LAST WEEK SUMMARY

It was a historic and volatile week for Wall Street, though not in a favorable sense. President Donald Trump's sweeping announcement of reciprocal tariffs on what he called "Liberation Day" triggered the biggest stock market plunge since the COVID-19 crash of 2020. The scale and aggressiveness of these trade measures, widely considered the most severe U.S. trade barriers ever imposed,

Enacted over a century, they sent shock waves through global markets and changed perspectives drastically the macroeconomic.

Investors were surprised by both the scope and immediacy of the tariffs. Risk assets were quickly sold off, and capital shifted to traditionally safe assets such as the US dollar and Treasury bonds.

The S&P 500 fell -9.08% for the week, falling -17.4% below its most recent all-time high. The Dow Jones Industrial Average also fell sharply, closing the week at -7.86%.

For its part, the Nasdaq Composite, weighed down by the sell-off in technology stocks, closed the week with a -10.02% and a decrease of -22.7% from its highs.

Investors had placed some hope on Federal Reserve Chairman Jerome Powell's remarks scheduled for Friday. However, instead of calming concerns, Powell warned that the economic impact of the tariffs would likely exceed initial estimates.

He emphasized that the Fed would adopt a "wait and see" stance , suggesting that no change in interest rate policy would be imminent despite rising recession risks. Furthermore, OPEC and its allies surprised the market by suddenly deciding to add the equivalent of three months of oil production (411,000 bbl/day). They said this was due to "healthy market fundamentals" and a "positive outlook." This is a significant shift from years of restricting supply to support crude oil prices.

In terms of corporate headlines, Amazon launched a new beta feature called "Buy for Me," which allows users to purchase items from third-party websites directly through the Amazon Shopping app.

One of the few positive pieces of data came from the March nonfarm payrolls report, which surprised to the upside. It remains to be seen whether these conditions will hold in the coming weeks or if this is just the "last decent print" before the full economic impact of the trade disruptions is felt .

The week closed with choppy markets, shaken sentiment, and a much higher likelihood of a near-term US recession dominating investors' outlook.

