LAST WEEK SUMMARY

US equity markets had another positive week, with the S&P 500 and Nasdaq reaching multiple all-time highs. The S&P 500 closed Thursday at an all-time high of 6,279.36, while the Nasdaq reached 20,601.10. For the week, the S&P 500 gained **1.72%,** the Nasdaq **gained 1.62% ,** and the Dow Jones Industrial Average **gained 2.30%.**

The week's performance was anchored by strong employment data that exceeded expectations. June nonfarm payrolls increased by 147,000 jobs, well above forecasts of 110,000, while the unemployment rate unexpectedly fell to 4.1%. These strong labor market results reduced expectations for immediate interest rate cuts by the Federal Reserve, and the probability of an easing in July fell from 76.2% to 94.8%. June concluded as the second consecutive month of gains for Wall Street, with the S&P 500 gaining 5%, the Nasdaq rising 6.6%, and the Dow up 4.3%. The S&P 500 also posted an impressive 10.6% gain in the second quarter, demonstrating remarkable resilience despite continued trade uncertainties.

Trade tensions remained a key issue as President Trump's July 9 tariff deadline approached. However , positive developments emerged with a new US-Vietnam trade deal and a US-China agreement on rare earth exports. Canada's withdrawal of planned taxes on digital services also helped improve sentiment.

Despite these advances, concerns remain about possible additional tariffs on Japan (30-35%) and general uncertainty about trade policy.

Although the employment data impressed, other indicators showed weakness. The ADP report revealed a loss of 33,000 private jobs in June, well below the 100,000 expected. Manufacturing data remained in the mid-1990s.

contraction, although they showed a modest improvement. The PCE inflation index rose, with core prices increasing by 0.2%.

The Federal Reserve maintained its cautious stance, keeping rates at 4.25%-4.50% while emphasizing a "wait and see" approach.

President Trump's political pressure on Fed Chairman Powell continued, with criticism of the continued high interest rates. Markets now anticipate a 64 basis point easing by 2025, with rate cuts likely delayed until September. Oil prices fell due to the easing of tensions between Iran and Israel, with former President Trump announcing that Israel would accept a 60-day ceasefire in Gaza. This geopolitical stability supported risk assets and airline stocks as fuel cost concerns eased. The week demonstrated markets' ability to navigate complex crosscurrents while achieving new milestones.

Source: Sentosa & Co

FLUCTUATIONS AND MACROECONOMIC DATA

KEY DATES OF THE LAST WEEK

July 1st

ISM Manufacturing

Current 49.0 vs. Poll 48.7.

July 2nd

ADP employment variation

Current -33k vs. Survey 90k.

July 3rd

Change in non-farm payrolls

Current 147k vs Survey 106k.

Unemployment rate

Current 4.1% Vs. Survey 4.3%.

S&P Global US Composite PMI

Current 52.8% Vs. Survey 52.9.

Durable goods orders

Current 16.4% Vs. Survey 16.4%.

