LAST WEEK SUMMARY

Last week was characterized by geopolitical uncertainty, policy decisions by the Federal Reserve, and mixed economic signals that created episodic volatility without dramatic single-day movements. Overall, the markets were negative: the S&P 500 fell -1.28%, the Nasdaq fell -1.09%, while the Dow Jones lost -1.77%.

The week had started optimistically, as tensions between Israel and Iran showed signs of easing. However, tensions escalated midweek, causing oil prices to rise, closing the week at four-month highs and weighing on market sentiment. The situation worsened dramatically over the weekend when the United States carried out attacks on Iran's nuclear facilities, prompting immediate market reactions. This military action sent shockwaves through global markets, with oil prices rising to nearly $80 per barrel, while stock futures showed weakness amid the possibility of Iranian retaliation.

Wednesday's Federal Reserve decision dominated market attention, with the central bank keeping rates between 4.25% and 4.45%, as widely expected. More importantly, the Fed revised its economic outlook downward, cutting its 2025 GDP growth forecast from 1.7% to 1.4%, while raising inflation expectations from 2.7% to 3%. The unemployment rate is projected to reach 4.5% by the end of the year, reflecting growing concerns about the labor market.

International developments added complexity, as Brazil's central bank raised its Selic rate to 15%, highlighting global inflationary pressures.

Economic indicators offered a complex picture throughout the week. Retail sales data disappointed, showing consumer weakness attributed to tariff uncertainty and a weakening labor market.

The Energy Information Administration reported a significant 11.5 million barrel drop in U.S. crude oil inventories, far exceeding analysts' expectations.

Real estate data continued to show weakness, with new construction declining and existing home sales remaining depressed due to high mortgage rates.

The Federal Reserve is expected to make two rate cuts in 2025, which could bring rates closer to 4.0% by the end of the year.

Source: Sentosa & Co

FLUCTUATIONS AND MACROECONOMIC DATA

KEY DATES OF THE WEEK PASS

June 16

Manufacturing Empire
Current 16 vs. Poll -6

June 17

Month-on-month retail sales
Current -0.90 vs. Survey -0.60%.

Monthly industrial production
Current -0.20% vs. Survey 0%.

June 18th

Housing starts
Current 1,256k vs Survey 1,350k

FOMC **Interest Rate Decision**

Current 4.50% vs. Survey 4.50%

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GLOBAL EQUITY INDICES	Last	5 Days	1 Month	YTD
MSCI WORLD	3,881.69	**-0.49%**	ÿ 2.08%	4.69%
MSCI EM	1,189.85	**-0.02%**	ÿ 1.61%	10.63%
MSCI EM LATIN AMERICA	2,264.56	**-0.29%**	ÿ 0.71%	22.24%
MSCI AC ASIA x JAPAN	777.63	**0.06%**	ÿ 2.03%	10.44%
USA				
S&P 500 INDEX	5,967.84	**-1.28%**	ÿ 2.84%	1.47%
NASDAQ COMPOSITE	19,447.41	**-1.09%**	ÿ 3.79%	0.71%
DOW JONES INDUS. AVG	42,206.82	**-1.77%**	ÿ 1.45%	-0.79%
RUSSELL 2000 INDEX	2,109.27	**-1.44%**	ÿ 3.40%	-5.42%
EUROPE				
STXE 600 (EUR) Pr	536.53	**-1.54%**	ÿ -1.58%	5.70%
Euro Stoxx 50 Pr	5,233.58	**-1.08%**	ÿ -1.74%	6.90%
DAX INDEX	23,350.55	**-0.70%**	ÿ -1.18%	17.29%
CAC 40 INDEX	7,589.66	**-1.24%**	ÿ -1.87%	2.83%
FTSE MIB INDEX	39,231.35	**-0.53%**	ÿ -0.62%	14.76%
IBEX 35 INDEX	13,850.30	**-0.43%**	ÿ -1.80%	19.45%
SWISS MARKET INDEX	11,871.32	**-2.26%**	ÿ -2.68%	2.33%
FTSE 100 INDEX	8,774.65	**-0.86%**	ÿ 0.65%	7.36%
ASIA				
NIKKEI 225	38,403.23	**1.50%**	ÿ 3.34%	-3.74%
HANG SENG INDEX	23,530.48	**-1.52%**	ÿ -0.30%	17.30%
CSI 300 INDEX	3,846.64	**-0.45%**	ÿ -0.92%	-2.24%
SENSEX	82,408.17	**1.59%**	ÿ 0.84%	5.46%
LATAM				
S&P/BMV IPC	56,264.69	**-2.04%**	ÿ -3.67%	13.64%
BRAZIL IBOVESPA INDEX	137,115.83	**-0.50%**	ÿ -0.51%	13.99%
MSCI COLCAP INDEX	1,647.78	**-0.07%**	ÿ -0.42%	19.44%
S&P/CLX IPSA (CLP) TR	8,077.48	**-2.32%**	ÿ -3.83%	20.38%

