

LAST WEEK SUMMARY

US stock markets posted an impressive recovery week, with the S&P 500 gaining **+2.4 %**, the Nasdaq rising **+3.9%**, and the Dow Jones advancing **+1.3 %**. Last week's performance demonstrated remarkable resilience following the previous week's dramatic decline. The week began with a decisive rebound on Monday, as the Dow rose 585 points (1.34%) and the S&P 500 advanced 1.47%, erasing the previous Friday's losses. This recovery occurred despite lingering concerns over weak jobs data and the continued effects of tariffs, suggesting that markets were oversold in the previous session.

The previous week's weak jobs data continued to positively influence market sentiment, raising hopes for a Federal Reserve interest rate cut. Market expectations for a 25 basis point rate cut in September soared from 37.7% to 86.5 %, according to CME's FedWatch tool. Minneapolis Fed President Neel Kashkari supported this dovish shift, stating that two rate cuts this year appear appropriate given signs of a slowing economy. On Thursday and Friday, both the S&P 500 and Nasdaq hit new all-time highs, with the Nasdaq closing Friday at 21,450.02. The technology sector showed particular strength, boosted by Apple's announcement of a \$100 billion investment commitment.

of dollars in the United States. This news helped revive the momentum of the technology sector and the positive performance of the Nasdaq.

Despite ongoing trade tensions, tariff concerns had a relatively muted effect on markets during the week. New tariffs included 25% on Indian imports, 100% on non-domestic semiconductors, and additional levies on Swiss gold bars. However, corporate earnings reports showed mixed effects, with companies such as Caterpillar warning of potential costs of \$1.5 billion in 2025, while overall market sentiment remained positive. Economic indicators presented a complex picture. The ISM manufacturing PMI fell to 48.0, remaining in contractionary territory, while the services PMI barely remained in expansion at 50.1. The US trade deficit narrowed 16% in June to \$60.2 billion, beating expectations. Second-quarter GDP growth of 3.0% provided support, following a 0.5% contraction in the first quarter.

decade. However, this week's performance suggests underlying market resilience despite macroeconomic uncertainties.

Looking ahead, markets face seasonal headwinds, with August typically being a volatile month and September typically seeing declines in S&P 500 by almost 2% on average in the last

FLUCTUATIONS AND MACROECONOMIC DATA

IMPORTANT DATES OF THE LAST WEEK

August 4th
Durable goods orders
 Real: -9.40% vs. Survey: -9.30%

August 5th
Trade balance
 Real: -\$60.2 billion vs. the survey: -61.3 billion dollars

S&P Global Services PMI in the USA
 Real 55.7 vs. survey 55.20

S&P Global U.S. Composite PMI
 Real 55.10 vs. survey 54.60

GLOBAL EQUITY INDICES	Last	5 Days	1 Month YTD
MSCI WORLD	4,125.30	2.55% \bar{y} 1.94%	11.26%
MSCI EM	1,253.79	2.25% \bar{y} 2.01%	16.58%
MSCI EM LATIN AMERICA	2,325.69	4.53% \bar{y} 2.29%	25.54%
MSCI AC ASIA x JAPAN	817.71	1.98% \bar{y} 1.86%	16.14%
USA			
S&P 500 INDEX	6,389.45	2.43% \bar{y} 2.07%	8.63%
NASDAQ COMPOSITE	21,450.02	3.87% \bar{y} 4.20%	11.08%
DOW JONES INDUS. AVG	44,175.61	1.35% \bar{y} -0.44%	3.83%
RUSSELL 2000 INDEX	2,218.42	2.38% \bar{y} -0.73%	-0.53%
EUROPE			
STXE 600 (EUR) Pr	547.08	2.11% \bar{y} -0.05%	7.77%
Euro Stoxx 50 Pr	5,347.74	3.53% \bar{y} -0.66%	9.23%
DAX INDEX	24,162.86	3.15% \bar{y} -0.38%	21.37% US RATES
CAC 40 INDEX	7,743.00	2.61% \bar{y} -1.10%	4.91%
FTSE MIB INDEX	41,623.86	4.21% \bar{y} 3.86%	21.76%
IBEX 35 INDEX	14,824.90	4.94% \bar{y} 5.82%	27.86%
SWISS MARKET INDEX	11,866.85	0.26% \bar{y} -0.59%	2.29%
FTSE 100 INDEX	9,095.73	0.30% \bar{y} 1.73%	11.29% EM Bonds Spread
ASIA			
NIKKEI 225	41,820.48	2.50% \bar{y} 5.69%	4.83%
HANG SENG INDEX	24,858.82	1.43% \bar{y} 2.98%	23.92%
CSI 300 INDEX	4,104.97	1.23% \bar{y} 2.25%	4.32%
SENSEX	79,857.79	-0.92% \bar{y} -3.20%	2.20%
LATAM			
S&P/BMV IPC	58,070.17	2.06% \bar{y} 2.61%	17.28% EM Local Currency
BRAZIL IBOVESPA INDEX	135,913.25	2.62% \bar{y} -0.20%	12.99%
MSCI COLCAP INDEX	1,802.78	1.69% \bar{y} 6.77%	30.68%
S&P/CLX IPSA (CLP) TR	8,520.53	4.40% \bar{y} 3.51%	26.98%