GLOBAL EQUITY INDICES	Last	5 Days	1 Month	YTD
MSCI WORLD	4,061.43	**1.31%**	ÿ 3.75%	9.54%
MSCI EM	1,231.63	**0.25%**	ÿ 4.12%	14.52%
MSCI EM LATIN AMERICA	2,390.23	**3.46%**	ÿ 6.34%	29.02%
MSCI AC ASIA x JAPAN	800.21	**-0.40%**	ÿ 3.72%	13.65%
USA				
S&P 500 INDEX	6,279.35	**2.25%**	ÿ 4.65%	6.76%
NASDAQ COMPOSITE	20,601.10	**2.15%**	ÿ 5.48%	6.68%
DOW JONES INDUS. AVG	44,828.53	**3.32%**	ÿ 4.83%	5.37%
RUSSELL 2000 INDEX	2,249.04	**3.54%**	ÿ 5.48%	0.85%
EUROPE				
STXE 600 (EUR) Pr	541.13	**-0.46%**	ÿ -2.26%	6.60%
Euro Stoxx 50 Pr	5,288.81	**-0.69%**	ÿ -2.60%	8.02%
DAX INDEX	23,787.45	**-1.02%**	ÿ -2.13%	19.48%
CAC 40 INDEX	7,696.27	**0.06%**	ÿ -1.39%	4.28%
FTSE MIB INDEX	39,622.11	**-0.30%**	ÿ -2.41%	15.90%
IBEX 35 INDEX	13,973.00	**0.03%**	ÿ -1.93%	20.51%
SWISS MARKET INDEX	11,972.41	**-0.07%**	ÿ -3.18%	3.20%
FTSE 100 INDEX	8,822.91	**0.27%**	ÿ -0.17%	7.95%
ASIA				
NIKKEI 225	39,810.88	**-0.85%**	ÿ 5.48%	-0.21%
HANG SENG INDEX	23,916.06	**-1.68%**	ÿ 0.52%	19.22%
CSI 300 INDEX	3,982.20	**1.54%**	ÿ 2.79%	1.20%
SENSEX	83,432.89	**-0.74%**	ÿ 1.51%	6.77%
LATAM				
S&P/BMV IPC	57,977.76	**1.02%**	ÿ -0.14%	17.10%
BRAZIL IBOVESPA INDEX	141,263.56	**3.21%**	ÿ 3.79%	17.44%
MSCI COLCAP INDEX	1,686.87	**0.49%**	ÿ 2.16%	22.27%
S&P/CLX IPSA (CLP) TR	8,285.29	**0.88%**	ÿ 1.41%	23.48%

EQUITY SECTORS	Last	5 Days	1 Month	YTD
MSCI WORLD/MATERIAL	358.70	**2.48%**	ÿ 2.90%	11.63%
MSCI WORLD/INF TECH	867.26	**2.17%**	ÿ 7.37%	9.52%
MSCI WORLD BANK INDEX	157.88	**1.87%**	ÿ 5.46%	23.66%
MSCI WORLD/FINANCEVAL	164.84	**1.66%**	ÿ 4.50%	17.62%
MSCI WORLD/ENERGY	255.80	**1.60%**	ÿ 4.75%	5.09%
MSCI WORLD/CON STPL	305.09	**1.48%**	ÿ -0.07%	9.24%
PHILA GOLD & SILVER INDX	210.68	**1.09%**	ÿ 3.61%	53.58%
MSCI WORLD/HLTH CARE	354.68	**1.02%**	ÿ 0.58%	0.52%
MSCI WORLD/UTILITY	187.73	**0.65%**	ÿ 2.45%	14.63%
MSCI WORLD/CONS DIS	467.79	**0.64%**	ÿ 3.43%	-0.06%
MSCI WORLD/INDUSTRY	473.58	**0.56%**	ÿ 2.67%	16.95%
MSCI WRLD/COMM SVC	143.16	**-0.24%**	ÿ 3.45%	12.47%

US RATES	Last	5 Days Close		12M Close	
2 And	3.88	3.75	0.13	4.71	-0.83
5 And	3.94	3.83	0.11	4.32	-0.39
10Y	4.35	4.28	0.07	4.36	-0.01

BONDS CREDIT SPREAD		5 Days Close		12M Close	
EM Bonds Spread	279.48	298.2	-18.7	347.76	-68.3
HY Bonds Spread	260.00	283.0	-23.0	356.00	**-96.0**
BBB 10yr Spread	165.43	182.5	-17.0	163.13	23
CoCos Spread	#N/A Invalid Security	#N/A Invalid Security	#####	#N/A Invalid Security	#VALUE!

