

## LAST WEEK SUMMARY

Wall Street closed out its strongest week since mid-May, with the S&P 500 not only posting a weekly gain but also hitting a new intraday high and a record close, its first since February. The Nasdaq Composite followed suit, reaching similar milestones for the first time since December of last year. For the week, the S&P 500 closed up **3.44%**, the Nasdaq **up 4.25%**, and the Dow Jones Industrial Average **up 3.82%**.

Investor confidence was boosted by a significant easing of global tensions. The end of a 12-day conflict between Israel and Iran eased geopolitical risk and pushed oil prices lower, helping to ease inflationary concerns. The rally gained momentum on Friday when the United States and China finalized a long-awaited trade deal. Under the agreement, both sides agreed to reduce tariffs and accelerate the flow of rare earth exports, helping to boost risk appetite in global markets.

On the macroeconomic front, the economic calendar offered contradictory signals. The final estimate of the

US first quarter GDP growth was revised downwards, marking the first

contraction in three years. According to the Bureau of Economic Analysis, real GDP declined at an annualized rate of 0.5% in the first quarter of 2025, below the consensus forecast of -0.2%, marking a sharp reversal from the 2.5% expansion recorded in the fourth quarter.

Meanwhile, inflation remained stable, with the personal consumption expenditures price index slightly higher than expected.

Federal Reserve Chairman Jerome Powell delivered his semiannual monetary policy address to Congress this week, maintaining a dovish stance. He refrained from signaling any immediate policy changes and, in particular, did not echo recent comments by

Fed governors Michelle Bowman and Christopher Waller, who hinted at the possibility of a rate cut at the July meeting.

In corporate news, earnings added to the market's optimism. Micron Technology reported better-than-expected quarterly figures and an optimistic outlook, reinforcing positive sentiment in the semiconductor sector. Meanwhile, Nike warned of a \$1 billion cost increase.

due to tariffs, but won favor with investors after announcing plans to reduce dependence on China by diversifying its supply chain to other countries.

Looking ahead, attention will focus on Capitol Hill, where Senate Republicans are expected to vote this weekend on President Donald Trump's expansive "One Big Beautiful Act" tax and spending bill. Market participants will also closely monitor next week's labor market data for additional signals about the health of the U.S. economy.

# FLUCTUATIONS AND MACROECONOMIC DATA

## KEY DATES OF THE WEEK PASS

### June 23rd

#### S&P Manufacturing PMI

Current 52 vs. Survey 51.

### June 24th

#### Consumer Confidence Index

Current 93 Vs. Poll 99.8.

### June 26

#### Annualized quarterly GDP

Current -0.50% Vs. Survey -0.20%.

#### Durable goods orders

Current 16.4% Vs. Survey 8.50%.

#### Initial unemployment benefit claims

Current 236K vs. Poll 243K

### June 27

#### U. of Michigan sentiment

Current 60.7 vs. Survey 60.5.