Source: Sentosa & Co

FLUCTUATIONS AND MACROECONOMIC DATA

KEY DATES OF THE WEEK PASS

April 1st

S&P Global **U.S. Manufacturing PMI**

Current: 50.2 vs. Poll 49.8

ISM Manufacturing

Current: 49 vs. Poll 49.5

April 2nd

Change in ADP Employment

Current: 155K vs. Survey 120K

Durable Goods Orders

Current: 1.00% vs. Survey 0.90%

April 3rd

Trade Balance

Current: -$122.7 mm Vs. Survey -$123.5 mm

Initial Subsidy Applications by Unemployment

Current: 219K Vs. Survey 225K

April 4th

Change in Non-Farm Payrolls

Current: 228K Vs. Survey 138K

Unemployment Rate

Current: 4.10% vs. Survey 4.10%

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GLOBAL EQUITY INDICES	Last	5 Days	1 Month	YTD
MSCI WORLD	3,532.64	**-8.49%** ÿ	-11.07%	-4.73%
MSCI EM	1,087.59	**-2.96%** ÿ	-3.63%	1.13%
MSCI EM LATIN AMERICA	1,981.44	**-4.87%** ÿ	-2.62%	6.95%
MSCI AC ASIA x JAPAN	709.76	**-2.46%** ÿ	-3.68%	0.81%
USA				
S&P 500 INDEX	5,169.33	**-9.08%** ÿ	-12.06%	-12.11%
NASDAQ COMPOSITE	15,587.79	**-10.02%** ÿ	-14.34%	-19.28%
DOW JONES INDUS. AVG	38,314.86	**-7.86%** ÿ	-10.48%	-9.94%
RUSSELL 2000 INDEX	1,827.03	**-9.70%** ÿ	-11.97%	-18.08%
EUROPE				
STXE 600 (EUR) Pr	496.33	**-8.44%** ÿ	-10.30%	-2.22%
Euro Stoxx 50 Pr	4,878.31	**-8.50%** ÿ	-10.79%	-0.36%
DAX INDEX	20,641.72	**-8.10%** ÿ	-10.29%	3.68%
CAC 40 INDEX	7,274.95	**-8.10%** ÿ	-10.42%	-1.43%
FTSE MIB INDEX	34,649.22	**-10.56%** ÿ	-10.22%	1.35%
IBEX 35 INDEX	12,422.00	**-6.67%** ÿ	-6.30%	7.13%
SWISS MARKET INDEX	11,648.83	**-9.28%** ÿ	-10.92%	0.41%
FTSE 100 INDEX	8,054.98	**-6.97%** ÿ	-7.20%	-1.44%
ASIA				
NIKKEI 225	33,780.58	**-9.00%** ÿ	-8.42%	-15.33%
HANG SENG INDEX	22,849.81	**-3.09%** ÿ	-5.70%	13.91%
CSI 300 INDEX	3,861.50	**-1.80%** ÿ	-2.09%	-1.87%
SENSEX	75,364.69	**-2.89%** ÿ	1.39%	-3.55%
LATAM				
S&P/BMV IPC	51,452.73	**-3.24%** ÿ	-2.62%	3.92%
BRAZIL IBOVESPA INDEX	127,256.00	**-3.52%** ÿ	1.78%	5.80%
MSCI COLCAP INDEX	1,620.49	**1.05%** ÿ	0.62%	17.46%
S&P/CLX IPSA (CLP) TR	7,504.21	**-2.47%** ÿ	1.72%	11.84%

EQUITY SECTORS	Last	5 Days	1 Month	YTD
MSCI WORLD/CON STPL	299.99	**-1.39%** ÿ	-3.72%	7.41%
MSCI WORLD/UTILITY	178.34	**-2.60%** ÿ	0.13%	8.90%
MSCI WORLD/HLTH CARE	364.85	**-6.31%** ÿ	-9.62%	3.40%
MSCI WORLD/CONS DIS	408.28	**-7.75%** ÿ	-11.09%	-12.78%
MSCI WRLD/COMM SVC	117.71	**-7.84%** ÿ	-13.09%	-7.52%
MSCI WORLD/MATERIAL	326.81	**-8.19%** ÿ	-10.87%	1.71%
MSCI WORLD/INDUSTRL	404.56	**-8.60%** ÿ	-11.16%	-0.10%
MSCI WORLD/FINANCEVAL	133.86	**-10.18%** ÿ	-9.71%	-4.49%
PHILA GOLD & SILVER INDX	157.76	**-10.69%** ÿ	-2.37%	15.00%
MSCI WORLD/INF TECH	660.95	**-11.26%** ÿ	-16.18%	-16.53%
MSCI WORLD BANK INDEX	121.19	**-11.55%** ÿ	-11.91%	-5.08%
MSCI WORLD/ENERGY	251.90	**-12.64%** ÿ	-6.83%	3.49%

US RATES	Last	5 Days Close		12M Close	
2 And	3.65	3.91	-0.26	4.65	-1.00
5 And	3.71	3.98	-0.27	4.30	-0.59
10Y	3.99	4.25	-0.26	4.31	-0.32

BONDS CREDIT SPREAD		5 Days Close		12M Close	
EM Bonds Spread	346.27	312.8	**33.5**	281.69	64.6
HY Bonds Spread	431.00	347.0	**84.0**	352.00	79.0
BBB 10yr Spread	195.57	181.1	**14.5**	154.66	40.9
CoCos Spread	292.20	267.8	**24.4**	309.20	-17.0