FIXED INCOME		5 Days	1 Month	YTD
US High Yield	2,811.52	0.46%	ÿ 1.72%	4.78%
EM Bonds USD	1,312.75	0.49%	ÿ 1.93%	5.18%
EM Local Currency	147.98	0.98%	ÿ 2.75%	12.76%
CoCos USD	146.43	0.60%	ÿ 2.86%	10.25%
IG BBB 3-5yr USD	379.40	0.33%	ÿ 1.90%	3.49%
IG AA Corp USD	278.13	0.27%	ÿ 1.76%	4.14%

COMMODITIES	Last	5 Days	1 Months	YTD
CRB INDEX	299.93	0.57%	ÿ -0.32%	1.08%
WTI	66.50	1.50%	ÿ 2.97%	-7.28%
Brent	70.75	2.52%	ÿ 6.39%	-4.53%
US Natural Gas	3.39	-9.41%	ÿ -10.49%	-6.77%
S&P GSCI Precious Metal	**4,317.22**	**-0.10%**	ÿ **0.09%**	**26.60%**
Gold	3,337.15	1.92%	ÿ -1.05%	27.15%
Silver	36.97	2.72%	ÿ 7.14%	27.91%
Platinum	1,397.90	4.20%	ÿ 27.77%	54.03%
Palladium	1,137.72	0.08%	ÿ 13.91%	24.66%
S&P GSCI Industrial Metal Index	**467.85**	**0.50%**	ÿ **3.89%**	**6.82%**
Aluminum	2,590.00	-0.19%	ÿ 4.31%	1.51%
Copper	9,959.85	-1.57%	ÿ 3.00%	15.11%
Nickel	15,100.91	0.27%	ÿ -0.69%	-0.07%
S&P GSCI Agriculture	**356.48**	**0.93%**	ÿ **-5.10%**	**-6.90%**

CURRENCIES	Last	5 Days	1 Month	YTD
CHF vs. USD	0.7940	0.63%	ÿ 3.09%	14.28%
JPY vs. USD	144.4700	0.12%	ÿ -1.18%	8.81%
CAD vs. USD	1.3601	0.65%	ÿ 0.57%	5.76%
EUR vs. USD	1.1778	0.51%	ÿ 3.16%	13.75%
GBP vs. USD	1.3650	-0.48%	ÿ 0.71%	9.06%
AUD vs. USD	0.6556	0.41%	ÿ 0.99%	5.95%
BRL vs. USD	5.4211	1.21%	ÿ 3.98%	13.95%
MXN vs. USD	18.6285	1.05%	ÿ 3.05%	11.80%
COP vs. USD	3,984.45	2.89%	ÿ 3.12%	10.57%
CNY vs. USD	7.1656	0.10%	ÿ 0.17%	1.87%
EUR vs. CHF	0.9353	0.07%	ÿ -0.09%	0.52%
DOLLAR INDEX	97.1800	-0.23%	ÿ -1.63%	-10.42%
BITCOIN	108,075.40	0.44%	ÿ 7.53%	15.32%

KEY DATES OF THE NEXT WEEK

July 9

Minutes of the FOMC meeting

July 10th

Federal budget balance

Source: Sentosa & Co

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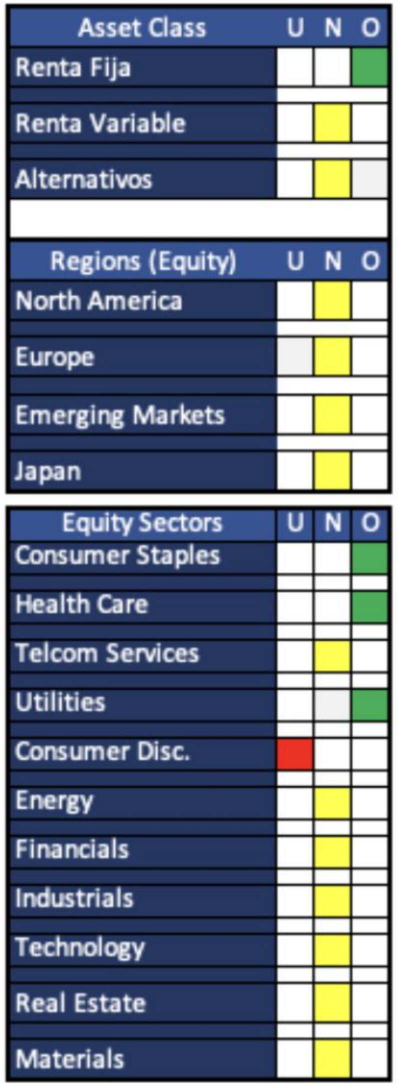