EQUITY SECTORS	Last	5 Days	1 Month	YTD
MSCI WORLD BANK INDEX	149.26	**1.05%**	ÿ 2.31%	16.91%
MSCI WORLD/FINANCEVAL	156.59	**0.96%**	ÿ 1.50%	11.73%
MSCI WORLD/INF TECH	810.79	**0.68%**	ÿ 5.63%	2.39%
MSCI WORLD/ENERGY	259.04	**0.54%**	ÿ 8.34%	6.42%
MSCI WORLD/INDUSTRY	453.53	**-0.64%**	ÿ 0.66%	12.00%
MSCI WORLD/UTILITY	183.73	**-0.72%**	ÿ -0.02%	12.19%
MSCI WORLD/CON STPL	300.73	**-0.85%**	ÿ -1.36%	7.68%
MSCI WORLD/CONS DIS	446.05	**-1.09%**	ÿ -0.66%	-4.71%
PHILA GOLD & SILVER INDX	204.94	**-1.30%**	ÿ 6.68%	49.39%
MSCI WRLD/COMM SVC	135.55	**-1.30%**	ÿ 2.43%	6.50%
MSCI WORLD/MATERIAL	341.36	**-1.97%**	ÿ -0.79%	6.23%
MSCI WORLD/HLTH CARE	346.52	**-3.00%**	ÿ 1.29%	-1.79%

US RATES	Last	5 Days Close		12M Close	
2Y	3.91	3.95	-0.04	4.74	-0.83
5Y	3.96	4.00	-0.04	4.27	-0.31
10Y	4.38	4.40	-0.02	4.26	**0.12**

BONDS CREDIT SPREAD	Last	5 Days Close		12M Close	
EM Bonds Spread	298.90	294.3	**4.6**	329.84	-30.9
HY Bonds Spread	292.00	302.0	-10.0	364.00	**-72.0**
BBB 10yr Spread	177.49	169.1	**8.4**	147.86	29.6
CoCos Spread	257.00	257.0	**0.0**	306.10	**-49.1**

FIXED INCOME	Last	5 Days	1 Month	YTD
US High Yield	2,776.14	0.17%	ÿ 1.51%	3.47%
EM Bonds USD	1,295.33	0.12%	ÿ 1.41%	3.78%
EM Local Currency	144.43	0.11%	ÿ 1.03%	10.06%
CoCos USD	143.67	-0.02%	ÿ 1.88%	8.16%
IG BBB 3-5yr USD	375.82	-0.14%	ÿ 1.87%	2.57%
IG AA Corp USD	275.66	-0.26%	ÿ 1.69%	3.16%

COMMODITIES	Last	5 Days	1 Months	YTD
CRB INDEX	312.53	3.23%	ÿ 5.35%	5.33%
WTI	73.84	8.52%	ÿ 18.03%	2.96%
Brent	78.16	3.95%	ÿ 19.23%	5.47%
US Natural Gas	3.85	10.17%	ÿ 12.26%	5.89%
S&P GSCI Precious Metal	**4,361.00**	**-0.51%**	ÿ **0.36%**	**27.89%**
Gold	3,368.39	-1.86%	ÿ 2.38%	28.34%
Silver	36.01	-0.81%	ÿ 8.85%	24.59%
Platinum	1,268.76	3.27%	ÿ 19.91%	39.80%
Palladium	1,048.56	1.61%	ÿ 2.97%	14.89%
S&P GSCI Industrial Metal Index	**454.93**	**0.18%**	ÿ **0.96%**	**3.87%**
Aluminum	2,549.50	1.86%	ÿ 3.16%	-0.08%
Copper	9,908.49	1.96%	ÿ 4.05%	14.51%
Nickel	14,818.14	-0.79%	ÿ -3.24%	-1.94%
S&P GSCI Agriculture	**366.10**	**0.26%**	ÿ **-3.50%**	**-4.39%**