FIXED INCOME		5 Days	1 Month	YTD
US High Yield	2,663.68	-1.78% ÿ	-2.44%	-0.73%
EM Bonds USD	1,271.81	-0.36% ÿ	-0.53%	1.90%
EM Local Currency	136.84	0.64% ÿ	-0.25%	4.28%
CoCos USD	137.78	0.23% ÿ	-0.03%	3.73%
IG BBB 3-5yr USD	373.95	0.32% ÿ	0.46%	2.87%
IG AA Corp USD	276.44	0.76% ÿ	1.03%	2.35%

COMMODITIES	Last	5 Days	1 Months	YTD
CRB INDEX	288.46	-6.00% ÿ	-4.81%	-2.78%
WTI	61.99	-10.63% ÿ	-9.19%	-13.57%
Brent	67.94	-8.73% ÿ	-5.30%	-8.32%
US Natural Gas	3.84	-5.61% ÿ	-11.79%	5.62%
S&P GSCI Precious Metal	**3,878.03**	**-3.64%** ÿ	**2.73%**	**13.73%**
Gold	3,038.24	-1.52% ÿ	4.12%	15.76%
Silver	29.59	-13.30% ÿ	-7.49%	2.36%
Platinum	923.14	-6.40% ÿ	-4.15%	1.72%
Palladium	918.49	-5.79% ÿ	-3.16%	0.64%
S&P GSCI Industrial Metal Index	**421.72**	**-8.89%** ÿ	**-10.28%**	**-3.71%**
Aluminum	2,378.50	-6.63% ÿ	-9.10%	-6.78%
Copper	8,717.08	-10.59% ÿ	-6.55%	0.74%
Nickel	14,537.20	-10.04% ÿ	-7.90%	-3.80%
S&P GSCI Agriculture	**372.93**	**-0.72%** ÿ	**-2.37%**	**-2.60%**

CURRENCIES	Last	5 Days	1 Month	YTD
CHF vs. USD	0.8608	2.32% ÿ	3.32%	5.41%
JPY vs. USD	146.9300	1.98% ÿ	1.95%	6.99%
CAD vs. USD	1.4219	0.66% ÿ	1.24%	1.16%
EUR vs. USD	1.0956	1.18% ÿ	3.11%	5.81%
GBP vs. USD	1.2887	-0.41% ÿ	0.72%	2.96%
AUD vs. USD	0.6040	-3.93% ÿ	-3.70%	-2.39%
BRL vs. USD	5.8423	-1.39% ÿ	0.72%	5.74%
MXN vs. USD	20.4441	-0.34% ÿ	0.73%	1.87%
COP vs. USD	4,274.23	-1.70% ÿ	-2.68%	3.08%
CNY vs. USD	7.2818	-0.27% ÿ	0.08%	0.24%
EUR vs. CHF	0.9432	1.12% ÿ	0.21%	-0.33%
DOLLAR INDEX	103.0230	-0.98% ÿ	-2.57%	-5.04%
BITCOIN	83,597.45	1.43% ÿ	-7.50%	-10.80%

KEY DATES OF THE NEXT WEEK

April 10th

Monthly CPI (MoM)

Survey 0.10%

Initial Subsidy Applications by Unemployment

Survey 224K

April 11

IPP Monthly Final Demand (MoM)

Survey 0.20%

U. of Michigan sentiment

Survey 54

Source: Sentosa & Co

VISION OF IN ON CAPITAL SA

Asset Class	U	N	O
Renta Fija			
Renta Variable			
Alternativos			

Regions (Equity)	U	N	O
North America			
Europe			
Emerging Markets			
Japan			

Equity Sectors	U	N	O
Consumer Staples			
Health Care			
Telcom Services			
Utilities			
Consumer Disc.			
Energy			
Financials			
Industrials			
Technology			
Real Estate			
Materials			

Trump's tariff announcement last Wednesday sent the S&P 500 index to its lowest level in 11 years. months, wiping out $5.4 trillion in market value in just two trading sessions to close out the week. It was the largest two-day drop pronounced since the pandemic hit the US in March 2020. Countries are weighing how to respond to Trump's latest taxes, which raised US tariffs to their highest level in more than a century.