GLOBAL EQUITY INDICES	Last	5 Days	1 Month YTD
MSCI WORLD	4,009.04	3.28% $\bar{y}$ 3.77%	8.12%
MSCI EM	1,228.53	3.25% $\bar{y}$ 6.15%	14.23%
MSCI EM LATIN AMERICA	2,310.21	2.02% $\bar{y}$ 4.36%	24.70%
MSCI AC ASIA x JAPAN	803.41	3.32% $\bar{y}$ 6.59%	14.11%
<b>USA</b>			
S&P 500 INDEX	6,173.07	3.44% $\bar{y}$ 4.42%	4.96%
NASDAQ COMPOSITE	20,273.46	4.25% $\bar{y}$ 6.07%	4.99%
DOW JONES INDUS. AVG	43,819.27	3.82% $\bar{y}$ 3.67%	3.00%
RUSSELL 2000 INDEX	2,172.53	3.00% $\bar{y}$ 5.14%	-2.58%
<b>EUROPE</b>			
STXE 600 (EUR) Pr	543.63	1.32% $\bar{y}$ -0.92%	7.09%
Euro Stoxx 50 Pr	5,325.64	1.76% $\bar{y}$ -0.76%	8.78%
DAX INDEX	24,033.22	2.92% $\bar{y}$ 0.15%	20.71%
CAC 40 INDEX	7,691.55	1.34% $\bar{y}$ -0.78%	4.21%
FTSE MIB INDEX	39,742.21	1.30% $\bar{y}$ -0.86%	16.25%
IBEX 35 INDEX	13,969.00	0.86% $\bar{y}$ -1.29%	20.47%
SWISS MARKET INDEX	11,980.38	0.92% $\bar{y}$ -2.02%	3.27%
FTSE 100 INDEX	8,798.91	0.28% $\bar{y}$ 0.30%	7.66%
<b>ASIA</b>			
NIKKEI 225	40,150.79	4.55% $\bar{y}$ 5.76%	0.64%
HANG SENG INDEX	24,284.15	3.20% $\bar{y}$ 4.27%	21.06%
CSI 300 INDEX	3,921.76	1.95% $\bar{y}$ 2.12%	-0.33%
SENSEX	84,058.90	2.00% $\bar{y}$ 3.20%	7.58%
<b>LATAM</b>			
S&P/BMV IPC	57,391.51	2.00% $\bar{y}$ -0.78%	15.91% EM Local Currency
BRAZIL IBOVESPA INDEX	136,865.79	-0.18% $\bar{y}$ -0.12%	13.79%
MSCI COLCAP INDEX	1,668.33	0.92% $\bar{y}$ 3.69%	20.93%
S&P/CLX IPSA (CLP) TR	8,213.08	1.68% $\bar{y}$ 2.06%	22.40%

EQUITY SECTORS	Last	5 Days	1 Month YTD
MSCI WRLD/COMM SVC	143.50	5.86% $\bar{y}$ 6.56%	12.74%
MSCI WORLD/INF TECH	848.82	4.69% $\bar{y}$ 8.17%	7.19%
MSCI WORLD/CONS DIS	464.80	4.20% $\bar{y}$ 1.86%	-0.70%
MSCI WORLD/INDUSTRY	470.95	3.84% $\bar{y}$ 3.16%	16.30%
MSCI WORLD BANK INDEX	154.97	3.83% $\bar{y}$ 4.81%	21.39%
MSCI WORLD/FINANCEVAL	162.15	3.55% $\bar{y}$ 3.74%	15.70%
MSCI WORLD/MATERIAL	350.02	2.54% $\bar{y}$ 1.67%	8.93%
MSCI WORLD/UTILITY	186.52	1.52% $\bar{y}$ 0.97%	13.89%
MSCI WORLD/HLTH CARE	351.10	1.32% $\bar{y}$ 0.91%	-0.49%
MSCI WORLD/CON STPL	300.64	-0.03% $\bar{y}$ -2.58%	7.64%
PHILA GOLD & SILVER INDX	200.82	-2.01% $\bar{y}$ 4.47%	46.39%
MSCI WORLD/ENERGY	251.78	-2.80% $\bar{y}$ 5.29%	3.44%
<b>US RATES</b>			
	Last	5 Days Close	12M Close
2Y	3.75	3.91	-0.16 4.71
5Y	3.83	3.96	-0.13 4.30
10Y	4.28	4.38	-0.10 4.29
<b>BONDS CREDIT SPREAD</b>			
		5 Days Close	12M Close
EM Bonds Spread	294.21	298.9	-4.7 331.00 -36.8
HY Bonds Spread	282.00	292.0	-10.0 361.00 -79.0
BBB 10yr Spread	178.31	177.5	0.8 156.02 22.3
CoCos Spread	#N/A	Invalid Security #N/A	Invalid Security ##### #N/A Invalid Security #VALUE!
<b>FIXED INCOME</b>			
		5 Days	1 Month YTD
US High Yield	2,798.56	0.81% $\bar{y}$ 1.58%	4.30%
EM Bonds USD	1,306.39	0.85% $\bar{y}$ 1.65%	4.67%
CoCos USD	145.56	1.32% $\bar{y}$ 2.56%	9.58%
IG BBB 3-5yr USD	378.17	0.63% $\bar{y}$ 1.44%	3.22%
IG AA Corp USD	277.38	0.63% $\bar{y}$ 1.16%	3.81%

