LAST WEEK SUMMARY

US stock markets had an impressive week, with the S&P 500 gaining 1.50% to close at 6,000.36 points, surpassing the psychological mark of 6,000 for the first time since February. The Nasdaq fared better, rising 2.18% to 19,529.95, while the Dow Jones gained 1.17% to 42,762.87, demonstrating the market's overall strength despite persistent trade uncertainty.

The week was dominated by trade dynamics between the United States and China, which generated significant market volatility. Tensions rose in the early sessions, as China accused the US of "groundlessly" violating trade agreements, while President Trump applied new tariffs on "Liberation Day," raising duties on steel and aluminum to 50%. These measures effectively closed the week.

US market to Canadian steel and triggered warnings of broader economic retaliation. However, the week ended on a more upbeat note following a "very positive" 90-minute phone call between President Trump and Chinese President Xi Jinping. This diplomatic breakthrough led to the announcement of high-level trade talks scheduled for May 9.

June in London, with the participation of Treasury Secretary Scott Bessent, Commerce Secretary Howard Lutnick, and U.S. Trade Representative Jamieson Greer.

Economic indicators offered a complex picture. The ADP private-sector employment report showed the weakest job growth since March 2023, while the ISM services PMI unexpectedly contracted to its lowest level since June 2024. Manufacturing data revealed continued weakness, with the sector contracting for the third consecutive month.

However, the overall unemployment rate remained stable at 4.2%, demonstrating the resilience of the labor market.

Treasury yields fell during the week, with the 10-year yield falling to 4.36% as markets anticipated future rate cuts. The Federal Reserve remained cautious, with market expectations indicating a 95.6% probability that rates would remain unchanged at the next meeting in June. The first possible rate cut is now anticipated for the FOMC meeting on September 17.

On the other hand, the European Central Bank cut the rates at 25 basis points, and President Lagarde suggested that the rate cut cycle is coming to an end.

Despite trade uncertainties, the market's resilience was evident as the S&P 500 returned to the 6,000 mark. However, JPMorgan's Jamie Dimon warned of a possible weakening of consumer spending and the risk of stagflation if trade tensions persist.

Source: Sentosa & Co

FLUCTUATIONS AND MACROECONOMIC DATA

KEY DATES OF THE WEEK PASS

June 2nd S&P
US Manufacturing PMI
Real 52 vs. Survey 52.3

ISM manufacturing
Real 48.5 vs. Survey 49.5

June 3rd
Durable Goods Orders
Real -6.30% vs. Survey -6.30%

June 4th
S&P Global US Services PMI
Real 53.7 vs. Survey 52.3

ISM Services Index
Real 49.9 vs. Survey 52.1

June 6th
Change in non-farm payrolls
Real 139k vs. Survey 125k

Unemployment rate
Real 4.2% vs. Survey 4.2

GLOBAL EQUITY INDICES	Last	5 Days	1 Month	YTD
MSCI WORLD	3,914.72	**1.33%**	ÿ 5.47%	5.58%
MSCI EM	1,182.93	**2.21%**	ÿ 3.91%	9.99%
MSCI EM LATIN AMERICA	2,247.80	**1.54%**	ÿ 0.97%	21.33%
MSCI AC ASIA x JAPAN	771.51	**2.36%**	ÿ 4.63%	9.57%
USA				
S&P 500 INDEX	6,000.36	**1.50%**	ÿ 6.02%	2.02%
NASDAQ COMPOSITE	19,529.95	**2.18%**	ÿ 8.93%	1.13%
DOW JONES INDUS. AVG	42,762.87	**1.17%**	ÿ 3.67%	0.51%
RUSSELL 2000 INDEX	2,132.25	**3.19%**	ÿ 5.40%	-4.39%
EUROPE				
STXE 600 (EUR) Pr	553.64	**0.91%**	ÿ 2.91%	9.07%
Euro Stoxx 50 Pr	5,430.17	**1.18%**	ÿ 2.27%	10.91%
DAX INDEX	24,304.46	**1.28%**	ÿ 3.43%	22.08%
CAC 40 INDEX	7,804.87	**0.68%**	ÿ 0.79%	5.75%
FTSE MIB INDEX	40,601.94	**1.28%**	ÿ 3.13%	18.77%
IBEX 35 INDEX	14,247.60	**0.67%**	ÿ 5.12%	22.88%
SWISS MARKET INDEX	12,366.17	**1.14%**	ÿ 2.31%	6.60%
FTSE 100 INDEX	8,837.91	**0.75%**	ÿ 3.31%	8.14%
ASIA				
NIKKEI 225	37,741.61	**-0.59%**	ÿ 0.64%	-5.40%
HANG SENG INDEX	23,792.54	**2.16%**	ÿ 4.04%	18.61%
CSI 300 INDEX	3,873.98	**0.40%**	ÿ 0.72%	-1.55%
SENSEX	82,188.99	**0.91%**	ÿ 3.44%	5.18%
LATAM				
S&P/BMV IPC	58,061.41	**0.38%**	ÿ 2.67%	17.26%
BRAZIL IBOVESPA INDEX	136,102.10	**-0.67%**	ÿ -0.30%	13.15%
MSCI COLCAP INDEX	1,651.21	**0.89%**	ÿ 0.35%	19.69%
S&P/CLX IPSA (CLP) TR	8,170.04	**1.52%**	ÿ -0.77%	21.76%