June nonfarm payrolls increased by 147,000, well above expectations of 110,000, while unemployment unexpectedly fell to 4.1%. This strength reduced expectations for a Federal Reserve rate cut, and the probability of easing in July fell to 94.8%.

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-end, indicating growing economic difficulties. GDP for the first quarter of 2025 was revised down to -0.5%, worse than expected, due to tariff-related disruptions and weaker consumer spending. Despite the approaching July 9 tariff deadlines, there were positive developments. A new US- Vietnam trade deal and a US-China agreement on rare earths provided optimism, while Canada withdrew planned taxes on digital services. However, concerns remain about potential 30-35% tariffs on Japan.

Markets demonstrated remarkable resilience, reaching new highs, weathering trade uncertainties and achieving new milestones.

Source: Sentosa & Co

The new reality of the dollar

The US dollar has experienced a significant decline in 2025, marking its worst first-half performance in more than 50 years. **The dollar index, which measures its strength against a basket of six major currencies, fell -10.8% in the first half of the year and more than -12% from its peak reached in mid-January 2025, pushing the dollar into a new long-term downtrend** (Chart 1). The economic outlook driving this decline is characterized by slowing US economic growth and some anticipation of further macroeconomic deterioration in budgetary terms in the future. Fiscal challenges are exacerbating the dollar's weakness. Rising national debt and growing concerns about the US's fiscal health have eroded the dollar's traditional credibility as the global reserve currency.

Political unpredictability, particularly regarding economic policies, has further undermined investor confidence. The geopolitical landscape is also contributing to the dollar's decline. Ongoing trade tensions, uncertainty about Federal Reserve policy, and political pressures are creating a complex environment for currency valuation. **Regardless, the dollar has depreciated against most major currencies in 2025, especially against European currencies and the Brazilian real (BRL)** (Chart 2).

Chart 1: Dollar Index (96.97)

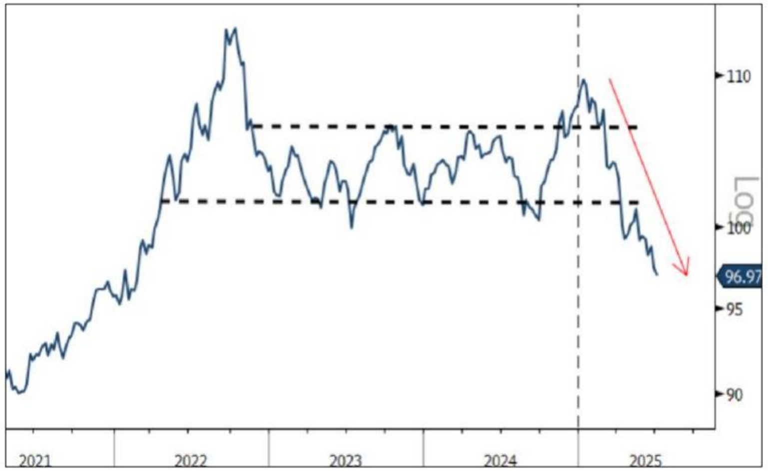
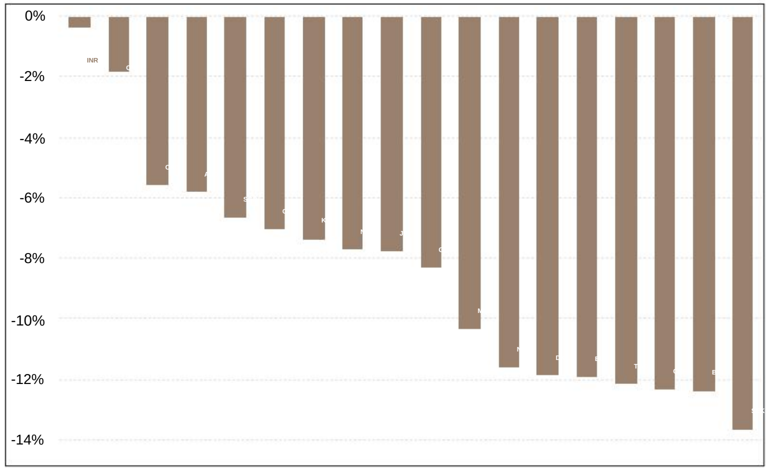


