LAST WEEK SUMMARY

US stock markets had a turbulent week, with modest gains through Thursday completely offset by Friday's drastic sell-off. On Friday, the Dow Jones Industrial Average suffered a significant drop of 770 points. Overall, the markets were negative: the S&P 500 fell **-0.36%,** the Nasdaq **-0.63%,** while the Dow Jones Industrial Average fell **-1.32%.**

The week began optimistically, with high-level U.S.- China trade negotiations in London involving Treasury Secretary Bessent, Commerce Secretary Lutnick, and Trade Representative Greer. Initial market confidence was boosted by President Trump's optimism on social media about the talks and hopes for progress in addressing escalating tensions beyond traditional tariffs, to include technology exports and rare earth minerals. However, the optimism quickly faded when President Trump announced plans to impose unilateral tariffs and notify trading partners within two weeks, casting doubt on the effectiveness of the London negotiations. Trade uncertainty manifested itself in tangible economic impacts, with

Agricultural exports were particularly hard hit: soybean sales fell 50% week on week and pork exports to China contracted significantly.

Despite the trade headwinds, economic indicators offered some reassurance.

The consumer price index edged up slightly to 2.4% year-over-year in May, with a monthly increase of just 0.1%, below expectations, suggesting that Trump's tariffs have not yet caused a significant increase in prices. The producer price index also showed moderate pressure, with a month-over-month increase of just 0.1%. Consumer confidence improved markedly, with the University of Michigan's index rising to 60.5 in June from 52.2 in May, marking the first increase in six months. However, initial jobless claims remained elevated at 248,000, maintaining their highest levels since Trump's election.

The dramatic fall in markets on Friday

attributed to a combination of factors, including the escalation of tensions between Israel and Iran and the rise in oil prices. These events

Geopolitical shocks created additional uncertainty beyond trade concerns, contributing to commodity price volatility and amplifying inflationary pressures.

International organizations continued to issue warnings about the broader impact of trade tensions. The World Bank cut its 2025 global growth forecast to 2.3%, while the IMF lowered its outlook to 2.5%, citing rising tariffs and uncertainty as significant headwinds affecting nearly all economies. Markets maintained expectations for unchanged interest rates at the Fed's next meeting on June 17-18, with particular attention focused on quarterly economic projections and how policymakers plan to navigate the complex landscape of trade tensions and inflation concerns.

Source: Sentosa & Co

FLUCTUATIONS AND MACROECONOMIC DATA

KEY DATES OF THE WEEK PASS

June 11th

Monthly CPI

Current 0.10% vs. Survey 0.20%.

Year-on-year CPI

Current 2.40% vs. Survey 2.50%.

June 12

IPP Intermonthly final demand

Current 0.10% vs. Survey 0.20%.