EQUITY SECTORS	Last	5 Days	1 Month	YTD
PHILA GOLD & SILVER INDX	203.34	**5.78%**	ÿ 5.63%	48.23%
MSCI WORLD/INF TECH	807.76	**2.94%**	ÿ 9.61%	2.00%
MSCI WRLD/COMM SVC	138.38	**2.77%**	ÿ 10.26%	8.72%
MSCI WORLD/ENERGY	244.21	**2.12%**	ÿ 1.51%	0.33%
MSCI WORLD/HLTH CARE	352.65	**1.35%**	ÿ 2.24%	-0.05%
MSCI WORLD/MATERIAL	348.58	**1.26%**	ÿ 2.84%	8.48%
MSCI WORLD BANK INDEX	149.70	**1.24%**	ÿ 6.39%	17.26%
MSCI WORLD/INDUSTRY	461.25	**1.03%**	ÿ 5.68%	13.90%
MSCI WORLD/FINANCEVAL	157.75	**0.92%**	ÿ 3.93%	12.56%
MSCI WORLD/UTILITY	183.25	**-0.80%**	ÿ 1.28%	11.90%
MSCI WORLD/CONS DIS	452.29	**-0.88%**	ÿ 4.19%	-3.37%
MSCI WORLD/CON STPL	305.31	**-1.06%**	ÿ 1.17%	9.32%

US RATES	Last	5 Days Close		12M Close	
2Y	4.04	3.90	0.14	4.72	-0.69
5Y	4.12	3.96	0.16	4.30	-0.18
10Y	4.51	4.40	0.11	4.29	0.22

BONDS CREDIT SPREAD	Last	5 Days Close		12M Close	
EM Bonds Spread	291.12	306.3	-15.2	329.66	-38.5
HY Bonds Spread	292.00	306.0	-14.0	359.00	-67.0
BBB 10yr Spread	166.44	184.0	-17.5	152.52	13.9
CoCos Spread	257.20	263.0	-5.8	287.80	-30.6

FIXED INCOME	Last	5 Days	1 Month	YTD
US High Yield	2,763.98	0.32%	ÿ 1.46%	3.01%
EM Bonds USD	1,287.89	0.21%	ÿ 1.06%	3.19%
EM Local Currency	144.01	0.71%	ÿ 1.73%	9.74%
CoCos USD	142.36	0.30%	ÿ 1.50%	7.18%
IG BBB 3-5yr USD	372.32	-0.12%	ÿ 0.81%	1.71%
IG AA Corp USD	273.32	-0.32%	ÿ 0.22%	2.20%