Trump shows little sign of backing down on his punitive tariffs, which threaten to trigger a global recession. The impact is extends beyond equity markets, with oil falling, the cost of protecting speculative debt rising and bonds of the State rebounding in the face of the avalanche of investors seeking refuge. In this environment, emerging markets have benefited from the sharp drop in the dollar. American banks suffered a severe setback, and fears of a recession are pushing us to be more cautious.

Source: Sentosa & Co

Where are we now after Trump's tariffs?

The market suddenly went into panic mode last Thursday when the US administration implemented a new tiered tariff structure starting April 5, with a universal 10% "base" tariff applicable to all international imports. This will be followed, on April 9, by higher "reciprocal" tariffs on certain trading partners that maintain excessive trade barriers. The tariff schedule includes China at 34% (rising to 54% when previous tariffs are added), Japan at 24%, the European Union at 20%, and Switzerland at 31%. Products from Canada and Mexico that meet USMCA standards are temporarily excluded from these measures. In addition, the administration reaffirmed its commitment to the previously announced 25% tariff on auto imports.

The stock market had its worst week since March 2020, with the S&P 500 losing $5.2 trillion in market value in two sessions. The speed of the Nasdaq's 20% drop from its February record is rivaled only by the pandemic collapse of 2020 and the dot-com implosion of 2000. The decline deepened on Friday when China imposed a 34% tariff on all US imports starting April 10, in addition to targeted measures against poultry producers and arms manufacturers. Trump, for his part, appears to be holding firm, saying his economic policy "will never change." **Over these two days, the market's decline has been evenly spread across regions, with an overall decline of -8.6%** (Chart 1). **By sector, defensive stocks such as Consumer Staples, Utilities , and Healthcare have shown resilience, but the rest have been hit hard by the selling wave** (Chart 2).

Chart 1: Evolution of the indices since the announcement of the tariffs

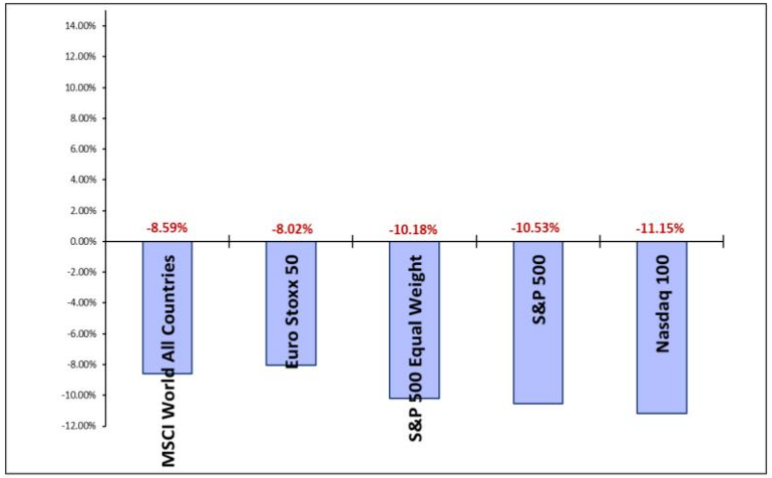
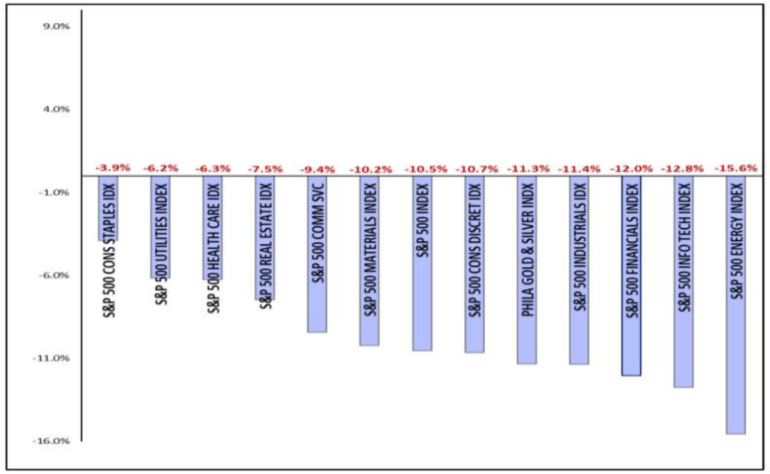


Chart 2: Evolution of equity sectors since the tariff announcement



Source: Sentosa & Co, UBS

THE TOPIC OF THE WEEK

What can we expect from now on?