June 13th

University of Michigan Sentiment

Current 60.50 vs. Survey 52

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GLOBAL EQUITY INDICES	Last	5 Days	1 Month	YTD
MSCI WORLD	3,900.90	**-0.35%**	ÿ 0.97%	5.21%
MSCI EM	1,190.03	**0.60%**	ÿ 1.51%	10.65%
MSCI EM LATIN AMERICA	2,271.13	**1.04%**	ÿ 0.69%	22.59%
MSCI AC ASIA x JAPAN	777.16	**0.73%**	ÿ 1.91%	10.38%
USA				
S&P 500 INDEX	5,976.97	**-0.39%**	ÿ 0.31%	1.62%
NASDAQ COMPOSITE	19,406.83	**-0.63%**	ÿ 1.02%	0.50%
DOW JONES INDUS. AVG	42,197.79	**-1.32%**	ÿ -1.07%	-0.81%
RUSSELL 2000 INDEX	2,100.51	**-1.49%**	ÿ -0.60%	-5.81%
EUROPE				
STXE 600 (EUR) Pr	544.94	**-1.57%**	ÿ -0.79%	7.35%
Euro Stoxx 50 Pr	5,290.47	**-2.57%**	ÿ -2.53%	8.06%
DAX INDEX	23,516.23	**-3.24%**	ÿ -1.06%	18.12%
CAC 40 INDEX	7,684.68	**-1.54%**	ÿ -2.56%	4.12%
FTSE MIB INDEX	39,438.75	**-2.86%**	ÿ -2.99%	15.36%
IBEX 35 INDEX	13,910.60	**-2.37%**	ÿ -1.09%	19.97%
SWISS MARKET INDEX	12,146.02	**-1.39%**	ÿ -1.53%	4.70%
FTSE 100 INDEX	8,850.63	**0.14%**	ÿ 1.91%	8.29%
ASIA				
NIKKEI 225	37,834.25	**0.25%**	ÿ 0.21%	-5.16%
HANG SENG INDEX	23,892.56	**0.42%**	ÿ 2.35%	19.11%
CSI 300 INDEX	3,864.18	**-0.25%**	ÿ -0.64%	-1.80%
SENSEX	81,118.60	**-1.30%**	ÿ -1.47%	3.81%
LATAM				
S&P/BMV IPC	57,438.57	**-1.07%**	ÿ -0.95%	16.01%
BRAZIL IBOVESPA INDEX	137,212.63	**0.82%**	ÿ -1.42%	14.07%
MSCI COLCAP INDEX	1,648.92	**-0.14%**	ÿ 0.12%	19.52%
S&P/CLX IPSA (CLP) TR	8,209.92	**0.49%**	ÿ -2.10%	22.35%

EQUITY SECTORS	Last	5 Days	1 Month	YTD
MSCI WORLD/ENERGY	257.64	**5.50%**	ÿ 4.71%	5.85%
PHILA GOLD & SILVER INDX	210.81	**3.68%**	ÿ 18.19%	53.67%
MSCI WORLD/HLTH CARE	357.22	**1.30%**	ÿ 3.59%	1.24%
MSCI WORLD/UTILITY	185.06	**0.98%**	ÿ 1.04%	13.00%
MSCI WORLD/MATERIAL	348.20	**-0.11%**	ÿ 1.24%	8.36%
MSCI WORLD/CONS DIS	450.95	**-0.30%**	ÿ -1.99%	-3.66%
MSCI WORLD/INF TECH	805.28	**-0.31%**	ÿ 1.51%	1.69%
MSCI WORLD/CON STPL	303.30	**-0.66%**	ÿ 0.23%	8.60%
MSCI WRLD/COMM SVC	137.34	**-0.75%**	ÿ 3.62%	7.91%
MSCI WORLD/INDUSTRY	456.47	**-1.04%**	ÿ 0.64%	12.72%
MSCI WORLD BANK INDEX	147.70	**-1.34%**	ÿ 1.05%	15.69%
MSCI WORLD/FINANCEVAL	155.11	**-1.68%**	ÿ -0.69%	10.67%

US RATES	Last	5 Days	Close	12M	Close
2Y	3.95	4.04	-0.09	4.70	-0.75
5Y	4.00	4.12	-0.12	4.24	-0.24
10Y	4.40	4.51	-0.11	4.24	**0.15**

BONDS CREDIT SPREAD	Last	5 Days	Close	12M	Close
EM Bonds Spread	294.25	291.1	**3.1**	327.28	-33.0
HY Bonds Spread	302.00	292.0	**10.0**	358.00	**-56.0**
BBB 10yr Spread	169.13	166.4	**2.7**	152.84	16.3
CoCos Spread	259.00	247.4	**11.6**	319.10	**-60.1**

FIXED INCOME	Last	5 Days	1 Month	YTD
US High Yield	2,768.11	0.15%	ÿ 0.74%	3.17%
EM Bonds USD	1,293.75	0.46%	ÿ 1.00%	3.66%
EM Local Currency	144.28	0.18%	ÿ 2.02%	9.94%
CoCos USD	143.69	0.94%	ÿ 2.50%	8.18%
IG BBB 3-5yr USD	374.73	0.65%	ÿ 1.12%	2.30%
IG AA Corp USD	274.92	0.58%	ÿ 0.70%	2.86%