COMMODITIES	Last	5 Days	1 Months	YTD
CRB INDEX	300.89	3.60%	ÿ 1.95%	1.41%
WTI	64.58	6.23%	ÿ 9.29%	-9.96%
Brent	68.17	6.66%	ÿ 8.71%	-8.02%
US Natural Gas	3.78	9.78%	ÿ 9.27%	4.16%
S&P GSCI Precious Metal	**4,313.28**	**1.58%**	ÿ **0.32%**	**26.49%**
Gold	3,310.42	0.64%	ÿ -3.54%	26.14%
Silver	35.98	9.08%	ÿ 8.29%	24.48%
Platinum	1,168.76	10.49%	ÿ 18.33%	28.78%
Palladium	1,051.16	7.91%	ÿ 7.73%	15.18%
S&P GSCI Industrial Metal Index	**450.35**	**1.28%**	ÿ **1.48%**	**2.82%**
Aluminum	2,450.50	0.27%	ÿ 0.97%	-3.96%
Copper	9,762.84	2.25%	ÿ 2.12%	12.83%
Nickel	15,307.03	1.77%	ÿ -1.21%	1.30%
S&P GSCI Agriculture	**375.65**	**1.37%**	ÿ **-0.15%**	**-1.89%**

CURRENCIES	Last	5 Days	1 Month	YTD
CHF vs. USD	0.8223	0.01%	ÿ -0.04%	10.35%
JPY vs. USD	144.8500	-0.57%	ÿ -1.66%	8.53%
CAD vs. USD	1.3696	0.31%	ÿ 0.60%	5.02%
EUR vs. USD	1.1397	0.44%	ÿ 0.24%	10.07%
GBP vs. USD	1.3528	0.51%	ÿ 1.19%	8.09%
AUD vs. USD	0.6490	0.92%	ÿ -0.08%	4.88%
BRL vs. USD	5.5601	2.93%	ÿ 2.77%	11.10%
MXN vs. USD	19.1130	1.70%	ÿ 2.91%	8.97%
COP vs. USD	4,115.39	1.09%	ÿ 4.62%	7.06%
CNY vs. USD	7.1926	0.09%	ÿ 0.37%	1.48%
EUR vs. CHF	0.9371	-0.41%	ÿ -0.24%	0.32%
DOLLAR INDEX	99.1900	-0.14%	ÿ -0.05%	-8.57%
BITCOIN	105,045.59	0.11%	ÿ 8.52%	12.09%

KEY DATES OF THE NEXT WEEK

June 11th
Monthly CPI
Survey 0.20

Year-on-year CPI
Survey 2.50%

ISM manufacturing
Survey 49.5

June 12th
IPP Intermonthly final demand
Survey 0.20

June 13th
Feeling of the University of Michigan
Survey 52

Source: Sentosa & Co

VISION OF IN ON CAPITAL SA

Market sentiment appears cautiously optimistic, with investors adjusting to the tariff situation, which many analysts consider "well-established in the markets." The US stock market has shown signs of resilience over the past two weeks, with equities rallying, bringing the S&P 500 within 3% of its February all-time high. The market stability has been especially notable given the additional uncertainty created by the public dispute between Elon Musk and President Trump, which has contributed to

Tesla's 30% drop this year.

Nonfarm payrolls, which came in at 139,000 versus the 126,000 forecast, confirm the economy's resilience and the solidity of the markets, despite concerns about the impact of trade tensions. Meanwhile, the ISM services PMI for May unexpectedly fell into contractionary territory at 49.9, below the 52.0 forecast, marking its first drop below 50 in nearly a year. The S&P 500 has climbed back above 6,000 and appears somewhat overstretched after two months of gains. A short-term consolidation would be logical at this point.

Source: Sentosa & Co

THE TOPIC OF THE WEEK

The real estate sector is holding up well, but still faces headwinds.

The real estate market has held up very well so far, especially in the United States, where the S&P real estate sector is up +3.32% (total return). since the beginning of the year, compared to 1.56% for the S&P 500. **The real estate sector typically shows significant sensitivity to interest rate movements. interest, with a profitability that closely follows interest rate trends** (Chart 1).

In the first quarter of 2025, REITs performed relatively positively as interest rates fell. However, recent volatility in government bonds Longer-term Treasuries, particularly the 10-year bond, have created headwinds for the sector, which underperformed the broader market in May 2025, with a gain of just 0.9%, compared to the S&P 500's 6% gain.