EQUITY SECTORS	Last	5 Days	1 Month YTD		
PHILA GOLD & SILVER INDX	230.30	11.53% \bar{y} 9.12%	67.88%		
MSCI WORLD/INF TECH	909.40	4.21% \bar{y} 4.90%	14.84%		
MSCI WORLD/MATERIAL	358.17	3.93% \bar{y} -0.07%	11.46%		
MSCI WRLD/COMM SVC	149.22	3.41% \bar{y} 5.60%	17.24%		
MSCI WORLD/CONS DIS	470.79	3.38% \bar{y} 0.69%	0.58%		
MSCI WORLD/CON STPL	303.74	2.79% \bar{y} 1.25%	8.76%		
MSCI WORLD BANK INDEX	160.40	2.68% \bar{y} 2.41%	25.63%		
MSCI WORLD/FINANCEVAL	165.92	2.14% \bar{y} 1.54%	18.39%		
MSCI WORLD/INDUSTRY	480.71	1.38% \bar{y} 1.10%	18.71%		
MSCI WORLD/UTILITY	193.03	0.62% \bar{y} 3.10%	17.87%		
MSCI WORLD/ENERGY	253.23	-0.05% \bar{y} -2.81%	4.04%		
MSCI WORLD/HLTH CARE	341.54	-0.45% \bar{y} -3.19%	-3.20%		
		Last	5 Days Close	12M Close	
2Y	3.76	3.68	0.08	4.04	-0.28
5Y	3.83	3.76	0.07	3.83	0.00
10Y	4.28	4.22	0.07	3.99	0.30
		BONDS CREDIT SPREAD	5 Days Close	12M Close	
HY Bonds Spread	271.00	289.0	-18.0	371.00	-100.0
BBB 10yr Spread	168.71	182.4	-13.7	178.57	-9.9
CoCos Spread	#N/A	Invalid Security	#N/A	Invalid Security	#### #N/A
		FIXED INCOME	5 Days	1 Month YTD	
US High Yield	2,825.43	0.38% \bar{y} 0.72%	5.30%		
EM Bonds USD	1,330.19	0.46% \bar{y} 1.57%	6.57%		
CoCos USD	147.08	0.64% \bar{y} 0.95%	10.73%		
IG BBB 3-5yr USD	382.68	-0.06% \bar{y} 1.43%	4.24%		
IG AA Corp USD	280.13	-0.13% \bar{y} 1.49%	5.04%		

