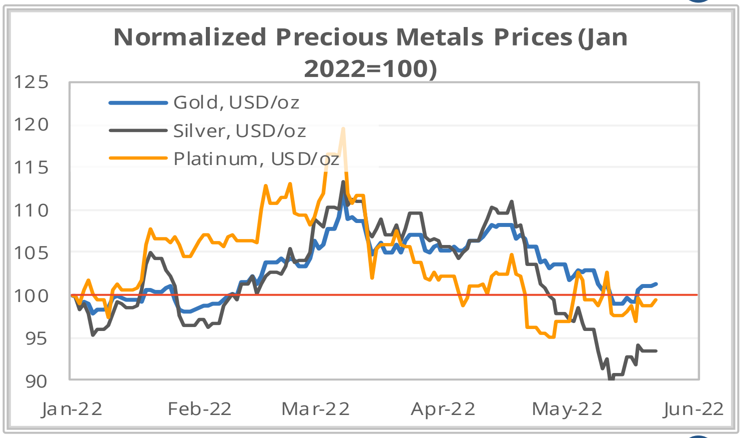
Alternative Investments

① ***Alternative investments should have a relevant position in a client's diversified portfolio,*** particularly in times of high correlations between asset classes and global volatility. We like positions in precious metals as we suspect fiat money may find itself in crises and as Bitcoin itself loses its luster - all gold and silver positive.

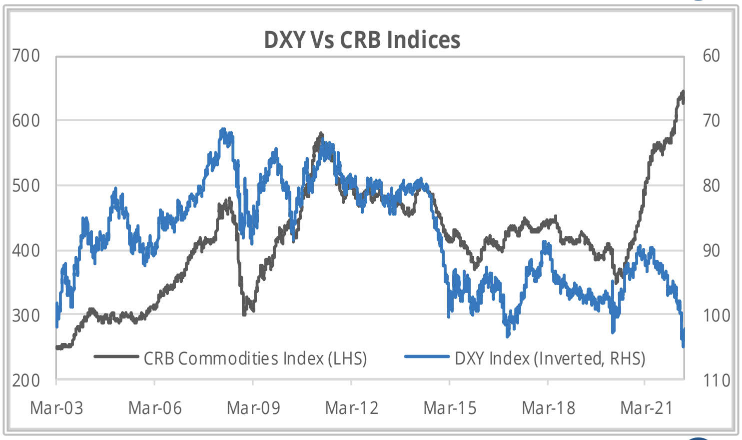
② ***Broader commodities face forces of a strengthening USD*** in the near-term and economic deceleration in US, China, Europe. Oil prices also face headwinds from additional inventory, investments in production and E&P, investments in alternative energy, as well as economic recession risks.

③ ***The European Union is said to be unlikely to approve a ban on Russian oil*** when the bloc's leaders meet next week, which would keep oil prices from skyrocketing further (throwing Europe into recession first). The US is likely to move on reserves, with the Biden administration said to consider tapping a diesel fuel reserve to offset a supply crunch. While minimal, the reserves should help avoid spot outages in the Northeast during the summer months (and in the run-up to mid term elections).

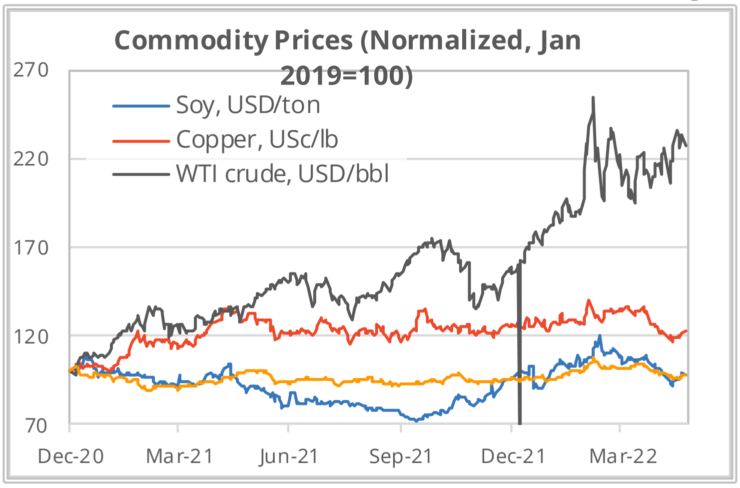
#1



#2



#3



Source: Bloomberg, Bulltick *As of 05/24/2022*

About us & contacts

About Bulltick Capital Markets

Bulltick Capital Markets is a full-service investment bank specialized in Latin America. The firm offers a variety of diversified financial products and services with local know-how and international expertise. Its client base is comprised of established financial institutions and qualified investors in Latin America, as well as of the international financial community with investment interests in the region. Bulltick is headquartered in the United States, with offices in Miami, Mexico City, and Bogota.