From a technical point of view, and despite recent interest rate pressure, the sector is now showing some signs of stabilization. **Prices are bottoming out after the recent correction from early December 2024 to April 2025 and the long-term trend is stabilizing** (Chart 2).

Chart 1 : S&P Real Estate; US 10-year yields **(inverted)**

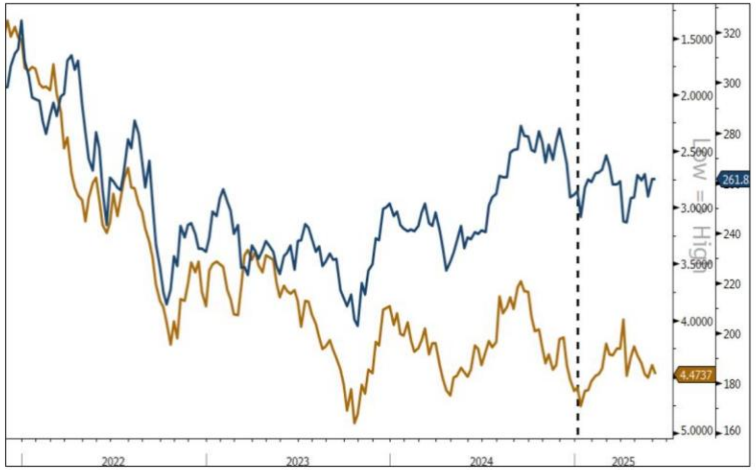


Chart 2: S&P Real Estate Index (262.78)

Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

There are still some headwinds

Despite some stabilization in the sector and its recent resilience, the industry continues to face some headwinds. Construction and sales professionals Real estate developers are facing rising raw material costs, overvalued sales prices, high mortgage rates, and the growing Household distrust and, now, a large stock of new homes for sale. Housing prices have risen slightly faster than rents, widening the gap between the purchase value and the use value of properties. **After declining slightly in 2022 and 2023, the price-to-rent ratio, which is the yardstick measuring rental profitability, remains at 126 in Europe and 134 in the United States** (Chart 3). Today, the price of a US home is equivalent to More than 22 years of rent. In comparison, in 2014, this equivalent was 15 years. This trend is putting potential buyers in an insoluble dilemma: buy an overvalued property or continue to be a tenant.

As long as the price-rent ratio does not contract, the real estate market will be considered in a bubble. **In the United States, the yield on the Treasury bond 30-year mortgages briefly exceeded 5%. Under its influence, the mortgage rate for the same maturity, used in 95% of US mortgages, fell back to rise above 7%** (Chart 4). It is now well above its 2010s average of around 4%. **In practical terms, this means that a households wishing to purchase a property (median price $414,000, with a 10% down payment) will now have to make monthly repayments of $3,000, compared to $1,600 in 2019 or 2020** (Chart 5). **Some Americans can no longer afford to buy their own homes. The national affordability index stands at by 103 points** (Chart 6). This means that, on average, households have incomes 3% above the minimum level required to qualify for a mortgage on a standard home.

Chart 3: Relationship between housing prices and rents in the US and the Eurozone