COMMODITIES	Last	5 Days	1 Months YTD
<b>CRB INDEX</b>	299.74	-4.09% $\bar{y}$ 3.21%	1.02%
WTI	65.52	-12.56% $\bar{y}$ 7.60%	-8.64%
Brent	69.01	-11.70% $\bar{y}$ 7.40%	-6.88%
US Natural Gas	3.74	-2.81% $\bar{y}$ 10.04%	2.92%
<b>S&amp;P GSCI Precious Metal</b>	4,244.85	-2.66% $\bar{y}$ -0.03%	24.48%
Gold	3,274.33	-2.79% $\bar{y}$ -0.80%	24.76%
Silver	35.99	-0.05% $\bar{y}$ 8.20%	24.53%
Platinum	1,341.61	5.74% $\bar{y}$ 23.69%	47.83%
Palladium	1,136.84	8.42% $\bar{y}$ 16.20%	24.57%
<b>S&amp;P GSCI Industrial Metal Index</b>	465.89	2.41% $\bar{y}$ 4.78%	6.37%
Aluminum	2,595.00	1.78% $\bar{y}$ 4.43%	1.70%
Copper	10,118.67	2.12% $\bar{y}$ 5.00%	16.94%
Nickel	15,059.71	1.63% $\bar{y}$ -1.02%	-0.34%
<b>S&amp;P GSCI Agriculture</b>	356.06	-2.74% $\bar{y}$ -3.91%	-7.01%
<b>CURRENCIES</b>			
	Last	5 Days	1 Month YTD
CHF vs. USD	0.7990	2.35% $\bar{y}$ 3.54%	13.57%
JPY vs. USD	144.6500	1.00% $\bar{y}$ -0.22%	8.68%
CAD vs. USD	1.3689	0.34% $\bar{y}$ 0.88%	5.08%
EUR vs. USD	1.1718	1.69% $\bar{y}$ 3.44%	13.17%
GBP vs. USD	1.3716	1.97% $\bar{y}$ 1.55%	9.59%
BRL vs. USD	0.6529	1.19% $\bar{y}$ 1.33%	5.51%
MXN vs. USD	5.4867	0.49% $\bar{y}$ 2.84%	12.59%
COP vs. USD	18.8242	1.86% $\bar{y}$ 2.37%	10.64%
CNY vs. USD	4,099.51	-0.11% $\bar{y}$ 0.30%	7.47%
EUR vs. CHF	7.1726	0.12% $\bar{y}$ 0.32%	1.77%
DOLLAR INDEX	97.4010	-1.32% $\bar{y}$ -2.13%	-10.22%
BITCOIN	107,272.67	3.34% $\bar{y}$ -0.06%	14.47%

## KEY DATES OF THE NEXT WEEK

### July 1st

#### ISM manufacturing

Survey 48.7.

### July 2nd

#### ADP job change

Survey 90K.

### July 3rd

#### Change in non-farm payrolls

Survey 113K.

#### Initial unemployment benefit claims

Survey 241K.

#### Factory orders

Survey 8.1%.

Source: Sentosa & Co

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## 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			

The Federal Reserve's decision proved pivotal, as it kept rates between 4.25% and 4.45% while simultaneously revising its economic outlook downward. GDP growth forecasts were lowered from 1.7% to 1.4%, inflation expectations rose to 3%, and unemployment forecasts increased to 4.5% by year's end, indicating growing economic hardship. First-quarter 2025 GDP was revised down to -0.5%, worse than expected, due to tariff-related disruptions and restrained consumer spending. However, jobless claims improved, falling 10,000 to 236,000. Consumer confidence unexpectedly deteriorated, with JP Morgan surveys showing business optimism fell from 65% to 32%.

The White House remained flexible regarding the July tariff deadline, calming immediate trade concerns. Markets were positioned for potential Federal Reserve rate cuts, with the core PCE forecast at 2.6% year-over-year. The S&P 500 approached its February all-time high of 6,144, indicating strong underlying market momentum.