COMMODITIES	Last	5 Days	1 Months YTD		
CRB INDEX	294.07	0.14% \bar{y} -3.11%	-0.89%		
WTI	63.88	-5.12% \bar{y} -6.51%	-10.93%		
Brent	67.87	-4.94% \bar{y} -5.67%	-8.42%		
US Natural Gas	2.99	-3.02% \bar{y} -10.48%	-17.70%		
S&P GSCI Precious Metal	4,509.00	2.87% \bar{y} 2.18%	32.23%		
Gold	3,397.75	1.02% \bar{y} 2.90%	29.46%		
Silver	38.34	3.53% \bar{y} 4.30%	32.67%		
Platinum	1,331.39	0.83% \bar{y} -2.96%	46.70%		
Palladium	1,128.51	-6.93% \bar{y} 1.51%	23.65%		
S&P GSCI Industrial Metal Index	462.67	1.66% \bar{y} 0.65%	5.64%		
Aluminum	2,609.00	1.68% \bar{y} 0.89%	2.25%		
Copper	9,692.45	1.16% \bar{y} -1.52%	12.02%		
Nickel	14,956.71	1.10% \bar{y} 0.82%	-1.02%		
S&P GSCI Agriculture	343.76	1.29% \bar{y} -0.73%	-10.22%		
		CURRENCIES	Last	5 Days	1 Month YTD
CHF vs. USD	0.8083	-0.53% \bar{y} -1.52%	12.26%		
JPY vs. USD	147.7400	-0.23% \bar{y} -0.79%	6.40%		
CAD vs. USD	1.3759	0.20% \bar{y} -0.72%	4.54%		
EUR vs. USD	1.1641	0.47% \bar{y} -0.72%	12.43%		
GBP vs. USD	1.3452	1.30% \bar{y} -1.03%	7.48%		
AUD vs. USD	0.6522	0.74% \bar{y} -0.12%	5.40%		
BRL vs. USD	5.4345	1.98% \bar{y} 0.25%	13.67%		
MXN vs. USD	18.5735	1.54% \bar{y} 0.18%	12.13%		
COP vs. USD	4,050.11	1.90% \bar{y} -0.07%	8.78%		
CNY vs. USD	7.1802	0.18% \bar{y} -0.02%	1.66%		
EUR vs. CHF	0.9410	-1.00% \bar{y} -0.83%	-0.10%		
DOLLAR INDEX	98.1800	-0.97% \bar{y} 0.68%	-9.50%		
BITCOIN	117,108.67	1.99% \bar{y} 5.73%	24.96%		

KEY DATES OF THE NEXT WEEK

August 12th
Year-on-year CPI
 Survey 2.80%

August 14th
IPP Final year-on-year demand
 Survey 2.50%

August 15th
Monthly retail sales
 Survey 0.50%

Monthly industrial production
 Survey 0.0%

University Confidence Index from Michigan
 Survey 62

Source: Sentosa & Co.

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SECOND QUARTER 2025: FINANCIAL RESULTS