COMMODITIES	Last	5 Days	1 Months	YTD
CRB INDEX	309.90	2.99%	ÿ 4.67%	4.44%
WTI	72.98	13.01%	ÿ 14.62%	1.76%
Brent	75.19	10.30%	ÿ 13.67%	1.46%
US Natural Gas	3.58	-5.36%	ÿ -1.81%	-1.43%
S&P GSCI Precious Metal	**4,443.81**	**3.03%**	**ÿ 7.86%**	**30.32%**
Gold	3,432.34	3.68%	ÿ 5.60%	30.78%
Silver	36.30	0.90%	ÿ 10.25%	25.61%
Platinum	1,228.53	5.11%	ÿ 23.84%	35.37%
Palladium	1,031.93	-1.83%	ÿ 7.75%	13.07%
S&P GSCI Industrial Metal Index	**451.69**	**0.30%**	**ÿ 0.80%**	**3.13%**
Aluminum	2,503.00	2.14%	ÿ 0.52%	-1.90%
Copper	9,718.41	-0.46%	ÿ 1.04%	12.32%
Nickel	14,936.18	-2.42%	ÿ -3.89%	-1.16%
S&P GSCI Agriculture	**369.14**	**-1.73%**	**ÿ -1.86%**	**-3.59%**

CURRENCIES	Last	5 Days	1 Month	YTD
CHF vs. USD	0.8114	1.34%	ÿ 3.46%	11.83%
JPY vs. USD	144.0700	0.54%	ÿ 2.37%	9.11%
CAD vs. USD	1.3588	0.79%	ÿ 2.56%	5.86%
EUR vs. USD	1.1549	1.33%	ÿ 3.25%	11.54%
GBP vs. USD	1.3571	0.32%	ÿ 1.99%	8.43%
AUD vs. USD	0.6487	-0.05%	ÿ 0.25%	4.83%
BRL vs. USD	5.5437	0.30%	ÿ 1.16%	11.43%
MXN vs. USD	18.9583	0.82%	ÿ 2.45%	9.86%
COP vs. USD	4,131.56	-0.39%	ÿ 2.13%	6.64%
CNY vs. USD	7.1832	0.13%	ÿ 0.30%	1.62%
EUR vs. CHF	0.9369	0.01%	ÿ 0.21%	0.34%
DOLLAR INDEX	98.1840	-1.01%	ÿ -2.79%	-9.50%
BITCOIN	105,359.29	-3.14%	ÿ 1.72%	12.43%

KEY DATES OF THE NEXT WEEK

June 16

Empire Manufacturing Index

Survey -7.0%

June 17

Monthly retail sales

Survey -0.70%

Monthly industrial production

Survey 0%

June 18th

Housing starts

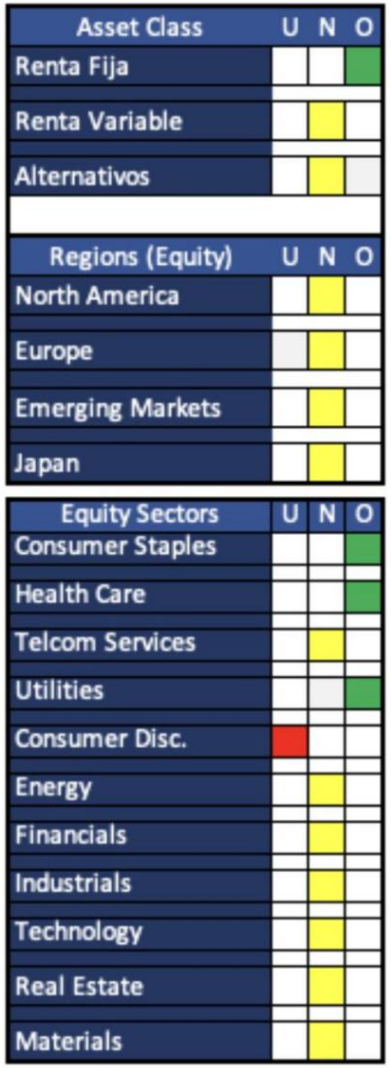
Survey 1,360,000

FOMC Rate Decision

Survey 4.50

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			

This week's discourse veered dramatically from cautious optimism to a sharp decline, culminating on Friday with the Dow's massive 770-point plunge. This reversal highlighted the fragility of the markets amid multiple crosscurrents. The initial hope of US-China trade talks in London quickly dissipated when President Trump announced plans to impose unilateral tariffs within two weeks.