CURRENCIES	Last	5 Days	1 Month	YTD
CHF vs. USD	0.8178	-0.78%	ÿ 1.28%	10.96%
JPY vs. USD	146.0900	-1.38%	ÿ -1.08%	7.60%
CAD vs. USD	1.3735	-1.07%	ÿ 1.32%	4.73%
EUR vs. USD	1.1523	-0.23%	ÿ 2.13%	11.29%
GBP vs. USD	1.3451	-0.88%	ÿ 0.43%	7.47%
AUD vs. USD	0.6452	-0.54%	ÿ 0.44%	4.27%
BRL vs. USD	5.5137	0.54%	ÿ 2.80%	12.04%
MXN vs. USD	19.1743	-1.13%	ÿ 0.48%	8.62%
COP vs. USD	4,094.82	0.90%	ÿ 1.77%	7.59%
CNY vs. USD	7.1815	0.02%	ÿ 0.49%	1.64%
EUR vs. CHF	0.9426	-0.60%	ÿ -0.85%	-0.27%
DOLLAR INDEX	98.7070	0.80%	ÿ -1.41%	-9.01%
BITCOIN	103,430.15	-4.96%	ÿ -4.48%	10.37%

KEY DATES OF THE NEXT WEEK

June 23
S&P Manufacturing PMI
Survey 51

PMI S&P Services
Survey 52.9

S&P Global Composite PMI
Survey 52.1

June 23rd
Existing home sales
Survey 3.95M

June 24
Consumer Confidence Index
Survey 99.80

June 25th
New home sales
Survey 693k

Source: Sentosa & Co

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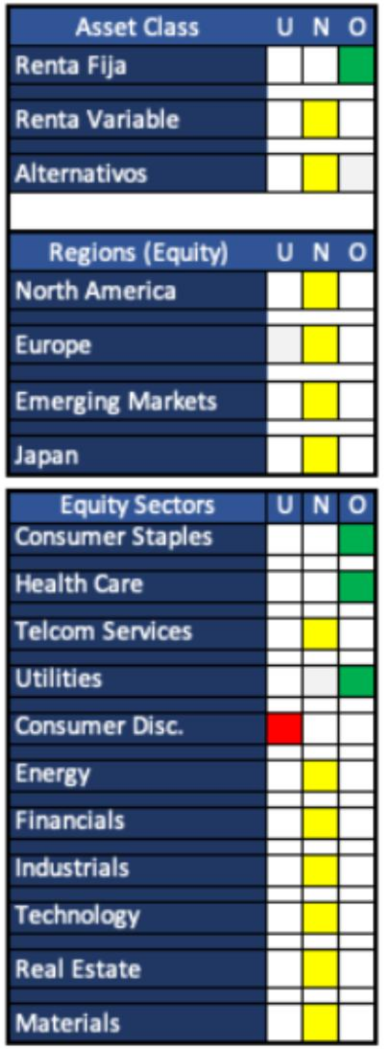


The Federal Reserve's decision on Wednesday was pivotal, as it kept interest rates at 4.25% to 4.45% while simultaneously revising its economic outlook downward. GDP growth forecasts were lowered from 1.7% to 1.4%, inflation expectations rose to 3%, and unemployment forecasts increased to 4.5% by the end of the year, indicating growing economic hardship.

Tensions between Israel and Iran triggered a surge in oil prices, which reached a four-month high, up 31% from May lows. Diplomatic breakthroughs on Friday led to significant declines as President Trump remained patient in negotiations with Iran. Retail sales disappointed as consumers cut spending amid tariff uncertainty. Weakness in the housing market persisted, with construction weakening and existing home sales remaining depressed by high mortgage rates.

Markets were cautiously positioned ahead of ongoing geopolitical events and potential Fed rate cuts later on.
in 2025.

Source: Sentosa & Co

European equities: Will the outperformance continue?

For more than fifteen years, the Eurozone stock markets have struggled to take off. Held in the trough, they watched Wall Street soar, like a dream slipping away. The rise of the Magnificent Seven, flagships of technology and communications, and the lethargy of value companies, the European stock markets give the impression of having been relegated to the role of extras. However, since the beginning of the year, eurozone stocks have managed to lose some ground. **The Euro Stoxx index, which includes the 293 largest companies listed in EUR, has significantly outperformed the US S&P 500, gaining +10% versus +1%** (Chart 1).

