SUMMARY OF LAST WEEK

Wall Street closed the week in the red, with losses accelerating from the previous week, marking its worst weekly result since early September 2024. Investor confidence was dented by rising tariff uncertainty, mixed economic data and a deteriorating labor market outlook. For the week, the S&P 500 closed with a -

3.10%, while the Nasdaq fell -3.45% and the Dow Jones Industrial Average -2.37%.

Trade tensions took center stage this week, with US President Donald Trump's change of stance on tariffs for Canada and Mexico creating uncertainty among traders. The market has now erased all the gains generated following Trump's election victory in November 2024, as investors grapple with the potential economic fallout from these trade policies. Trade data for January reflected the impact of the tariffs, as companies rushed to import goods ahead of implementation. The result was a record trade deficit, highlighting the disruption to supply chains and trade flows.

The February nonfarm payrolls report, released on Friday, underscored the slowdown in growth.

Employment. The U.S. economy added 151,000 jobs, below expectations and following a downwardly revised gain of 125,000 jobs in January, according to the Bureau of Labor Statistics. Federal employment saw a notable decline, attributed in part to Trump's government efficiency initiatives and Elon Musk's push for clarity. The unemployment rate rose to 4.1% from 4.0% in January, reflecting a 588,000-person drop in household employment. In addition, 385,000 people left the labor force, indicating a decline in confidence in the labor market. The participation rate fell to 62.4%, the lowest level in two years, after standing at 62.6% in 2017.

January.

It is important to note that the US dollar index has registered a 4.2% decline so far this year, which is its biggest drop since 2008, when the global financial crisis caused a 4.8% drop in the same period. Most of the dollar's losses occurred last week, coinciding with the application of tariffs on Canadian and Mexican products.

However, Federal Reserve Chairman Jerome Powell gave markets a momentary respite on Friday, saying in a speech that the economy

The U.S. remains "in a good place." While his comments offered some reassurance, investors remain focused on trade developments, inflation trends and the broader economic outlook for March.

Source: Sentosa & Co

FLUCTUATIONS AND MACROECONOMIC DATA

KEY DATES OF THE WEEK PASS

March 3rd

S&P US Global Manufacturing PMI

Actual 52.7 vs. Survey 51.6.

ISM manufacturing

Actual 50.3 vs. Survey 50.7.

March 5th

ADP Job Change

Actual 77K vs. Survey 140K.

Durable goods orders

Actual 3.20% vs. Survey 3.10%.

March 6th

Trade balance

Actual $131.4m vs. Survey $128.8m

Initial **unemployment benefit claims**

Actual 221K Vs. Poll 233K.

March 7th

Non-agricultural payrolls change

Current 151,000 vs. Survey 160,000.

Unemployment rate

Actual 4.10% vs. Survey 4.00%.

GLOBAL EQUITY INDICES	Last	5 Days	1 Month	YTD
MSCI WORLD	3,730.93	**-1.71%** ÿ	-2.95%	0.62%
MSCI EM	1,128.55	**2.85%** ÿ	1.81%	4.93%
MSCI EM LATIN AMERICA	2,034.81	**2.77%** ÿ	-1.44%	9.84%
MSCI AC ASIA x JAPAN	736.86	**3.02%** ÿ	2.75%	4.65%
USA				
S&P 500 INDEX	5,737.91	**-3.10%** ÿ	-4.88%	-2.44%
NASDAQ COMPOSITE	18,196.22	**-3.45%** ÿ	-7.70%	-5.77%
DOW JONES INDUS. AVG	42,801.72	**-2.37%** ÿ	-3.75%	0.61%
RUSSELL 2000 INDEX	2,075.48	**-4.05%** ÿ	-9.29%	-6.94%
EUROPE				
STXE 600 (EUR) Pr	553.35	**-0.69%** ÿ	1.36%	9.01%
Euro Stoxx 50 Pr	5,468.41	**0.09%** ÿ	2.05%	11.69%
DAX INDEX	23,008.94	**2.03%** ÿ	5.01%	15.57%
CAC 40 INDEX	8,120.80	**0.11%** ÿ	1.43%	10.03%
FTSE MIB INDEX	38,592.81	**-0.16%** ÿ	3.63%	12.89%
IBEX 35 INDEX	13,257.10	**-0.68%** ÿ	4.31%	14.33%
SWISS MARKET INDEX	13,076.68	**0.56%** ÿ	3.55%	12.72%
FTSE 100 INDEX	8,679.88	**-1.47%** ÿ	-1.00%	6.20%
ASIA				
NIKKEI 225	36,887.17	**-0.72%** ÿ	-4.93%	-7.54%
HANG SENG INDEX	24,231.30	**5.62%** ÿ	12.59%	20.79%
CSI 300 INDEX	3,944.01	**1.39%** ÿ	1.10%	0.23%
SENSEX	74,332.58	**1.55%** ÿ	-3.85%	-4.87%
LATAM				
S&P/BMV IPC	52,839.63	**0.98%** ÿ	-0.16%	6.72%
BRAZIL IBOVESPA INDEX	125,034.60	**0.21%** ÿ	-0.43%	3.95%
MSCI COLCAP INDEX	1,610.50	**0.18%** ÿ	5.56%	16.74%
S&P/CLX IPSA (CLP) TR	7,377.09	**0.61%** ÿ	1.13%	9.94%