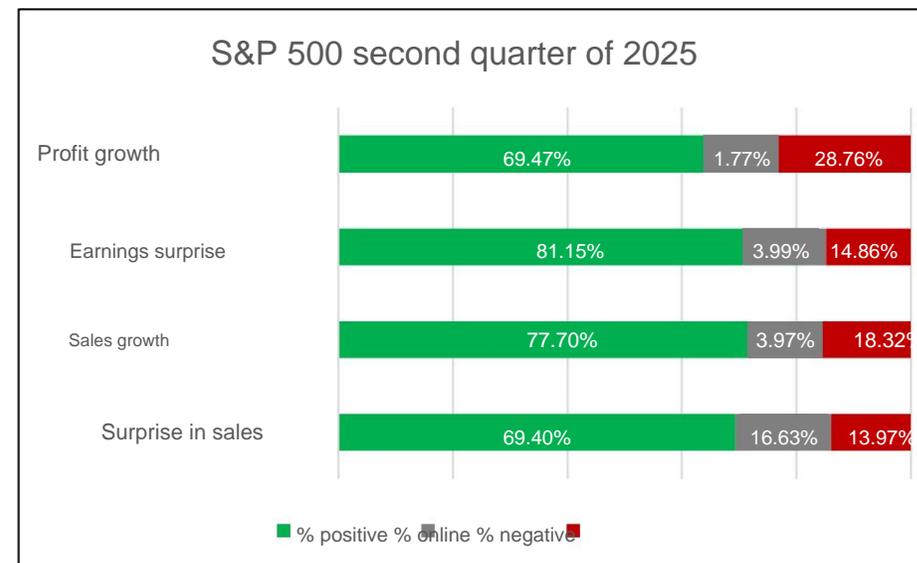
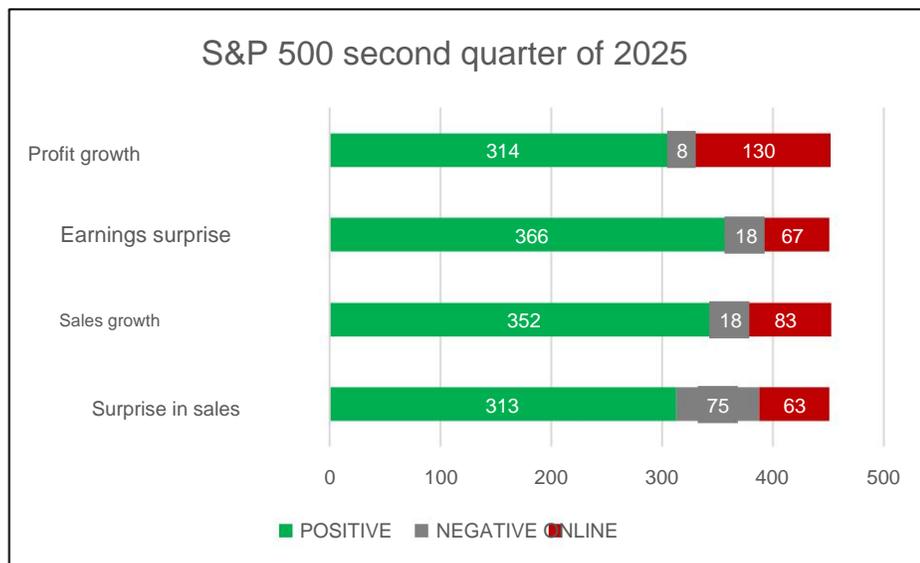
Earnings Growth				
	Positive	Inline	Negative %	130
S&P 500	314	8		11.38%
Materials	12	1	11	-3.87%
Industrials	49	0	20	3.13%
Consumer Staples	14	1	13	-0.22%
Energy	11	0	13	-19.46%
Technology	40	0	7	16.29%
Consumer Discretionary	22	0	18	2.97%
Communications	23	0	2	44.07%
Financials	64	2	11	15.73%
HealthCare	40	1	15	8.28%
Utilities	18	2	11	0.59%
Real Estate	21	1	9	1.25%

Earnings Surprise				
	Positive	Inline	Negative %	
S&P 500	366	18	67	8.42%
Materials	13	2	10	0.10%
Industrials	59	3	7	6.10%
Consumer Staples	25	0	3	5.14%
Energy	17	1	5	8.34%
Technology	43	1	3	7.29%
Consumer Discretionary	27	3	10	13.89%
Communications	21	2	2	12.13%
Financials	65	2	9	8.94%
HealthCare	49	0	7	8.62%
Utilities	23	1	7	4.97%
Real Estate	24	3	4	1.28%

Sales Growth				
	Positive	Inline	Negative %	
S&P 500	352	18	83	6.03%
Materials	17	0	8	5.84%
Industrials	49	5	15	4.41%
Consumer Staples	15	4	9	1.36%
Energy	13	0	11	-6.68%
Technology	41	1	5	12.15%
Consumer Discretionary	27	3	10	5.17%
Communications	22	1	2	9.36%
Financials	64	2	11	4.36%
HealthCare	52	0	4	11.78%
Utilities	27	1	3	7.50%
Real Estate	25	1	5	5.98%

Sales Surprise				
	Positive	Inline	Negative %	
S&P 500	313	75	63	2.33%
Materials	11	7	7	1.10%
Industrials	46	9	14	1.91%
Consumer Staples	17	5	6	1.01%
Energy	19	1	4	3.31%
Technology	41	5	1	3.75%
Consumer Discretionary	26	9	5	2.78%
Communications	19	6	0	2.23%
Financials	40	18	17	0.66%
HealthCare	50	5	1	3.07%
Utilities	22	2	7	3.35%
Real Estate	22	8	1	1.87%

SECOND QUARTER 2025: FINANCIAL RESULTS



VISION OF IN ON CAPITAL SA

Asset Class	U	N	O
Renta Fija			
Renta Variable			
Alternativos			
Regions (Equity)			
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 market has recovered from the negative performance of two weeks ago and is showing some resilience in the face of the global geopolitical and trade situation. We have decided to adopt a more cyclical stance during the month of July, upgrading the materials and industrials sectors and downgrading the consumer staples and utilities sectors.