## THE TOPIC OF THE WEEK

### Bonds have the capacity to give a pleasant surprise

One of the comments that regularly arises when discussing asset class performance is that "the contribution of bonds is disappointing." While this was clearly true in 2022, it has not necessarily been true in the first half of 2025. **In contrast to that annus horribilis, when fixed-income assets fell by 12% At 20%** (Chart 1), the bonds have only provided a low single-digit return since January 1, 2025. This is seen as a disappointment by many investors, but We believe that not everything is negative.

Obviously, compared to the 8% annual return of the MSCI World, the absolute return on bonds is still low and holding bonds long term has not worked. more benefits than holding cash for a long time. However, it should be noted that for a very low-risk, very low-volatility asset, the profitability of the bonds has been quite acceptable. Thus, bonds have not only contributed to the overall performance of the portfolios, but have also helped reduce the maximum loss. recorded in April, when stock indices experienced a bear market.

For us, the potential gains from this asset class remain intact. In the event of a sudden economic slowdown that raises serious concerns, banks central banks will further cut their official interest rates. Consequently, the fall in bond yields across the entire curve will allow fixed-income investors obtain very attractive returns.

Chart 1: Annual Treasury bond yields since 1995

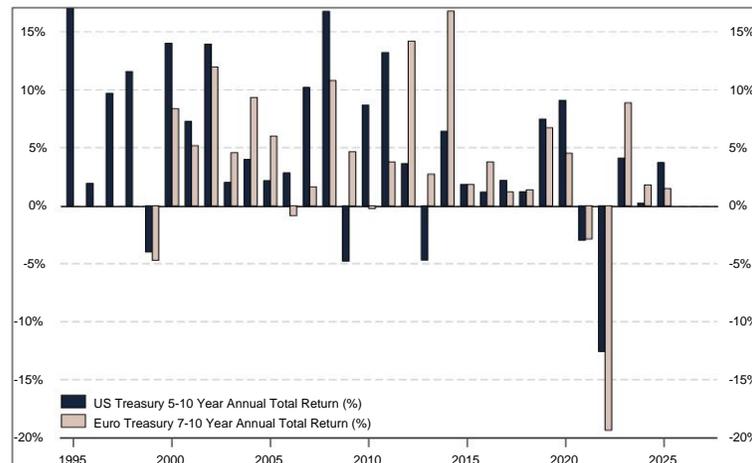
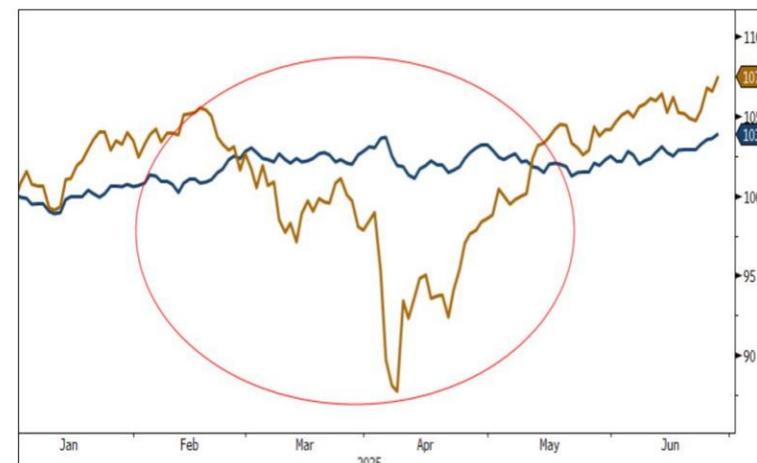