Inflation data provided relief, with the CPI rising just 0.1% monthly and 2.4% annually, below expectations despite tariff concerns. Consumer confidence rose to 60.5 from 52.2, marking six months of improvement. However, jobless claims remained at post-election highs.

Friday's sell-off reflected the escalating tensions between Israel and Iran and rising oil prices, which exacerbated trade uncertainties. International analysts cut growth forecasts—the World Bank to 2.3% and the IMF to 2.5%—citing the impact of tariffs. The week demonstrated how quickly market sentiment can shift from diplomatic optimism to geopolitical anxiety.

Source: Sentosa & Co

THE TOPIC OF THE WEEK

Japan: Everything revolves around the yen

In 2022 and 2023, Japanese equities significantly outperformed global stock markets (Chart 1). In July 2024, the Nikkei reached its highest level in 33 years. years (Chart 2) and, despite a recent period of consolidation, the Japanese market is clearly considered to be on the rise in the long term. **These 2 years of good results have corresponded to a sharp depreciation of the yen** (Chart 3), as the currency is negatively correlated with Japanese equities. The reason for this situation is that more than 65% of Nikkei companies are export-oriented companies... meaning they benefit from a weaker yen. **From January 2024, the income The yen-denominated variable has stagnated** (Chart 2)... in fact, it has clearly underperformed (Chart 1). Since then, Japanese equities have risen +16.13%, compared to 28.4% for the S&P 500 and 24% for the Euro Stoxx 50. The situation has not been different in 2025, as the Nikkei has recorded a poor -4.26%, while the S&P The 500 and the Euro Stoxx are up 2.25% and 11.35% respectively. Unsurprisingly, this underperformance is accompanied by a weaker USDJPY (stronger JPY).

There are several reasons for this poor performance, such as the government's desire to reduce debt, the increase in official interest rates and the reduction of the balance sheet. Bank of Japan (BoJ). All these factors contributed to the yen's rally. The currency's appreciation, by making exports less competitive, has slowed the profit growth prospects and has prevented Japanese company share prices from rising.

Chart 1: Nikkei Ratio vs. MSCI World

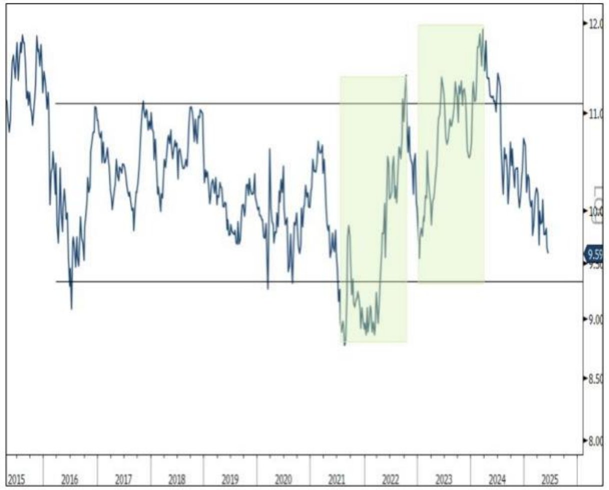


Chart 2: Nikkei 225 Index (37'834.25)