Chart 2: Dollar depreciation against foreign currencies in 2025



Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

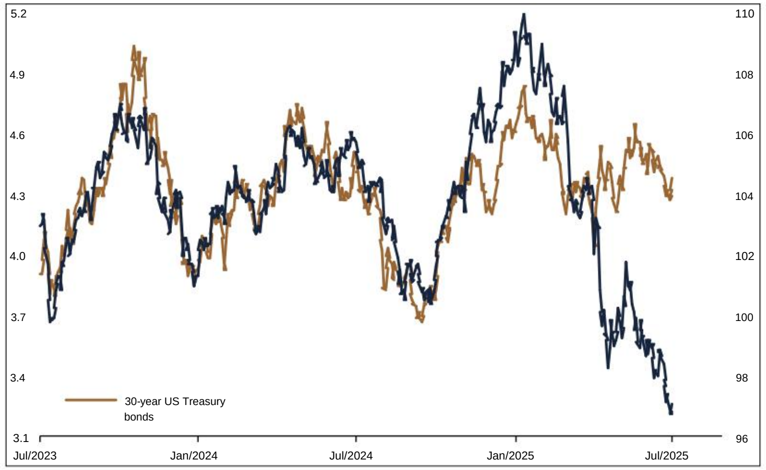
The recent depreciation of the dollar is perfectly normal and reflects the beginning of a rebalancing process that could last several years. This is neither a breakup nor the end of American exceptionalism, but simply a transition to a more balanced and less greenback-friendly environment. The factors that sustained its vigor for more than a decade are still present. They are just losing their power. **If the adjustment may seem rapid and brutal, it is because the dollar was at its highest point at the beginning of the year and two standard deviations from its fair value level in terms of the Real Trade-Weighted Index** (Chart 1). Only once before in its recent history has it been so expensive, that was in the 1980s during President Reagan's term.

The reasons for the dollar's collapse: A more complex and diversified world order is beginning to emerge. The dollar will continue to play a central, if less dominant, role. Therefore, its relative value is logically appreciating.

- **History will undoubtedly remember that it was when the tariffs were introduced, on April 2, 2025, that the dollar really began to fall** (Chart 4). Since that famous Liberation Day, investors were concerned about the recessionary and inflationary effects of the new US trade policy, as well as the restrictive monetary policy the Fed would have to impose. They were also unconcerned about the Trump administration's fiscal policy and ability to reduce budget deficits, so investors grew more wary of sovereign bonds. Logically, demand for Treasury bonds weakened, yields rose, and the dollar fell.