Although we believe the market's current resilience confirms that the trend will remain positive over the next 6 to 12 months, we believe a short-term correction is now in order. After a rise of more than 30% in four months, the market is trading at perfect levels, with some key cyclical sectors, such as semiconductors, remaining overbought.

We recommend adopting a more defensive stance at these levels. For more defensive investors, one solution could be to take profits and reduce exposure. For those wishing to maintain their investments, a rotation from growth sectors to cheap value sectors would make sense.

THE TOPIC OF THE WEEK

Second quarter results are excellent... but the market needs a break

The temporary tariff freeze, which began in April, triggered one of the sharpest market rallies in years, with the MSCI World Index rising more than 30% from its inception to its peak in just under four months (Chart 1). Moreover, resilient economic growth and investor optimism that the tariff issue would be largely resolved by late summer further fueled the rally. Indeed, the US economy rebounded strongly in the second quarter of 2025. Gross domestic product (GDP) grew at an annualized rate of 3.0% between April and June, exceeding economists' forecasts for 2.6% growth. This followed a 0.3% contraction in the first quarter of 2025.

The second quarter of 2025 earnings season has also contributed to this rebound, as the numbers have been excellent so far. **With 90% of companies reporting results, earnings and sales growth reached 11.4% and 6.8%, respectively, figures that far exceed the modest 3.0% earnings and 4.5% sales growth expected by the market** (Exhibit 2). What is most impressive is not only the magnitude of these numbers, but their quality. We note that 81% of companies reported positive results, in line with the historical average over the past five years, and that the average earnings surprise was +5.6%, also in line with the average over the past five years, suggesting that this performance reflects genuine operational strength rather than a downgrade of expectations. In my analysis, the performance in margins is particularly noteworthy.

Chart 1: MSCI World (4098.08) / Weekly Chart



Chart 2: Q2 2025 EPS and Sales; Q2 Consensus



THE TOPIC OF THE WEEK

Despite widespread concerns about tariff pressure on profitability, net profit margins remain virtually unchanged from first-quarter levels (Exhibit 3). Companies are demonstrating remarkable resilience, successfully mitigating the effects of tariffs through productivity improvements rather than sacrificing profitability, supporting our equity position and our upgrade to Neutral for May (Exhibit 4). However, despite the earnings momentum and following such a significant rally, we recommend investors adopt a cautious tactical stance. Indeed, markets are trading at perfect levels, leaving them vulnerable to negative surprises that could trigger disproportionate selling pressure. Historical seasonal patterns pose an additional obstacle, as August and September are typically challenging months for equities.

Technical conditions also reveal worrying overbought conditions in several key areas. Semiconductors, which have been the driving force behind this latest rally, are now showing extreme overbought levels, suggesting a risk of near-term consolidation. **After a rise of more than 60% since April, the semiconductor index is now in an important resistance zone, where prices should take a break (Chart 5). Furthermore, growth stocks have become overbought and more expensive relative to value stocks, while their high correlation with market movements limits their defensive characteristics (Chart 6).** Political uncertainty surrounding trade relations adds another layer of short-term caution. While companies have demonstrated remarkable adaptability in managing the effects of tariffs, the full magnitude of the trade policy impact remains uncertain. Economic growth shows signs of slowing, although not enough to halt the expansion. As monetary policy shifts toward accommodation and economic growth moderates, the premium for pure growth characteristics should compress, benefiting more cyclically sensitive and value-oriented companies.