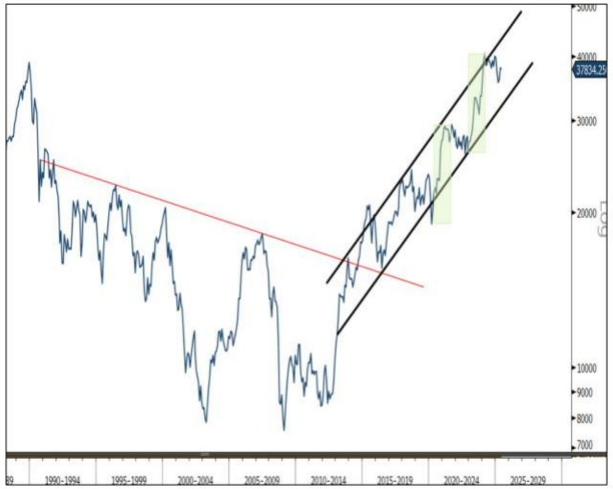


Chart 3: USDJPY (144.36)

Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

In any case, even though Japan has outperformed other regions in local currency terms since 2022, it has actually underperformed in dollar terms (Charts 4 and 5). In dollar terms, the Nikkei has underperformed the S&P 500 and the Euro Stoxx by 15% over the past 18 months.

Investors who invested in Japan without hedging their currency have been affected by the fall of the dollar. Now, exchange rate movements are crucial, but they don't explain everything. Other aspects are important when analyzing the Japanese market:

- ~~The Japanese macroeconomic context is much~~ less buoyant than it might appear. Although the companies that make up the Nikkei index are heavily dependent on manufacturing , the confidence of Japanese purchasing managers continues to decline for the eleventh consecutive month. This sluggishness is weighing on profits, whose expectations for 2025 have been reduced by 3% since February.

- Th~~e sector composition of the Japanese index reveals th~~at nearly 50% of stocks are directly or indirectly linked to technology, but these are predominantly hardware and consumer electronics manufacturers. These companies are much more cyclical than the software platforms that drive Wall Street. While the Magnificent Seven are capturing the lion's share of the artificial intelligence boom, the semiconductor cycle in Japan remains weak.

For these reasons, when deciding whether to overweight Japan in their asset allocation, investors should focus primarily on the yen's direction. If the currency were to appreciate further, Japanese stocks would continue to underperform. Conversely, if the yen were to fall, Japanese equities would offer higher returns (provided yen exposure is hedged).

Chart 4: Evolution of indices in local currency

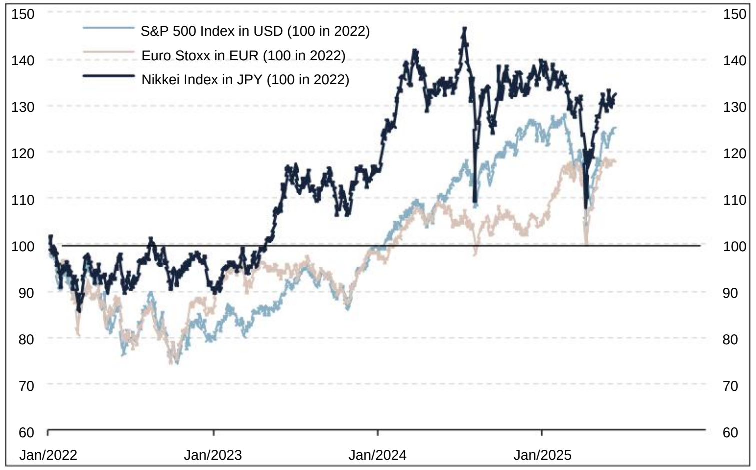
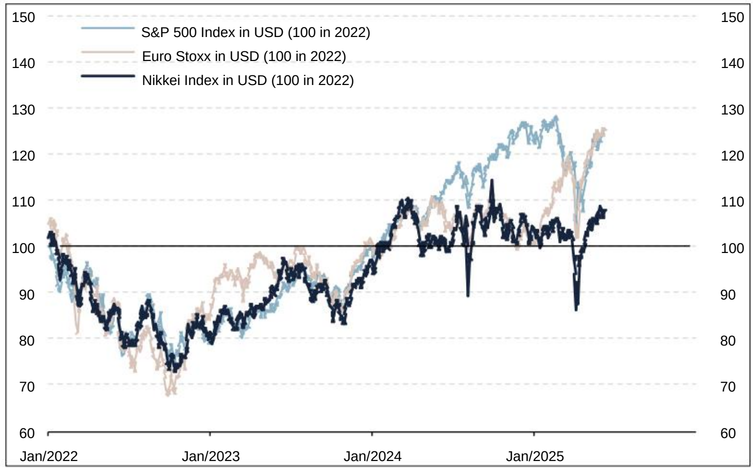