Our Research Resources

With Bulltick's vast Latin American in-roads, resources and networks, our research team is strategically positioned to provide value-added research on local and regional companies, markets and industries. With analysts in the region, along with management road shows, we are able to track the pulse of the leading markets in Latin America. We make it our business to know the business of the region, so we can help our clients manage volatility with in-depth coverage of macroeconomic leading sectors and market-moving events.

ANALYST CERTIFICATION

The analyst(s) primarily responsible for the preparation of this report hereby certify that all the views expressed herein accurately reflect their personal views only. The analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

IMPORTANT DISCLOSURES

Principal/Agency Trading:
Bulltick and its affiliated entities, employees, officers, and directors may deal on a principal and/or agency basis in transactions involving currencies, markets, sectors and/or securities referred to herein (or related derivatives or other instruments related thereto), including in transactions which may be contrary to any recommendations contained herein.
The Firm's Analysts may interact with sales and trading personnel in the ordinary course of business. Such sales and trading personnel may trade and/or have proprietary positions in the securities (or in related derivatives) that are the subject of this report, and the Firm's interest may conflict with the interests of investors in those instruments.

Analyst Compensation:
The costs and expenses of research, including the compensation of the analyst(s) that prepared this report, are paid out of the Firm's total revenues, a portion of which are generated by its fixed income division.

Conflict Management:
Fixed income personnel report to the head of fixed Income and are not subject to the direct or indirect supervision or control of any other Firm department (or members of such department).

OTHER DISCLAIMERS

Bulltick and its subsidiaries, affiliates, shareholders, directors, officers, employees, and licensors ("The Bulltick Parties") will not be liable (individually, jointly, or severally) to you or any other person as a result of your access, reception, or use of the information contained in this document for indirect, consequential, special, incidental, punitive, or exemplary damages, including, without limitation, lost profits, lost savings, and lost revenues (collectively, the "Excluded Damages"), whether or not characterized in negligence, tort, contract, or other theory of liability. The information contained in this document has been obtained from sources believed to be reliable, although its accuracy and completeness cannot be guaranteed. All opinions, projections and estimates constitute the judgment of the author as of the date of the report and these, plus any other information contained herein, are subject to change without notice. Prices and availability of financial instruments mentioned are also subject to change without notice.

Bulltick and its affiliated companies have not taken any steps to ensure that the recommendations referred to in this report are suitable for any particular investor. The Report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of any financial product. Securities and financial products mentioned in the report are subject to investment risks, including the possible loss of the principal amount invested. The financial instruments mentioned in this document may not be eligible for sale in some countries. The Report is not to be construed as providing investment services in any jurisdiction where the provision of such services would be illegal.

Investing in non-US securities or markets, may entail additional risks. Securities of non-US issuers may not be registered with and may not be subject to the reporting requirements of the US Securities and Exchange Commission. There may be limited information available on foreign securities or markets. Foreign companies are generally not subject to uniform audit and reporting standards, practices, and requirements comparable to those in the US. Investments in foreign markets may be less liquid and their prices more volatile than those comparable in US. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign market.

The information contained in the report is privileged and confidential and intended solely for the recipients who have been specifically authorized to receive it and it may not be further distributed. Bulltick and its affiliates accept no liability whatsoever for the actions of third parties. Should you receive this message by error you are hereby notified that any disclosure, reproduction, distribution, or use of this message is strictly prohibited.

The Report may provide the addresses of, or contain hyperlinks to, websites, except to the extent to which the Report refers to website material of Bulltick, the Firm takes no responsibility for, and makes no representation or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through the Report or the website of Bulltick shall be at your own risk and Bulltick shall have no liability arising out of, or in connection with, and such reference website.