Chart 3: S&P 500 Net Margin

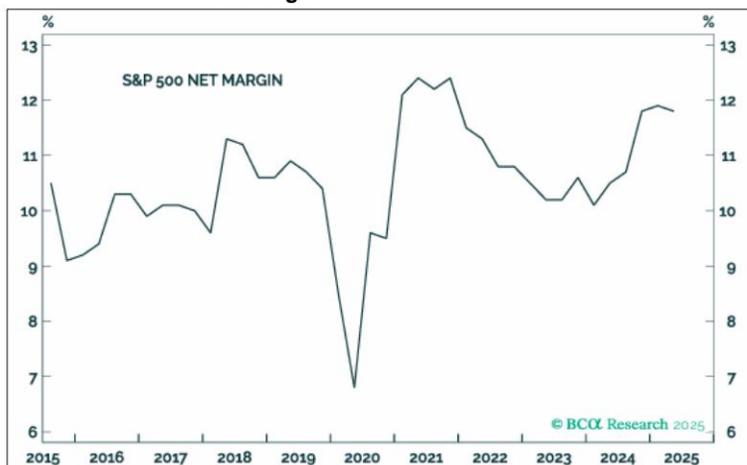
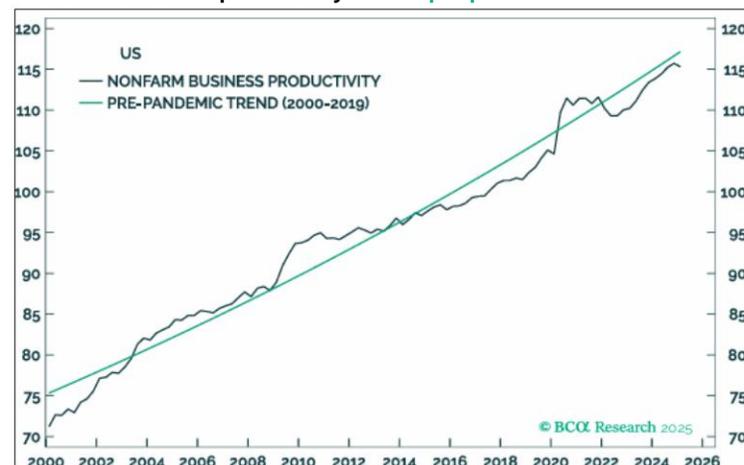


Chart 4: Business productivity versus pre-pandemic trend

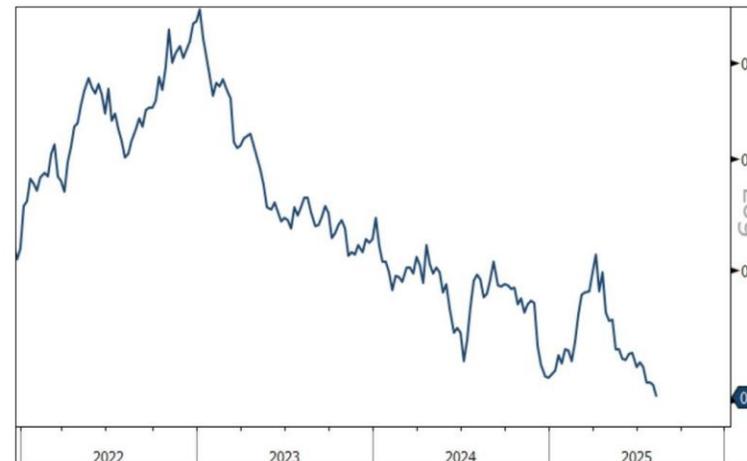


THE TOPIC OF THE WEEK

Chart 5: MSCI World Semiconductors / Weekly Chart



Chart 6: MSCI Value vs. MSCI Growth



Tactical Adjustment from Growth to Value

Following the disappointing jobs data and anticipating a drop in interest rates due to some economic slowdown (but not a recession), some tactical adjustments could be made by reducing growth stocks and starting to implement some value stocks. Perhaps the most contrarian recommendation is to initiate a small position in real estate and reduce positions in semiconductors and growth. **Since the April lows, the real estate sector has been under significant relative pressure, underperforming by 16% (Chart 7). The real estate sector is negatively correlated with interest rates and has been negatively impacted by the consistently high level of rates in 2025 (Chart 8).** Since we believe the yield curve should steepen due to some looming economic slowdown, the sector should benefit from this and close its gap.