EQUITY SECTORS	Last	5 Days	1 Month	YTD
PHILA GOLD & SILVER INDX	161.59	**4.04%** ÿ	-2.26%	17.79%
MSCI WORLD/INDUSTRY	426.74	**1.44%** ÿ	1.01%	5.38%
MSCI WORLD/MATERIAL	345.22	**1.40%** ÿ	0.80%	7.43%
MSCI WORLD/HLTH CARE	381.95	**0.84%** ÿ	2.32%	8.25%
MSCI WORLD/CON STPL	299.32	**0.48%** ÿ	3.76%	7.17%
MSCI WORLD/UTILITY	166.12	**-0.94%** ÿ	0.14%	1.44%
MSCI WRLD/COMM SVC	128.54	**-1.80%** ÿ	-6.12%	0.99%
MSCI WORLD BANK INDEX	137.58	**-2.43%** ÿ	-1.05%	7.76%
MSCI WORLD/FINANCEVAL	148.26	**-2.77%** ÿ	-0.79%	5.78%
MSCI WORLD/ENERGY	244.03	**-2.80%** ÿ	-3.47%	0.26%
MSCI WORLD/INF TECH	731.85	**-3.30%** ÿ	-7.19%	-7.58%
MSCI WORLD/CONS DIS	441.12	**-4.02%** ÿ	-8.34%	-5.76%

US RATES	Last	5 Days Close		12M Close	
2Y	4.00	3.99	0.01	4.50	-0.50
5Y	4.09	4.02	0.07	4.07	0.01
10Y	4.30	4.21	0.09	4.08	0.22

BONDS CREDIT SPREAD		5 Days Close		12M Close	
EM Bonds Spread	297.29	299.6	-2.3	309.82	-12.5
HY Bonds Spread	300.00	294.0	6.0	367.00	-67.0
BBB 10yr Spread	157.89	160.2	-2.3	159.54	-1.7
CoCos Spread	254.20	251.0	3.2	325.80	-71.6

FIXED INCOME		5 Days	1 Month	YTD
US High Yield	2,730.31	-0.28% ÿ	0.29%	1.76%
EM Bonds USD	1,278.62	-0.26% ÿ	1.01%	2.44%
EM Local Currency	137.18	1.60% ÿ	1.95%	4.53%
CoCos USD	137.82	1.29% ÿ	2.47%	3.76%
IG BBB 3-5yr USD	371.76	-0.55% ÿ	0.96%	1.82%
IG AA Corp USD	273.63	-0.64% ÿ	0.89%	1.88%