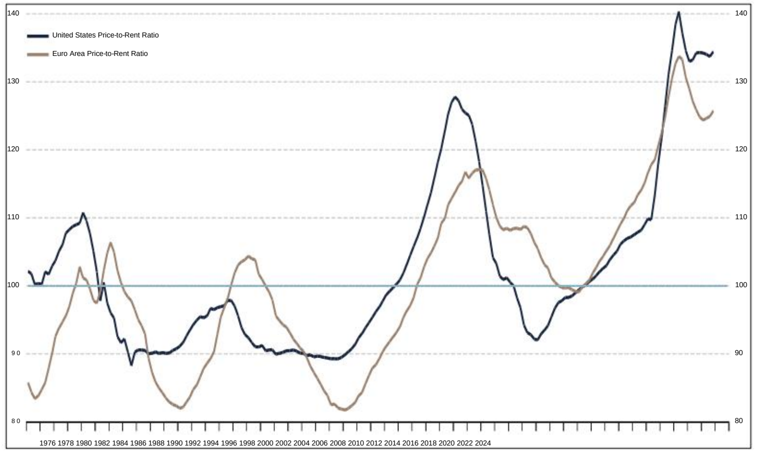
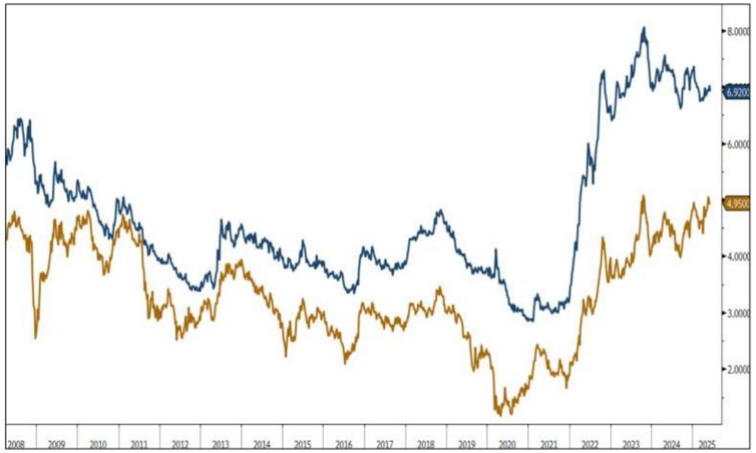


Chart 4: US 30-year rates (4.95%) and US mortgage rates (6.92%)



Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

Chart 5: Mortgage Amortization in the U.S.

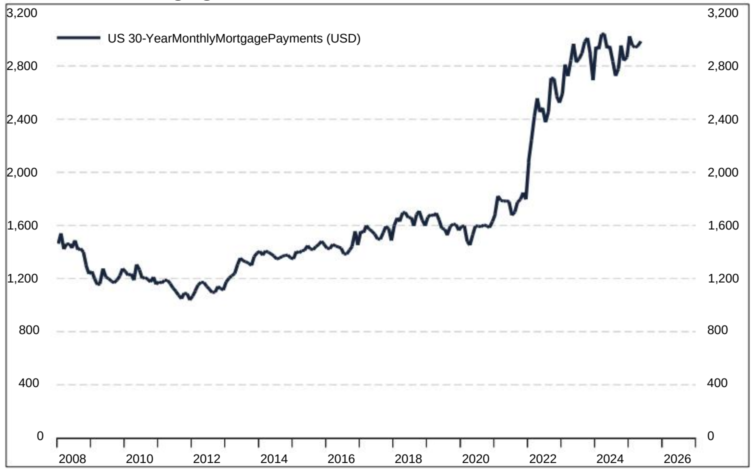


Chart 6: US Housing Affordability Index

These onerous conditions have three direct consequences:

- **Some households prefer to rent.** Questioned by Gallup, 72% of Americans believe now is a "bad time" to buy a home. In April, only 4.5% planned to buy a home in the next 6 months, an extremely low level. Similarly, 44% said they would prefer to rent rather than buy if had to move tomorrow. In fact, rent costs on average $768 less per month than a mortgage payment, including taxes and insurance. The model The traditional American tradition, where real estate is considered a more profitable investment than renting, has been completely reversed.

- **A portion of households choose not to move.** In 2024, only 8.4% of the population decided to change their place of residence, the lowest rate since the launch of the series in 1978. The outlook is not improving, as the probability of moving in the next twelve months has plummeted to 13%, compared to more than 20% at early 2010s. This change in household behavior is a direct brake on the fluidity of the labor market, which has contributed so much to improve American productivity in the past. Historically, the ability of employees to move to where jobs were created accounted for up to a quarter of productivity gains. Today, the US economy is deprived of one of these traditional engines.

Source: Sentosa & Co, Altitude IS

- **Buyers are wealthier and older.** Those who can avoid taking out a loan do so. This is demonstrated by the fact that the average age of homebuyers is now 56, and only 38 for first-time buyers. Millennials don't have enough income to buy their dream home: they either move away from major centers to find an acceptable down payment, or they resort to renting, or they stay with their parents. **In 2023, 18% of Americans aged 25 to 34 will still be living at home with their parents, up from 12% in 2008. Among 18- to 24-year-olds, the proportion exceeds 50%** (Chart 7).