If we take into account the currency effect, and therefore the sharp fall of the dollar, the performance is even more impressive, rising from +9% to +19% (Chart 2). This is the fourth ti In 18 years, the advantage has gone to Europe, and the first since 1993 that is so substantial. End of American exceptionalism or not, investors are once again interested in the Euro-listed companies. Will this recent outperformance continue? Or will it just be part of the few exceptional years we've had in the past?

Chart 1: Performance difference between Euro Stoxx and S&P 500 (in local cents)

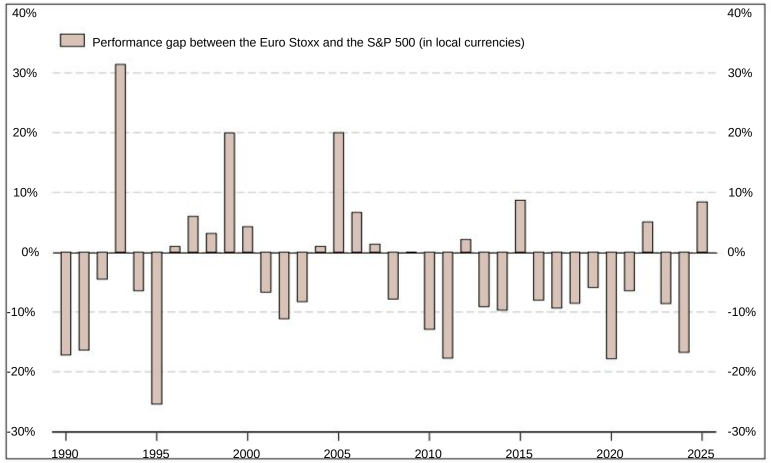
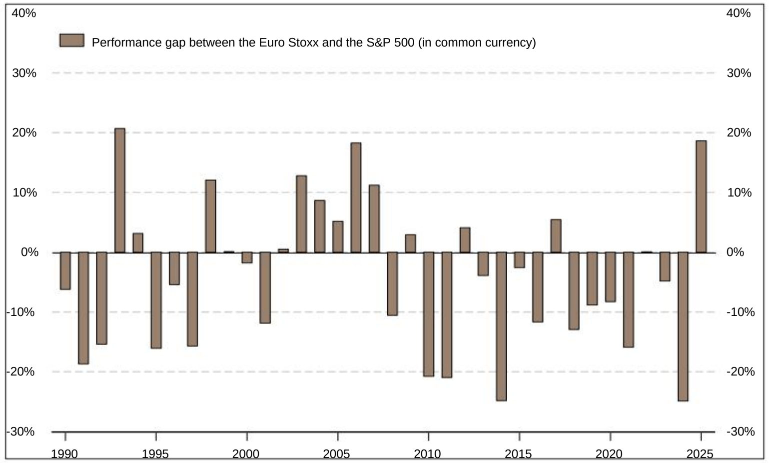


Chart 2: Difference in profitability between the Euro Stoxx and the S&P 500 (USD)



Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

The reason for the long-term underperformance of the European market

First, let's summarize the evolution and the reasons why investors gradually, and in successive waves, abandoned the Eurozone (Chart 3):

- Between 2002 and 2007, European listed companies had regained the advantage thanks to the supercycle of raw materials and the rise of the Euro. The difference in valuation tended to decrease..
- By the end of 2009, the subprime mortgage crisis had even reduced the spread to within a hair's breadth of neutrality.
- Between 2010 and 2012, the European sovereign debt crisis and the resulting lack of economic dynamism increased the risk premium. The valuation gap widened, reaching -4 points.
- From 2012 to 2015, Mario Draghi's "whatever it takes" policy and the ECB's expansionary monetary policy crushed sovereign spreads, weakened the euro, and boosted corporate profits. The valuation gap narrowed to the point where it became positive.
- Between 2015 and 2018, the anticipation and passage of the Tax Cuts and Jobs Act boosted S&P 500 margins and profit growth while Europe struggled with the Italian banking crisis. The gap has widened to -6 points.
- From 2019 to 2021, valuations fluctuated widely but in parallel. Despite the Covid epidemic, the gap has remained more or less stable.
- It was from 2022 onward and the war in Ukraine that the industrial recession in Europe and rising energy prices literally turned the valuation gap into a canyon. It reached -13 points in 2024.
- Since 2025 and the rise of Donald Trump to a second presidential term, the resurgence of tariffs, tensions over Treasury yields , and the depreciation of the greenback are creating a cocktail of uncertainties. American companies will suffer more than their European counterparts. The valuation gap is progressively narrowing.