COMMODITIES	Last	5 Days	1 Months	YTD
CRB INDEX	303.04	0.40% ÿ	-2.87%	2.13%
WTI	67.04	-3.90% ÿ	-5.58%	-6.53%
Brent	72.05	-1.88% ÿ	-3.02%	-2.78%
US Natural Gas	4.40	14.74% ÿ	32.94%	21.08%
S&P GSCI Precious Metal	**3,774.84**	**2.64%** ÿ	**-0.41%**	**10.70%**
Gold	2,909.10	1.79% ÿ	1.68%	10.84%
Silver	32.54	4.45% ÿ	2.27%	12.58%
Platinum	969.08	2.07% ÿ	-0.96%	6.78%
Palladium	950.81	3.11% ÿ	-2.10%	4.18%
S&P GSCI Industrial Metal Index	**470.02**	**3.46%** ÿ	**2.35%**	**7.32%**
Aluminum	2,705.50	3.84% ÿ	2.95%	6.04%
Copper	9,608.63	2.90% ÿ	3.46%	11.05%
Nickel	16,291.96	6.71% ÿ	4.85%	7.82%
S&P GSCI Agriculture	**381.99**	**-0.56%** ÿ	**-5.89%**	**-0.24%**

CURRENCIES	Last	5 Days	1 Month	YTD
CHF vs. USD	0.8799	2.64% ÿ	3.41%	3.13%
JPY vs. USD	148.0400	1.75% ÿ	2.28%	6.19%
CAD vs. USD	1.4372	0.62% ÿ	-0.55%	0.08%
EUR vs. USD	1.0833	4.41% ÿ	4.89%	4.63%
GBP vs. USD	1.2920	2.73% ÿ	4.18%	3.23%
AUD vs. USD	0.6305	1.55% ÿ	0.49%	1.89%
BRL vs. USD	5.7896	1.64% ÿ	0.34%	6.70%
MXN vs. USD	20.2544	1.46% ÿ	1.53%	2.83%
COP vs. USD	4,130.83	0.56% ÿ	-0.20%	6.66%
CNY vs. USD	7.2459	0.45% ÿ	0.67%	0.74%
EUR vs. CHF	0.9534	-1.71% ÿ	-1.42%	-1.39%
DOLLAR INDEX	103.8380	-3.51% ÿ	-3.89%	-4.29%
BITCOIN	86,457.17	1.34% ÿ	-10.46%	-7.74%

KEY DATES OF THE NEXT WEEK

March 12th

Monthly CPI

Survey 0.30

March 13th

IPP Intermonthly final demand

Survey 0.30%.

Initial unemployment benefit claims

Survey 227K.

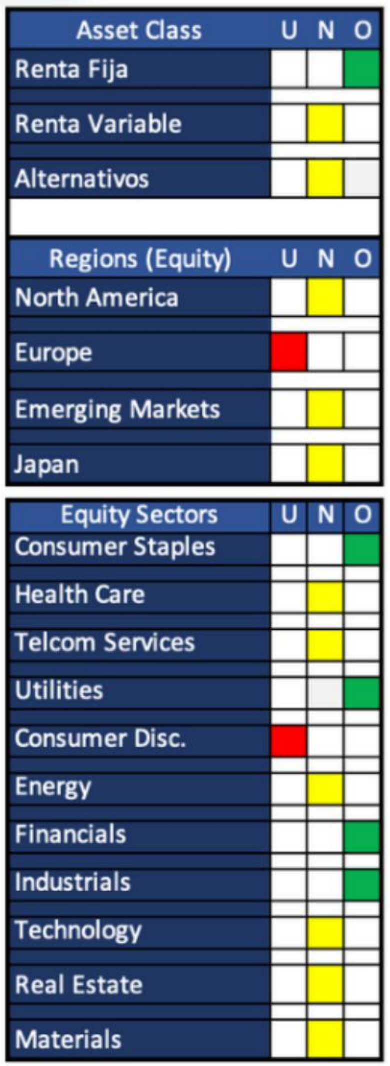
March 14th

U. of Michigan sentiment

Survey 63.5.

Source: Sentosa & Co

IN ON CAPITAL SA VISION



The market is starting to get nervous, increasing the likelihood of a future stagflation. As proof, real rates and the dollar are falling on one side... and breakeven inflation is rising on the other. Investors remain skeptical about the implementation of Trump's tariffs and of the Fed's ability to lower rates in the near future. Sentiment has been changing and a certain risk off now seems to be taking the lead. Breadth indicators continue to deteriorate and the number of companies above their 200-day moving average continues to diverging sharply from prices. We remain cautious in the short term.