Chart 5: Evolution of hard currency indices



Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

Japan's New Reality In an attempt
to break out of a long-term deflationary loop and end two decades of yield curve control, the Bank of Japan announced a key shift in its monetary policy last year. A year ago, the Bank of Japan (BOJ) ended its long-standing negative interest rate policy in March 2024, marking a significant shift in its monetary strategy after nearly two decades of ultra-loose financial conditions. After maintaining negative rates since 2016, the BOJ initiated its first rate hike in 17 years, moving from -0.1% to a range of 0-0.1% in March 2024. In July 2024, the central bank raised rates again to 0.25%, signaling a gradual normalization of its monetary policy.

The most recent rate hike occurred in January 2025, when the BOJ raised rates to 0.5% (Chart 5), the highest level since 2008, driven by sustained inflation, steady wage growth, and improving economic indicators. This strategic move was supported by an increase in core consumer prices of approximately 3% in December 2024 and reflects the BOJ's confidence in Japan's economic recovery. **Indeed, the yield curve appears to be endorsing this confidence, as 10-year yields have reached decade highs of 1.41%, up from negative levels in 2020** (Chart 6). Rate hikes have been implemented carefully to avoid market disruptions, and the central bank has maintained a prudent approach to avoid sudden economic shocks, while abandoning its long-standing accommodative monetary stance.

The economy performed unevenly in early 2025, with an initial GDP contraction of 0.2% in the first quarter, although subsequent revised estimates showed flat growth. The housing sector has shown notable strength, with construction activity up 39.1% year-over-year.

Chart 5: Overnight Call Japan (0.50%)

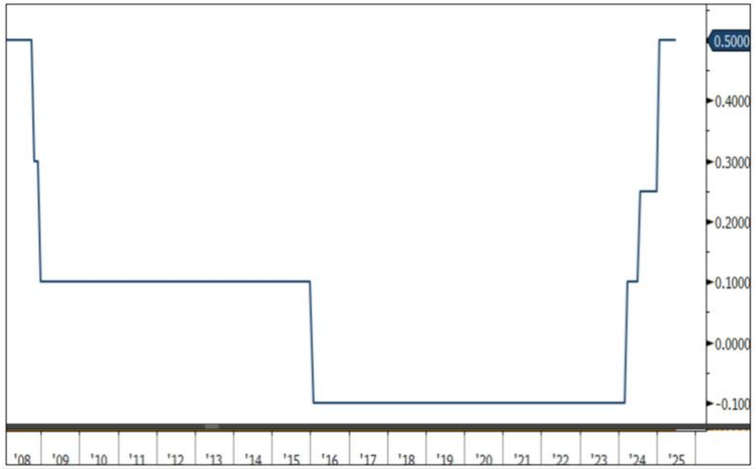


Chart 6: Yield on 10-year Japanese debt (1.41%)