Since January 1, the trend has definitely reversed. Europe's relative valuation has recovered 3 points. However, it remains well below its historical average.

Source: Sentosa & Co, Altitude IS

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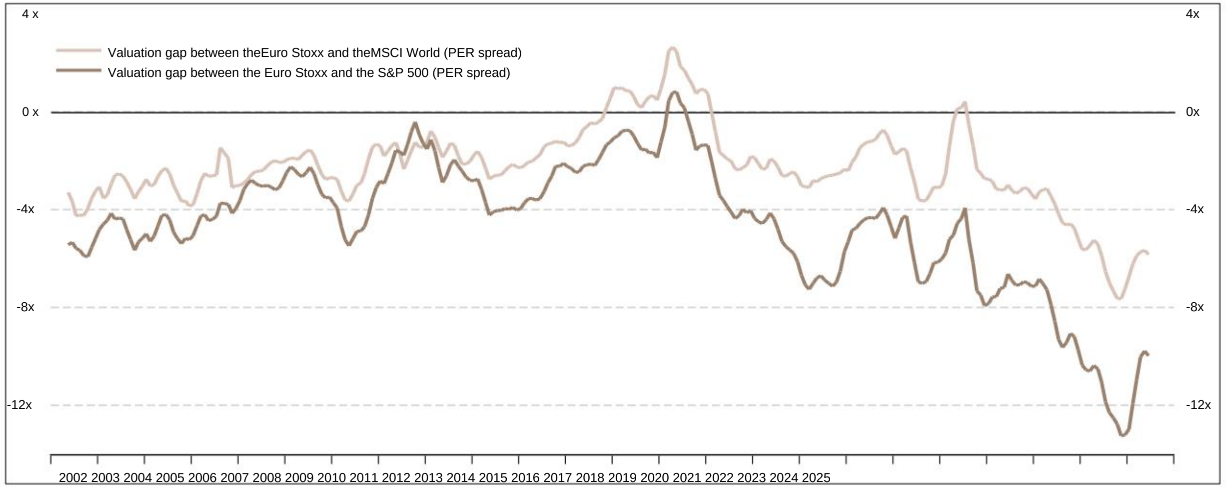
Chart 3: Valuation difference between the Euro Stoxx vs. S&P 500 and the Euro Stoxx vs. MSCI World



To buy the US market, an investor currently has to spend 25.4 years of earnings, compared to only 15.3 times to buy the European index. (Chart 4). Eurozone equities are so cheap that they offer one of the best risk/return ratios in the global stock market. **With a PE ratio of 40%. lower than Wall Street and a dividend yield of 3.2%, the Euro Stoxx is clearly a value investment** (Chart 5).

Within the Eurozone, the results of the various national indices are mixed. Investors prefer exposure to some countries over others:

National indices with the lowest valuation multiples top the list (Chart 6). Greece and much of Southern Europe, with price/earnings ratios below 12 times, they are among the cheapest indices on the continent. Unsurprisingly, they were also the best performers, often exceeding 20%. The big winners, Spain and Italy, benefited from a combination of flourishing banks, energy groups boosted by rising Brent crude prices and luxury icons that benefit from their pricing power in the face of a strong Euro.

Germany is proving that a high price is not an insurmountable disadvantage. The DAX, valued at 16.5 times earnings, is up a healthy 16.5% and is one of the The continent's best-performing stocks in twelve months (+30%). The index is being boosted by a wave of investment in defense and artificial intelligence. industrial. As the US tech premium appears saturated, investors are rediscovering that old Germany, with its semiconductors and software business, could be an interesting alternative.