There is currently some sector rotation taking place away from IT companies, which hurts the expensive US market more than the rest. Investors are seen rotating towards more defensive and cheaper markets. As for monetary policy, investors seem to increasingly anticipate that the Federal Reserve has to lower rates further.

Source: Sentosa & Co

A medium-term correction in a super-cycle bull market

At the end of the year, we presented a 2025 Outlook in which we highlighted the fact that the equity market upside had been somewhat limited during the first part of the year. Despite the valuations, the main reason was technical. In fact, prices had soared by more than +70% since the October 2022 low and had made 8 positive quarters out of 9. More **importantly, prices were reaching the top of the long- term ascending channel corresponding to the 2009-2024 bullish Supercycle** (Chart 1). Each time prices have reached those levels, a correction period has occurred during the following 3-6 months towards the bottom of the long-term channel. **If this situation repeats itself (as it has during this supercycle), we would be talking about a potential -22% downside for the equity market** (Chart 1). Ironically, despite this possibility, the stock market would still not be considered in a Bear Market under the logic of Technical Analysis, but rather in a medium-term correction within a long-term Bull Market.

The medium-term chart is confirming the situation, prices are entering a medium-term bearish trend. **Negative divergences between prices and indicators already warned of an upward process throughout 2024, but last week prices confirmed the start of a deeper correction by breaking downwards the ascending channel in force since the beginning of 2024** (chart 2). With this configuration, we see the MSCI World with more immediate falls towards the lows of August 2024 as the first target, which means -8%/-10% below current levels.

Chart 1: MSCI World (3'730.93) / Quarterly chart

Chart 2: MSCI World (3'730.93) / Weekly chart

Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

Taking a step back, it is often advisable to invest for the long term, without trying to time the market, since the market has provided assurances that the investment return will be positive. Equity markets are characterized by a structural upward trend. It is therefore advisable to invest consistently, otherwise one risks losing a large part of the return. Since 1870, by reinvesting dividends, the main US stock index has recorded a positive trend return of 9.3% per year. In real terms, i.e. adjusted for the increase in the cost of living, the annual return is 7.0%. **Over the past 35 years, those who had missed just the 25 best days (less than one day per year) would have completely wiped out their performance** (Chart 2).

Investing for the long term, without trying to time the market, means being almost guaranteed to yield positive returns (Chart 4). However, there are some cases where patience is required, situations where the long term becomes the very, very long term. In 6% of cases, when optimism has given way to euphoria and valuations have exceeded 24 times earnings, equity investors have recorded losses over 10 years.
This could also be a possibility today, as the current P/E of the S&P 500 was at 27x at the January peak and is now at 24.5x. To reach the next high, investors will have to go through a valley.

Some analysts argue that valuations are high in the US only because of the Magnificent Seven or the technology sector as a whole. This is not entirely true because, if we exclude all growth stocks, valuations are still very high and close to their historical highs (Chart 5). The S&P 500 sub-index that only includes value stocks is trading at effectively lower, but still historically high, valuation levels: 22 times versus an average of 16 times.