Chart 3: Real trade weighted index

Chart 4: Dollar Index; US 30-Year Interest Rates



Source: Sentosa & Co, Altitude IS

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Chart 5: GDP growth differential between the US and Europe

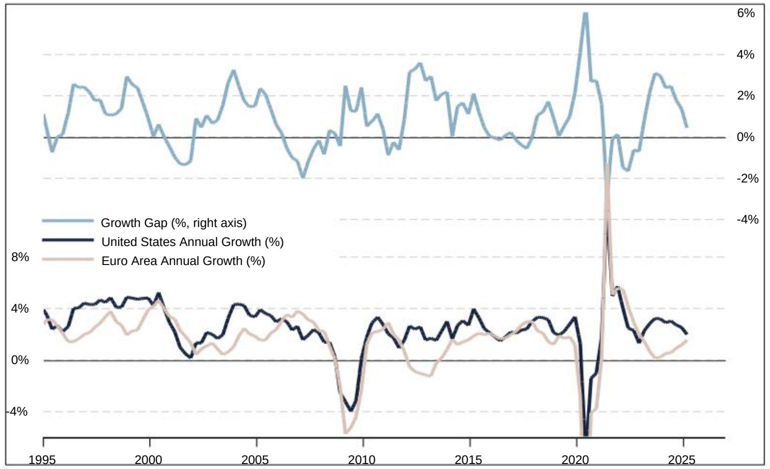
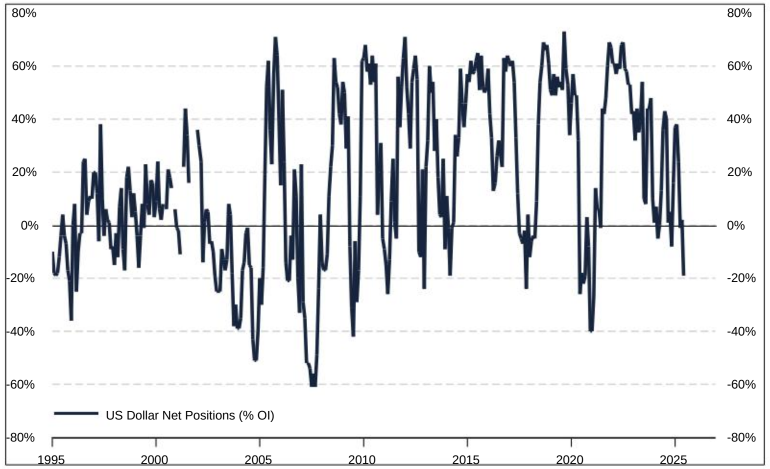


Chart 6: Speculative positions on the dollar



- **After a long period of economic superiority, US growth is slowing. Not only is the gap with European GDP growth narrowing, but so is the** (Chart 5), but Uncle Sam may have entered a recession in the first quarter. Apart from the high volatility caused by customs duties, the main concern is the Lack of dynamism in private consumption. Is the cornerstone of the American edifice cracking? It's a legitimate question, given the evolution of the labor market. The indicators They look good, but they are increasingly hesitant. The unemployment rate is generally close to its historic lows, but it is trending upward. Therefore, job growth It risks being insufficient to allow household consumption to contribute positively to US economic growth.

- The budget bill that Donald Trump has called the Big Beautiful Act is likely to bury once and for all any hope of a return to discipline. The recurring deviation of the US budget deficit has already taken its toll on the country's credit rating. It has been downgraded from AAA to AA+ and could continue to do so. sliding down this slope as early as next year. While an agreement between the Treasury and the G7 allies should allow for its withdrawal, the sense of unpredictability it creates is damaging to the country's reputation and, ultimately, to the dollar.

- Hedging was also a key factor in the dollar's decline earlier this year. International investors have increasingly sought to manage their currency risk . **Positions traded in the currency options market show that traders are now betting on a fall in the dollar** (Chart 6). With short positions near their At most, this trend could reverse sharply, causing a rebound in the greenback... at least for a short period of time.

Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

The Future Direction of the Dollar All of

these factors help explain why the dollar has lost ground against most of its counterparts. Over the next 12 months, the greenback's fate will depend above all on what happens within the Federal Reserve (Fed). The US central bank's monetary policy could become much more accommodative. At their previous meeting in early June, the governors reaffirmed their "wait and see" stance. Seven of the nineteen participants expected no rate cuts this year. In recent weeks, more and more governors, including Vice Chair Michelle Bowman, have become very accommodative. **This has been all investors needed to anticipate a gradual reduction in policy rates; in any case, 2-year yields anticipate greater dovishness ahead** (Chart 7). However, if the economic situation worsens, the Fed will have to cut rates more aggressively than expected, something the market has not yet priced in... consequently, investor appetite for the greenback will also wane.