THE TOPIC OF THE WEEK

Chart 4: Current P/E: Euro Stoxx (15.3x); S&P 500 (25.4x)

Chart 5: Dividend yield: Euro Stoxx (3.2%); S&P 500 (1.3%)

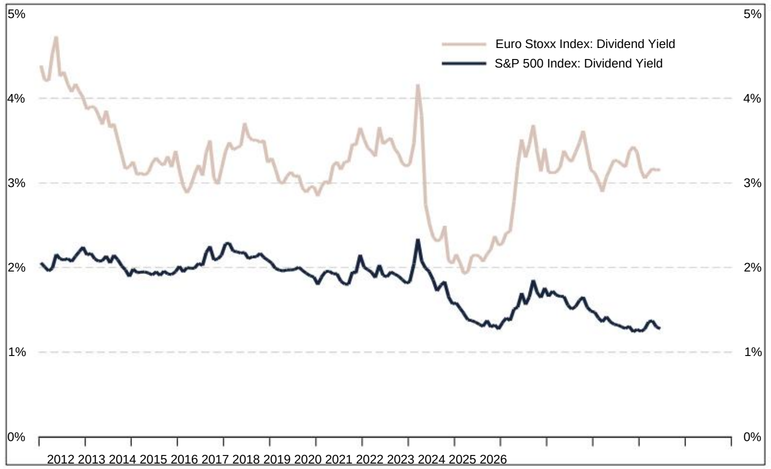
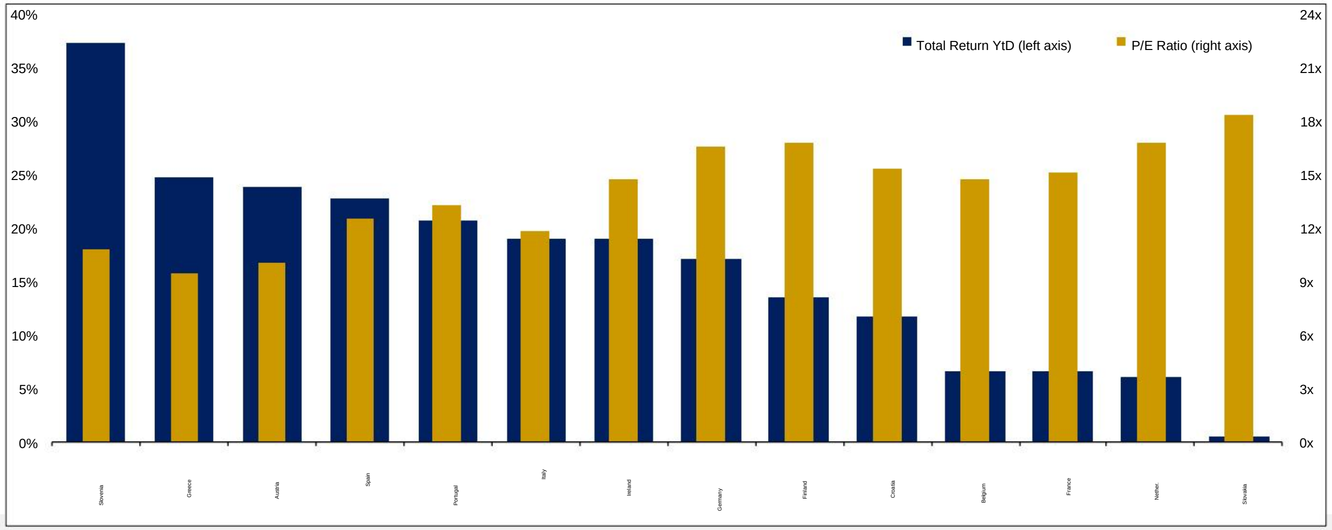


Chart 6: Total profitability of European countries (left axis) and PER ratio (right axis)



Source: Sentosa & Co, Altitude IS

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CONCLUSION

European companies have begun to catch up with US companies. This is more a case of US equities underperforming than European companies outperforming. This trend is not over, but it will occur in successive waves, not in a long, straight line. **Intuitively, a much higher valuation of US equities, with negative sentiment toward the dollar and a certain lack of confidence in Trump's geopolitical performance, will undoubtedly continue to put the US market at a disadvantage compared to the European and other international markets** (Chart 7). **As for Europe, we are currently in a constructive relative background process that needs confirmation** (Chart 8).

For the excellent momentum seen in early 2025 to continue, European companies will need three safeguards: the ECB must maintain an accommodative monetary policy to preserve credit dynamics; the trade war must be eased to avoid stifling exports; and inflation must rise more slowly than wages to confirm the recovery in household purchasing power. If these conditions are met, the Euro Stoxx should continue to attract investors and reduce some of its historical discount.

We feel comfortable with our constructive, neutral view of Europe.

Chart 7: S&P 500 vs. MSCI World

Chart 8: Stoxx 600 vs. MSCI World

Source: Sentosa & Co, Altitude IS

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