Chart 3: Annual results without the best days

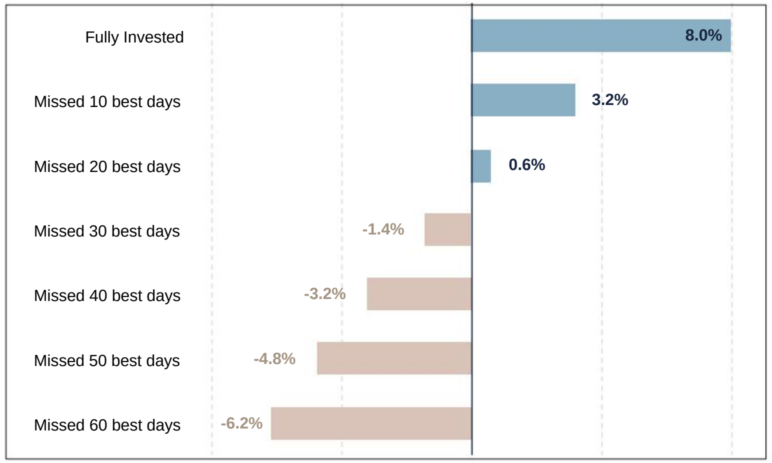
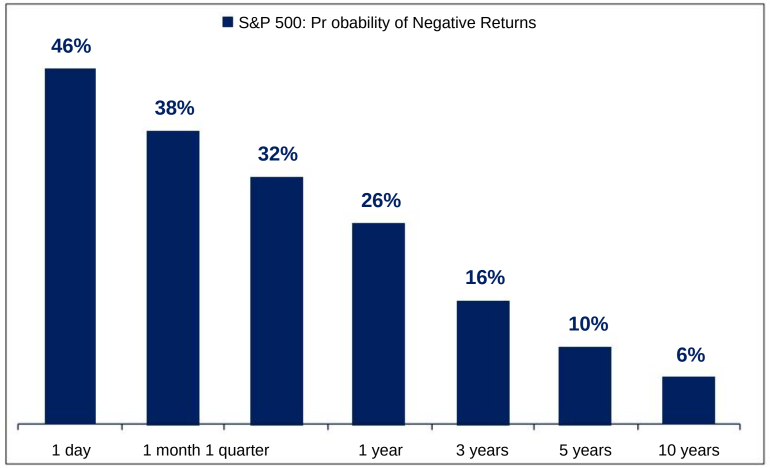


Chart 4: Probability of losses as a function of duration



Source: Sentosa & Co, Altitude IS

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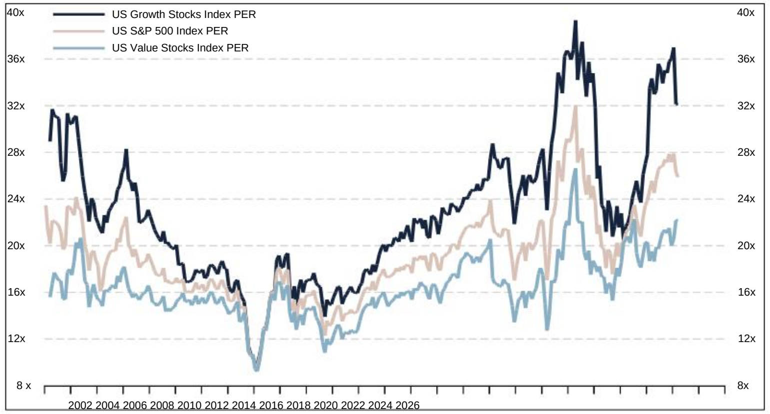
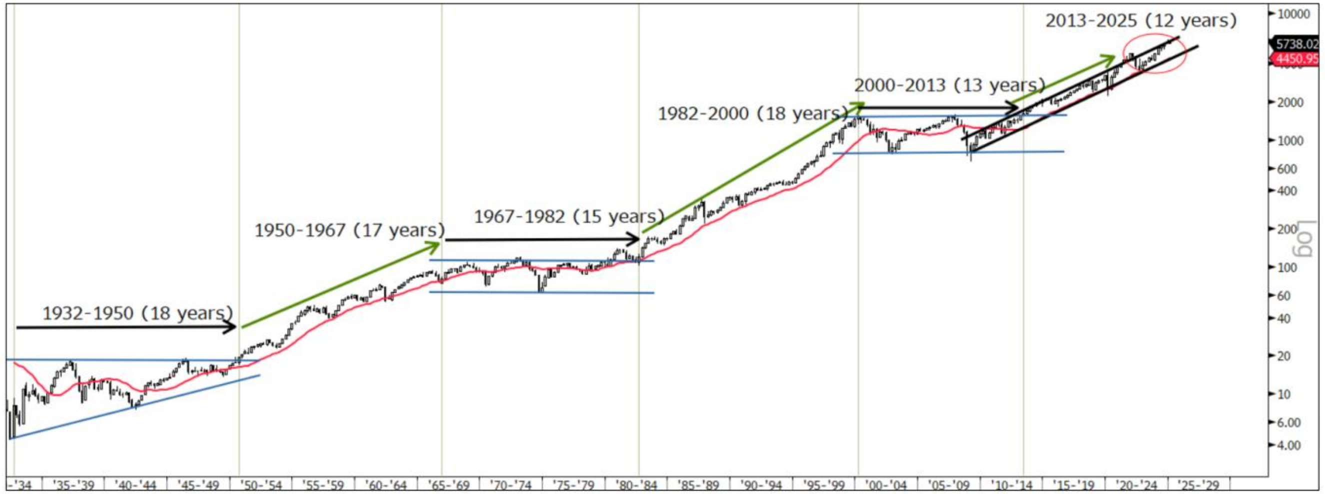
Chart 5: Valuation of the different segments