First, it's important to highlight that some legal challenges to the White House's executive authority appear inevitable in the coming weeks. The administration's unprecedented use of the International Emergency Economic Powers Act (IEEPA) to implement sweeping economic policy changes rests on untested legal ground. IEEPA empowers the president to regulate or prohibit transactions with any foreign country, entity, or person by declaring a national emergency in response to an "unusual and extraordinary threat" to U.S. national security, foreign policy, or the economy . The fact that IEEPA has traditionally been used for targeted sanctions against specific countries (such as Iran or North Korea), terrorist organizations, or individuals, but not for the implementation of broad trade policy affecting nearly all U.S. trading partners, is exceptional and could face judicial review. In any case, we view the current situation as having three possible scenarios:

1. **Entrenchment and Escalation (40% probability) :** Clearly the most concerning scenario, where tariffs remain fully implemented for several months, potentially escalating through cycles of retaliation. The administration's increasingly harsh rhetoric suggests this possibility, with President Trump's March 30 statement that the auto tariffs would be "permanent, 100 percent" contrasting sharply with his more measured comments in early March about "a little disturbance." This is in some ways what we are beginning to see with China's reaction, implementing 34% tariffs on all U.S. imports. This scenario becomes increasingly likely if early retaliatory measures by trading partners harden political positions, making negotiated solutions more difficult to achieve amid deteriorating international relations. The likelihood of this outcome has increased substantially in recent weeks, given the Administration's increasingly assertive trade rhetoric and its apparent comfort with economic disruption as a means to achieve its policy objectives.

An escalation would likely trigger a full-blown recession in the US and a continuation of the downward trend in equities. In this case, substantially more aggressive intervention by the Federal Reserve would also be necessary, potentially requiring approximately 300 basis points of rate cuts to stabilize the economy.

2. **Negotiated Reduction (40% Probability) :** The administration has deliberately positioned these initial rates as a negotiating ceiling, with Treasury Secretary Bessent explicitly characterizing them as "the high end of the range." This approach creates room for potential concessions while still achieving the administration's core trade policy objectives. However, the resolution will unfold over several quarters rather than weeks. The interim period may see temporary tariff increases if trading partners implement retaliatory measures. The economic impact remains substantial even in this moderate scenario.

This tariff shock will still depress economic activity and would not prevent a recession. In this case, we could imagine the Fed implementing rate cuts of 75-100 basis points through the end of the year to offset the weakening conditions.

3. Rapid Reversal (20% probability) : A more favorable outcome would involve a rapid reduction of tariffs in a matter of weeks rather than months. There is precedent for such reversals: the tariffs announced in February on Mexico and Canada were withdrawn within days after intense business lobbying and bilateral discussions. However, the administration's significant political investment in framing these measures as "Liberation Day" and their broad scope make a full reversal considerably less likely this time around. The rhetorical stance has also hardened markedly. Statements in early March suggesting "a little disruption" have evolved into the President's declaration on March 30 that the auto tariffs would be "permanent, at 100%," regardless of the price impact.

In such a situation, we would potentially avoid a recession and see a strong market recovery, supported by a Fed rate cut between now 75 percentage points of and the end of the year.

What is our technical situation?