Chart 2: Year-over-year fluctuation: MSCI World ; Global fixed income in USD



## THE TOPIC OF THE WEEK

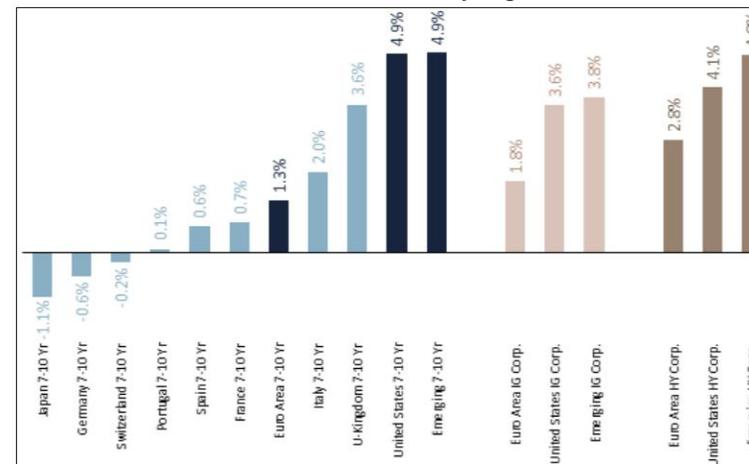
In a context where interest rates have fluctuated sideways, achieving a positive return is already satisfactory. The situation is very different from the previous decade, when interest rates were close to zero. Today, a sign that the situation has normalized, coupons and the roll-down effect reward and "protect" fixed-income investors. **The most attractive aspect of the current situation is the current asymmetry between expected return and risk when it comes to investing in sovereign bonds** (Chart 3). For a 10-year Treasury, for example, yields would have to rise 75 basis points for the return to be zero over the next 12 months. Conversely, a drop of -75 basis points would generate a double-digit return. Investing in fixed-income offers a very attractive asymmetry.

Within the fixed-income universe, not all categories are created equal (Chart 4). Speculative bonds, such as emerging market and high-yield bonds, have once again outperformed the rest of the segment thanks to very low credit spreads. That said, in corporate bonds, it's interesting to note that the credit component isn't paying off. For higher default risk, high-yield bonds didn't yield much more than investment-grade bonds, which in turn performed only slightly better than Treasury bills. Overall, US sovereign and corporate bonds have performed decently despite the introduction of tariffs and the US AAA rating downgrade. In comparison, the Eurozone pales into insignificance, with its bonds offering half this yield.

Graph 3: Matrix of expected results

	Maturity							
	2-Year	3-Year	5-Year	7-Year	10-Year	20-Year	30-Year	
6.00%	1.9%	0.6%	-2.1%	-3.9%	-6.8%	-12.9%	-17.3%	
5.50%	2.4%	1.5%	-0.3%	-1.5%	-3.6%	-8.1%	-11.7%	
5.00%	2.9%	2.4%	1.4%	0.9%	-0.2%	-2.8%	-5.5%	
4.75%	3.1%	2.8%	2.3%	2.2%	1.5%	-0.1%	-2.1%	
4.50%	3.3%	3.3%	3.2%	3.4%	3.3%	2.8%	1.5%	
4.27%	3.6%	3.7%	4.1%	4.6%	5.0%	5.6%	4.9%	
4.00%	3.8%	4.2%	5.1%	6.1%	7.0%	9.0%	9.2%	
3.75%	4.1%	4.7%	6.0%	7.4%	8.9%	12.2%	13.5%	
3.50%	4.3%	5.2%	7.0%	8.8%	10.8%	15.6%	17.9%	
3.00%	4.8%	6.1%	8.9%	11.5%	14.8%	22.9%	27.7%	
2.50%	5.3%	7.1%	10.8%	14.4%	19.0%	30.7%	38.7%	

Chart 4: Fixed income evolution in 2025 by segment



## THE TOPIC OF THE WEEK

### Central banks and rate cuts

Central banks have already begun their process of cutting interest rates, Europe more aggressively than the United States. **For once, the European Central Bank (ECB) is ahead of its peers, but still has some room to act once again, according to investors, in order to set the cost of money at the**

**1.75%, compared to 2% currently and 4.5% a year ago** (Chart 5). In the United States, the Federal Reserve (Fed) has been forced to wait to counter the persistent inflation, but also, and above all, by the modest deterioration of the labor market. In the coming quarters, it will have to act anyway. It is not that it will end up giving in to media pressure from Donald Trump, but will try to avoid a hard landing for its economy. **Note that growth was negative in the first quarter and the**

**The Economic Surprise Index indicates that it will be very weak in the second quarter (Chart 6). So far, economists are forecasting four rate cuts before the end of 2026, which would place the reference rates at 3.50%** (chart 5)... but an acceleration of the economic slowdown could change the expectations of monetary policy in as for more rate cuts to come.