Rising mortgage rates curb demand, but they also tend to freeze supply. **The vast majority of loans still "outstanding" were taken out when rates were very low. More than 70% of them have a coupon below 4%** (Chart 8), so a household selling their current home to finance a new one at 7% would see their debt costs skyrocket. By not putting their houses and apartments on the market, Americans are exhausting it. **The supply of new homes cannot compensate for the deficit of existing homes, as it only represents 16% of transactions** (Chart 9). Furthermore, the average construction time has increased. While before 2020 it took five months to deliver a single-family home, by 2025 it will take eight months. If prices don't fall, it's not necessarily because demand is strong, but because supply is abnormally low. **Visits to housing developments in the spring of 2025 confirmed this lack of dynamism. They were significantly lower than the figures for 2022 to 2024** (Chart 10). However, it is also fair to say that current owners are not under financial strain, and the resilient economy is keeping the situation fairly stable.

Chart 7: Young adults living with their parents

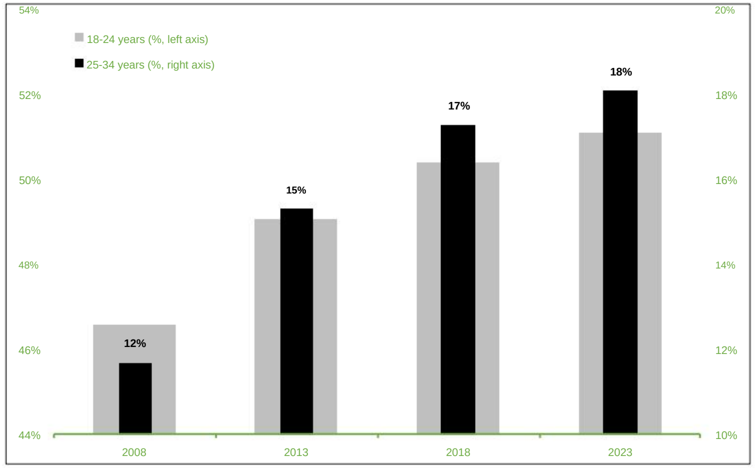
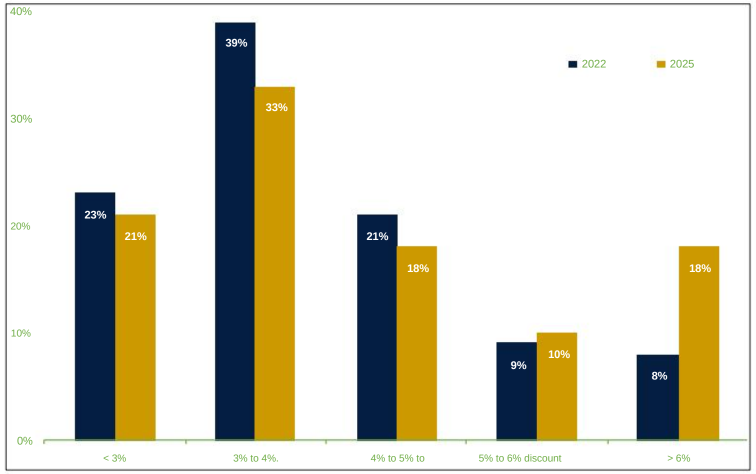


Chart 8: Breakdown of US mortgages in 2022 and 2025



Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

Chart 9: U.S. Existing Home Sales (millions, right axis); U.S. New Home Sales (millions, left axis)