On the positive side, bull and bear supercycles typically last between 13 and 18 years (Chart 6). In fact, looking back, bull and bear supercycles last between 13 and 18 years. The expansions have lasted somewhat longer than the contraction ones and have extended to 17-18 years. Speculating that the future will reflect the past, the current supercycle bullish trend should not be ending yet.

Chart 6: Equity market supercycle



Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

More of a sector rotation than a complete risk-off So far, the current performance of the sectors does not correspond to a risk-off situation leading to a long-term bear market. **Since the beginning of the year, 9 out of 12 sectors are performing better than the Index itself** (Chart 7). More specifically, 10 sectors have a positive performance. In fact, the only 2 negative sectors are the consumer discretionary and IT sectors, with strong losses of -5.7% and -7.6% respectively. Considering that the consumer discretionary sector is made up of 1/3 of Tesla and Amazon and that the respective annual returns are -35% and -10%... we can consider the fact that this correction is much more the result of investors exiting the expensive IT and MAG 7 sector, than a complete risk-off. (Charts 8 and 9).

Furthermore, a potential bear market would be characterised by a complete shift towards defensive sectors versus cyclical value sectors. **If we look at the performance of banks compared to the market, this would not correspond to the start of a long-term bear market – at least not yet** (Chart 10). Banks are entering a new relative bullish phase, something that does not normally occur in an economic downturn or a long-term bear market.

Chart 7: Year-on-year evolution of the sectors

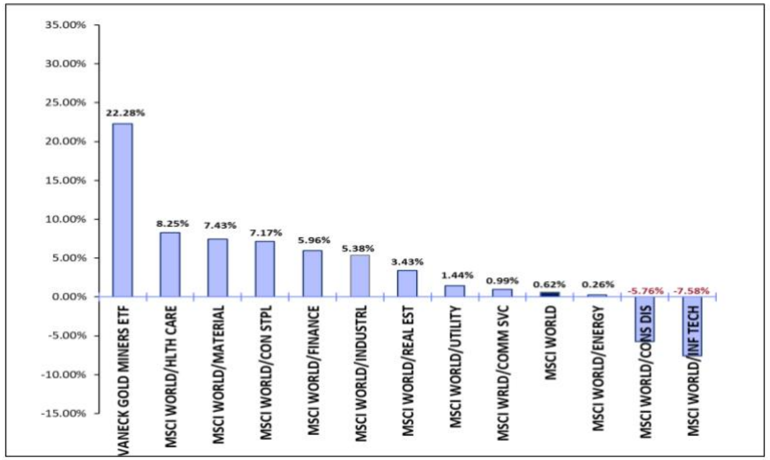
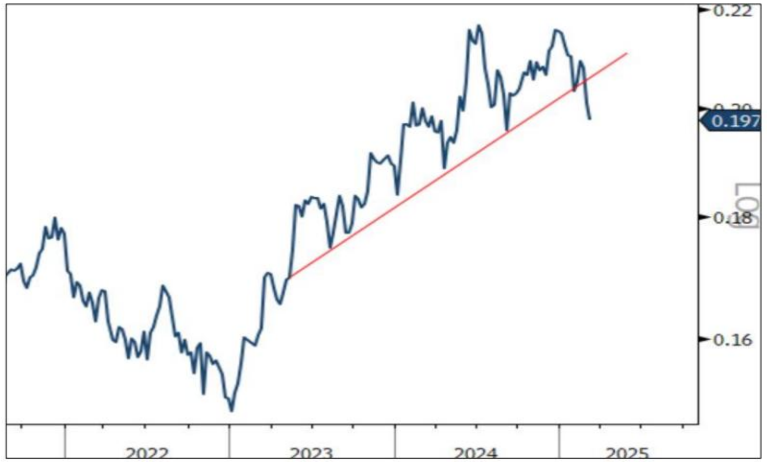