This accommodative trend has been reinforced by rumors that Donald Trump is considering appointing a highly rate-cutting Fed chair in May 2026 to succeed Jerome Powell. **According to the latest polls, Kevin Warsh and Christopher Waller are the favorites** (Chart 8). If the new central bank chair is perceived as "dovish," the dollar's depreciation will be reinforced. To find the long-term fair value of the dollar against other currencies, it is important to look at Purchasing Power Parity (PPP). This formula takes into account the fact that the prices of tradable goods and services should be equivalent worldwide. Consequently, when inflation rises more rapidly in a country, businesses and consumers turn to foreign markets to make their purchases, selling their domestic currency in favor of foreign currencies. This method of analysis may not be very effective in the short term, but it is one of the most relevant in the long term.

Chart 7: US 2-year yield (3.88%); Fed Fund rate (4.375%)

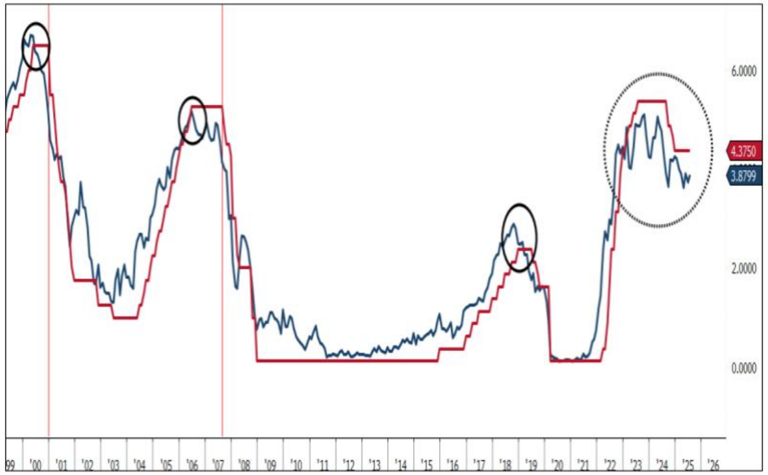
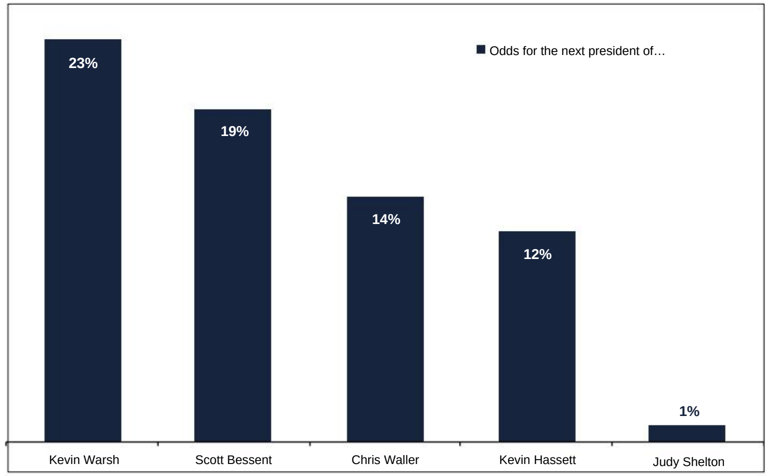


Chart 8: Next Fed Governors



Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

The dollar and the Swiss franc, two of the currencies most appreciated by investors in recent years, are trading at their fair value: 0.79. This has not happened since 2020, when this equilibrium value was 0.90 (Chart 7). Currency traders sometimes forget that, with structurally much lower inflation in Switzerland than in the United States, the franc's exchange rate mechanically appreciates by around 2% per year. At this rate, the fair value of the USD/CHF exchange rate will be 0.74 at the end of the decade, and 0.70 in 2033.