Source: Sentosa & Co, Altitude IS

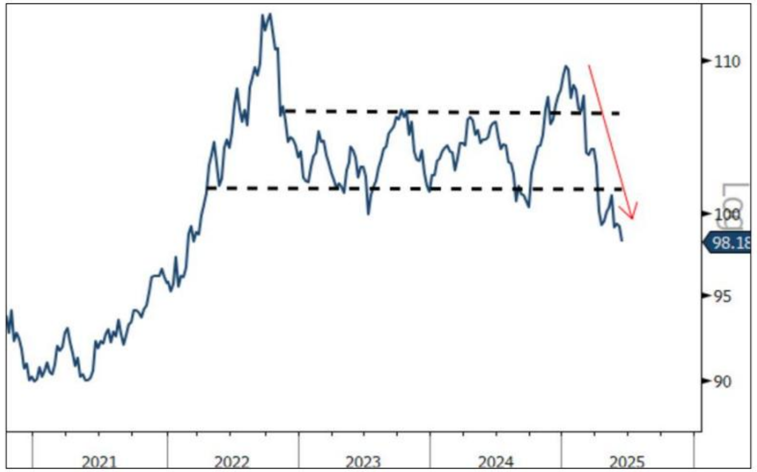
THE TOPIC OF THE WEEK

Economic challenges remain... but the outlook is constructive. Current economic challenges focus primarily on US trade policies, with Japan facing potential 24% import tariffs starting in July unless negotiations succeed in reducing them. The automotive sector is particularly vulnerable, as it seeks exemption from a standalone 25% levy on vehicle imports. These trade tensions have influenced monetary policy, with the Bank of Japan maintaining its current interest rate of 0.5% and potentially postponing further increases until early 2026. Despite these headwinds, the labor market remains tight, supporting nominal wage growth, although consumer spending is constrained by rising commodity prices. Looking ahead, Japan's economic outlook shows some positive indicators despite the challenges. The Ministry of Finance expects domestic consumption and business investment to drive growth.

The real estate market is stabilizing, and several sectors, such as household appliances and home accessories, show growth potential. The Bank of Japan currently forecasts inflation of around 2.5% in fiscal year 2025, moderating to around 2% in fiscal year 2026.

The monetary policy landscape shows significant divergences: the Federal Reserve could cut rates, while the Bank of Japan is expected to gradually raise them to 0.75% or 1%. Market sentiment suggests the Bank of Japan could keep rates at 0.5% until the end of the year, with the next rate hike planned for early 2026. In this environment, and with the current global pressure on the dollar, it is difficult to believe in further immediate yen depreciation. Despite the existing interest rate differential between the dollar and the yen, the outlook for the dollar remains bleak. **The dollar index is in the midst of a collapse; it has fallen more than 10% since the beginning of the year, paving the way for a renewed long-term downtrend** (Chart 7).

Chart 7: Dollar Index (98.18)



Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

Technical analysis on USDJPY The

quarterly chart provides a good picture of the situation over the past decade. **From 2021 to mid-2024, USDJPY appreciated more than 57%, rising from 103 to 160** (Chart 8). Prices are now within a long-term resistance zone between 145 and 160. After reaching 161.27 in June 2024 and reaching the resistance level represented by the 1990 highs, prices have entered a medium-term consolidation.

The monthly chart shows the price in a sideways consolidation between 140 and 160, represented by the monthly Bollinger Band (Chart 9). With strong support at 140, there is a good chance that prices will rebound towards the 150 levels, represented by the red 20-month moving average. In any case, the medium-term situation is considered neutral, and USDJPY should continue trading sideways unless prices break either the monthly Bollinger Band to the upside or downside. That said, we would favor further declines (a strengthening JPY), as monthly indicators are forming bearish divergences with prices.

We see the JPY balanced against the USD, as both currencies appear to be weakening relative to other currencies. We don't see the JPY weakening too much over the 12-month horizon; the risks seem to be more on the other side, with a lower USDJPY ahead. However, a break of the 160 level would open the door to a much larger decline in the JPY (a rise in USDJPY) and would clearly support the Japanese market.

Chart 8: USDJPY (144.07) / Quarterly Outlook

Chart 9: USDJPY (144.07) / Monthly Outlook

Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

CONCLUSION:

The Japanese market is not supported by a strong USDJPY (weakening JPY); the pair's recent correction is penalizing it and should continue to do so in the medium term. Unless the pair breaks through the 160 levels, we see little chance of seeing the equity market perform the same way we did in 2022-2023.

Now, with a current PE of just 17.5x, the Japanese equity market is at a -20% discount to its long-term average of 22x and is considered very attractive from this perspective (Chart 10). If USDJPY rises above 150 again, we could see this phase of outperformance return. A break above 160 would certainly be very bullish for Japanese equities... but for now, we prefer to stay on the sidelines and wait for concrete signs to incorporate Japan into our portfolios.

Chart 10: Nikkei's current PE (17.5x); long-term average (22x)

Source: Sentosa & Co, Altitude IS

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