Chart 8: MSCI IT vs. MSCI World



Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

Chart 9: MAG 7 vs. S&P 500

Chart 10: MSCI Banks vs. MSCI World

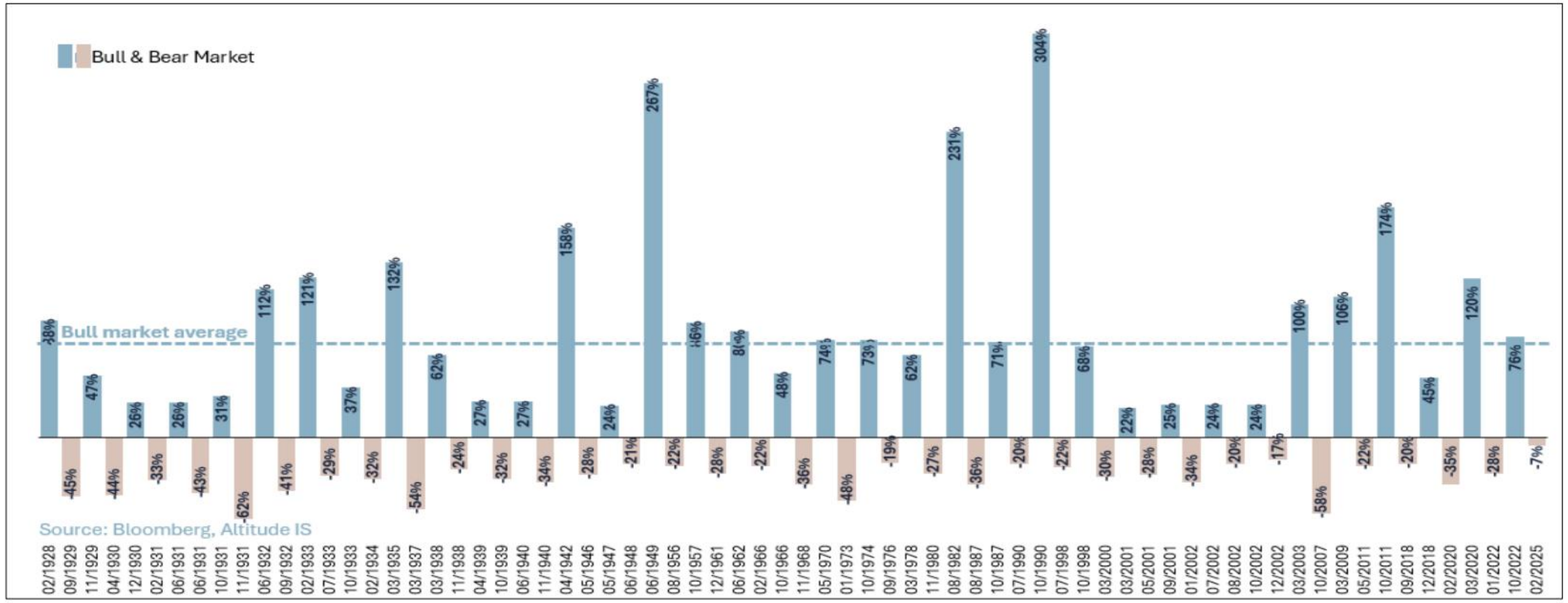
CONCLUSION

After completing its 35th Bull Market of the century, the S&P 500 has already entered part of its correction phase (Chart 11). However, from a technical point of view, the The market is only now in a medium-term correction of a super-cycle bull market and prices have the capacity to fall by -20% without causing any long-term trend change.

It is advisable to reduce equity risk, as prices have a good chance of seeing lower levels in the coming months. However, it would be a mistake to exit the market. completely out of the market, as investors could miss the best day of the year at the end of this correction and affect their long-term results. The key will undoubtedly be keep a close eye on the situation to know when to pull the trigger again, as long as prices remain in the ascending supercycle channel.

THE TOPIC OF THE WEEK

Chart 11: Bull and bear markets over the past 100 years



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