Over the past six months, we've been emphasizing that the market was technically overbought and that upside potential was limited through 2025. **Looking at the quarterly chart of the S&P 500, we've been mentioning that prices were reaching the top of a very long-term ascending channel** (corresponding to the 2009-2024 structural bull market) and that these levels were becoming dangerous (Chart 3). **Despite the -17% drop from the February high of 6,147, we are still in a medium-term correction within a long-term bull market, and this will continue as long as prices remain above the bottom of this ascending channel at 4,500** (Chart 3).

The weekly chart clearly shows that we are in a medium-term downtrend and that the 2022-2024 upward trend is behind us. **Prices have broken out of the medium-term ascending channel and broken the important support level located at 5,300** (Chart 4). According to the Fibonacci retracement levels, the next support zone is now located at 4,800 (50% retracement of the 2022-2024 uptrend) and 4,500 (61.8% retracement of the 2022-2024 uptrend). Considering the size of last week's bearish candle, there is little chance of a trend reversal at current levels and a high probability of prices falling towards the lower part of the quarterly ascending channel at 4,500 EUR. In any case, it is absolutely crucial that prices maintain this level to continue considering the equity market to be in a structural bull market. A breakout of this support zone would violate the structural ascending channel and trigger a new long-term trend, which will be considered the new long-term bear market.

On the fixed-income side, conservative investors have been rewarded, as 10-year US bond yields have fallen below 4%, breaking the support line of a head and shoulders pattern (Chart 5). Yields now have a good chance of weakening further and reaching the 3.6% zone. **Furthermore, credit spreads on speculative bonds are widening and returning to their long-term average** (Chart 6). We advise investors to avoid speculative segments, as credit spreads remain at a very low level compared to the historical peak recorded during the crisis period.

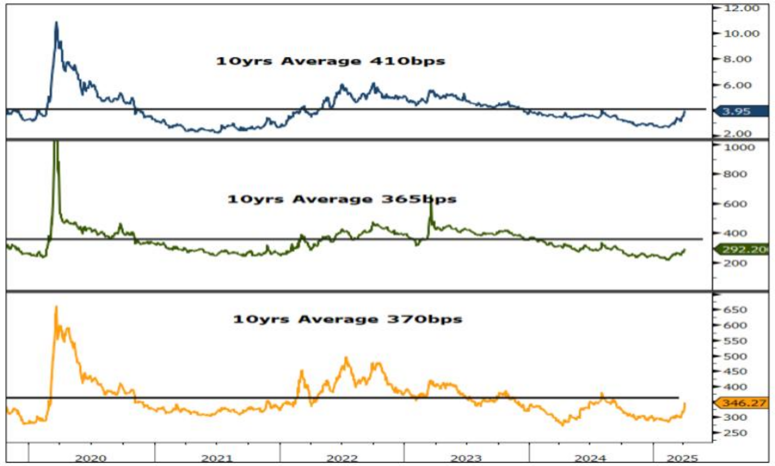
THE TOPIC OF THE WEEK

Chart 3: S&P 500 (5'074.08) / Quarterly chart

Chart 4: S&P 500 (5'074.08) / Weekly chart

Chart 5: Yield on 10-year US debt (3.99%) /
Weekly chart

Chart 6: Credit Spreads: High Yield; Subordinated;
Emerging markets



THE TOPIC OF THE WEEK

CONCLUSION:

Uncertainty is likely to persist in the markets as investors process potential downgrades to U.S. economic and earnings forecasts, the risk of escalating tariff exchanges, and the possibility of tariff reductions through negotiation. This environment is likely to produce prolonged volatility for equities overall, as the risk of a recession increases.

The technical situation is deteriorating, and further declines are expected in the coming weeks/months. That said, we remain in a medium-term correction within a long-term bull market. We would need a breakout of the 2009-2025 structural bull market at 4,500 (S&P 500) to formally consider the long-term situation a structural bear market.

It remains to be seen how far the US will escalate its relationship with its trading partners, and how much the Federal Reserve can support the economic situation by becoming more dovish. We would recommend waiting for more clarity and less volatility before starting to accumulate again.

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