Some Fed governors are beginning to seriously anticipate a crisis scenario. Just 10 days ago, Christopher Waller said: "If they start worrying about the risk to the downturn [of] the labor market, act now, don't wait." Three days later, Michelle Bowman also expressed her support for a rate cut in July. Jerome may

Powell says he's in no rush to act until he knows the impact of tariffs on US inflation, but the "dove" clan is growing. This has been all that

It took the probability of a rate cut at the next Monetary Policy Committee to rise from 8% to 25%.

Chart 5: Central Bank interest rate cuts process

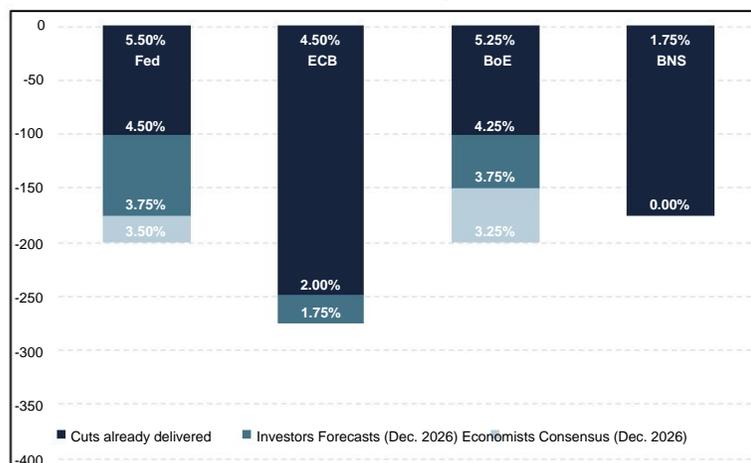
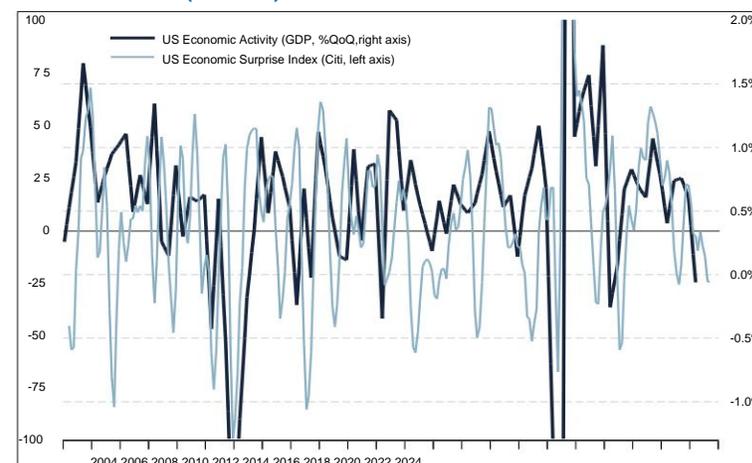


Chart 6: US GDP (QoQ% right axis); Economic Surprise Index from the USA (left axis)