As for the euro, given the economic fundamentals and capital flows in the markets, it seems entirely possible that the dollar will continue to depreciate against the euro. To close the gap opened in 2018, the exchange rate must reach $1.27 per euro. Seven years of undervaluation of the euro is a relatively long time in historical terms; we are now converging toward the fair value of EURUSD. Despite this long-term projection, this adjustment should not occur in a straight line, and a short-term rebound in the dollar is highly likely to occur after such a devaluation.
We wouldn't be surprised to see the greenback recover in the coming weeks.

Chart 7: PPP USDCHF Breakeven Rate (0.79); USDCHF (0.79)

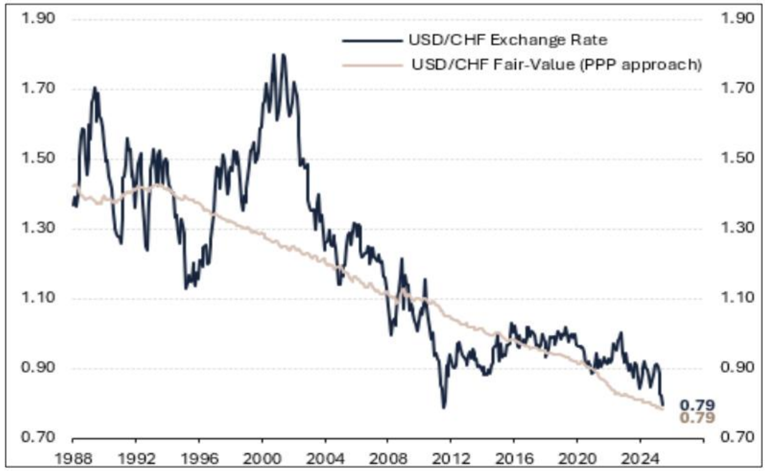
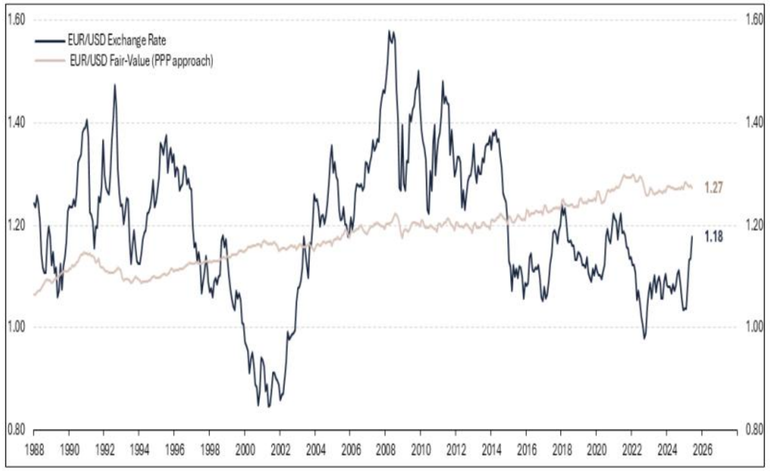


Chart 8: PPP EURUSD Equilibrium rate (1.27); EURUSD (1.18)



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THE TOPIC OF THE WEEK

CONCLUSION:

The dollar is experiencing a shift in reality and investor perception that is bringing it closer to its long-term fair value. The dollar's weakening over the past six months is anything but chaotic. On the contrary, it represents a necessary normalization. However, the decline appears to have been too rapid and abrupt. A rebound seems inevitable. This should not be seen as a return to normal, as the decline will continue until the rebalancing is complete. To return to economic fundamentals, the greenback will have to weaken further against the euro, so we advise investors to take advantage of any short-term recovery in the dollar to take positions in euros.

Source: Sentosa & Co, Altitude IS

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