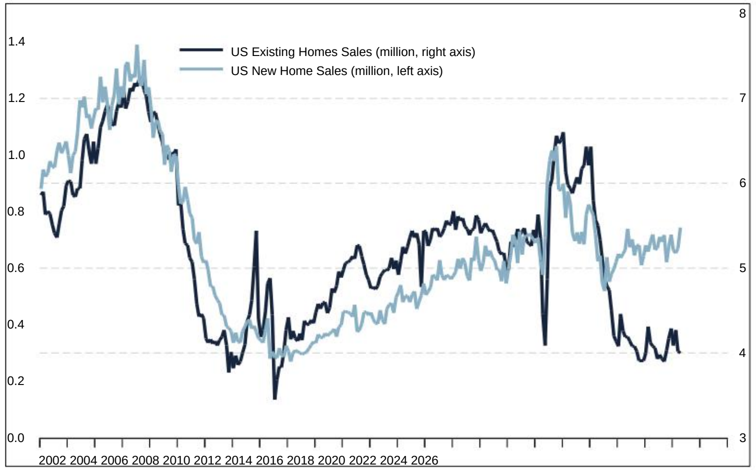
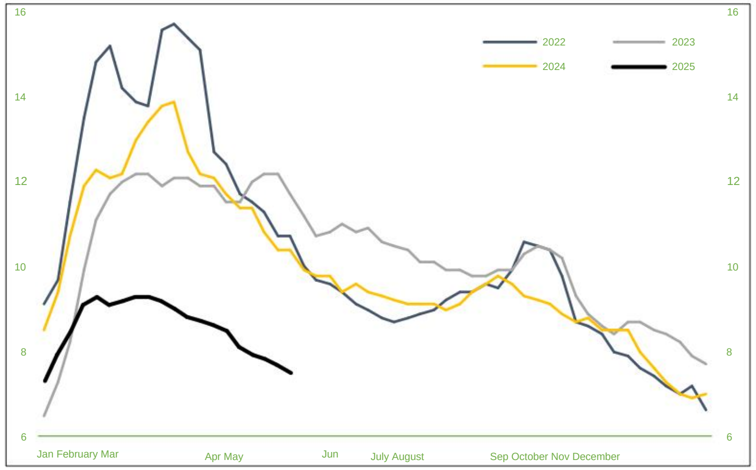


Chart 10: Construction visitor flows



Some subsectors are worth more than others

In the commercial sector, office vacancy stands at 19% in US business districts and 14% in major European cities. The shadow of the pandemic has been slow to leave the office real estate sector, where cultural changes have called into question the need for such spaces. To stem the bleeding, landlords are offering up to eighteen months of free rent and paying a larger proportion of the renovation costs. to attract tenants. The looming refinancing wall between 2025 and 2027 represents more than $1.2 trillion in debt in the United States alone.

The multifamily segment, long considered the most defensive of the income-producing U.S. real estate sector, is proving to be Paradoxically, the most exposed to the shock in interest rates. More than a third of the acquisitions made between 2020 and 2022 were financed with loans. bridge that are about to expire. The new conditions are no longer so advantageous. At the same time, a record wave of deliveries, already completed in 2024 and planned between 2025 and 2026, is weighing down rents in the Sun Belt. As a result of these two factors, the default rate on loans backed by apartment complexes has jumped from 1% to 6.5% in the last 12 months.

THE TOPIC OF THE WEEK

On a more positive note, **warehouses** (Prologis) remain structurally ahead, as vacancies remain below 4% and leases are indexed to inflation. Suburban retail parks are finally stabilizing their cash flows, thanks to the return of low-cost retailers and the rise of click-and-collect. **In data centers** (Prologis, Equinix, Digital Reality), the rise of artificial intelligence is driving demand. Leases are now 10% more expensive than a year ago.

CONCLUSION

Despite some specific subsectors, the real estate sector continues to face several challenges. The main threats stem from persistent macroeconomic headwinds, including high interest rates, ongoing geopolitical tensions, and supply chain disruptions that continue to impact construction costs and development timelines. The commercial real estate segment is facing particular pressure due to changing work patterns and weakening investor confidence, with some markets experiencing significant price corrections.

While traditional office and retail segments may continue to face headwinds, specialized segments such as data centers, logistics facilities, and sustainable buildings have greater growth potential. The technological transformation of the sector is creating new value propositions.
Traditional real estate practices are being disrupted by innovations such as AI-based solutions and automated building management systems.

Overall, even though the global sector is expected to show resilience in 2025, we believe it is too early to change our view from the current underweight. That said, the possibility of interest rate cuts in 2025 could improve market liquidity and bring buyers and sellers closer together in pricing, which could change our view later in the year.

Source: Sentosa & Co, Altitude IS

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