## THE TOPIC OF THE WEEK

**Further steepening of the yield curve to come.** The decline in long-term rates will also be visible, but less than proportional to that of short-term rates. Not only are they less volatile than short-term rates, but they peaked in October 2023. By falling from 5% to 4.3%, they have already dropped 70 basis points in 21 months, meaning they are probably halfway there. **To complete this sequence, they must still converge toward nominal economic growth of 3.5%** (Chart 7). In the Eurozone, the target is 1.7%. Aside from the period of extraordinary monetary policy between 2012 and 2021, this relationship has worked well. It should not be underestimated. The timing is also important. It is still too early for investors to project an acceleration in activity and inflation. In the past, long-term rates only started to rise when Fed rates were on average 160 basis points below 10-year rates. Today we are only 50 basis points away. Therefore, we will have to wait for at least four more rate cuts from Jerome Powell for 10-year bond yields to rise. Investors will therefore continue to favor duration. **As a reminder, each phase of the business cycle allows the curve to steepen, flatten, or even invert** (Chart 8). In a "normal" environment, long-term rates are higher than short-term rates. Present preference prompts investors to demand a higher yield to accept tying up their money for longer. This rationale is only called into question when they anticipate rates falling sharply. In this specific case, they prefer to lock in the current yield for a long time. Sooner or later, the yield curve will steepen again, in line with present preference. This typically occurs when the central bank cuts its key rates to support economic growth and inflation. During this initial phase, short-term rates fall faster than long-term rates, a process known as bull steepening. Only when central banks have acted several times do investors begin to anticipate the next phase, when growth and inflation return and long-term interest rates rise faster than short-term interest rates: this is the "bear steepening." This sequence must be respected. The two phases rarely overlap.

Chart 7: 10-Year US Treasury Yield; US Nominal GDP Growth

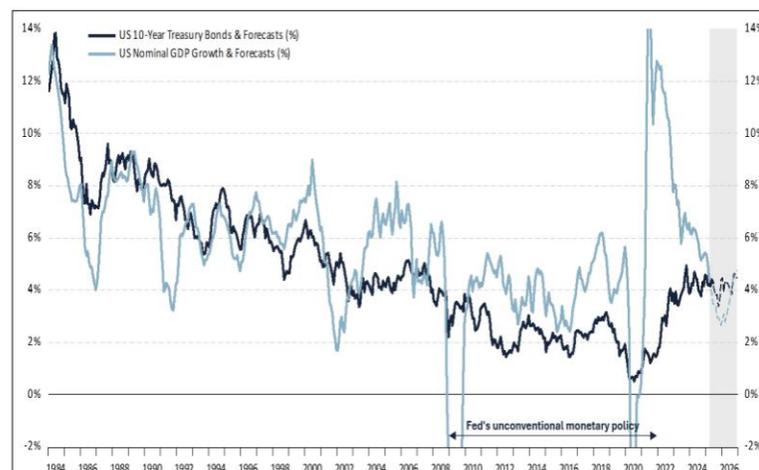
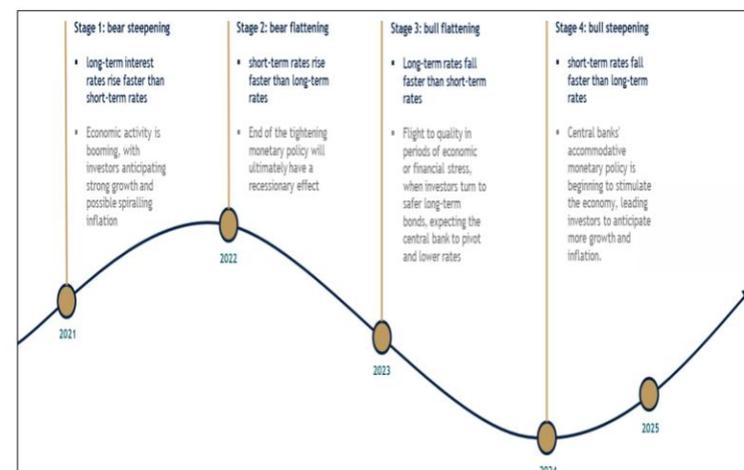


Chart 8: Yield curve cycle



Source: Sentosa & Co, Altitude IS

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## THE TOPIC OF THE WEEK

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### CONCLUSION

Bonds offer a very attractive asymmetric situation for investors. After a strong equity rally, elevated valuation, and a certain economic slowdown, investing in bonds makes sense... especially in USD. The Fed still has a long way to go in terms of rate cuts and could accelerate its path in the event of a further economic slowdown. In this situation, US bonds could offer double-digit yields and provide a certain hedge for equity investors or any balanced portfolio.

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