Healthcare is another value sector that has suffered greatly. **Since the April lows, the sector has underperformed by -24%** (Exhibit 9). We discussed our reasoning in our report last week and maintain an "Overweight" rating on the sector. **In summary, the healthcare sector is currently trading at a significant discount to the broader market, with a forward P/E of 16.8%, well below the global market and its own long-term historical average of 18.3x** (Exhibit 10). Furthermore, despite constant pricing pressure from President Trump, the sector is expected to grow exponentially going forward thanks to cost reductions driven by digitalization and the evolution of artificial intelligence. Globally, the sector is expected to grow at a CAGR of 22%. **Ultimately, these two sectors appear to be the cheapest globally** (Exhibit 10).

THE TOPIC OF THE WEEK

Chart 7: S&P Real Estate Ratio vs. S&P 500

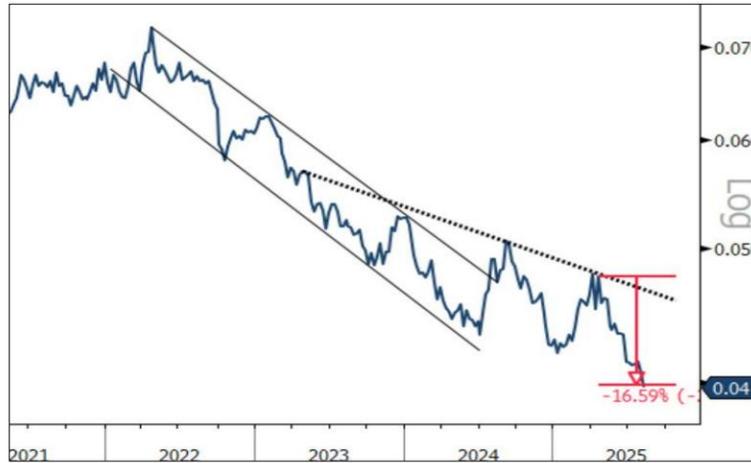


Chart 8: US 10-Year Yields and Real Estate S&P (inverted)

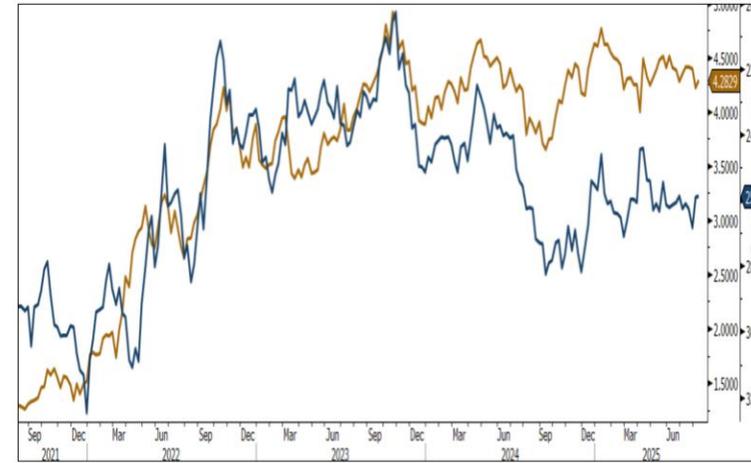


Chart 9: S&P Health Care vs. S&P 500 Ratio

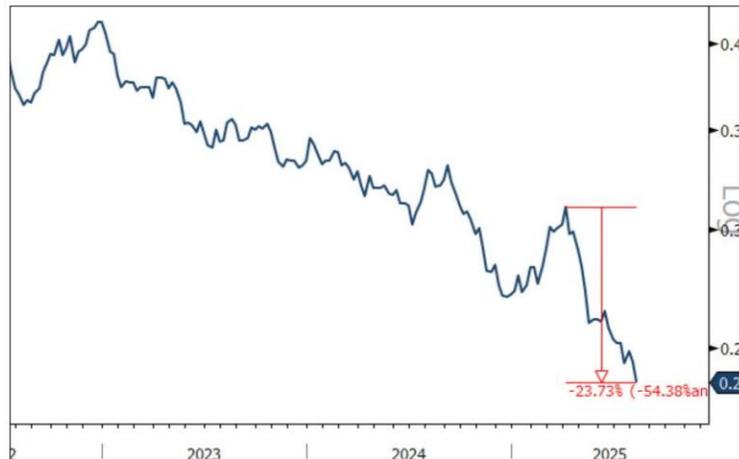
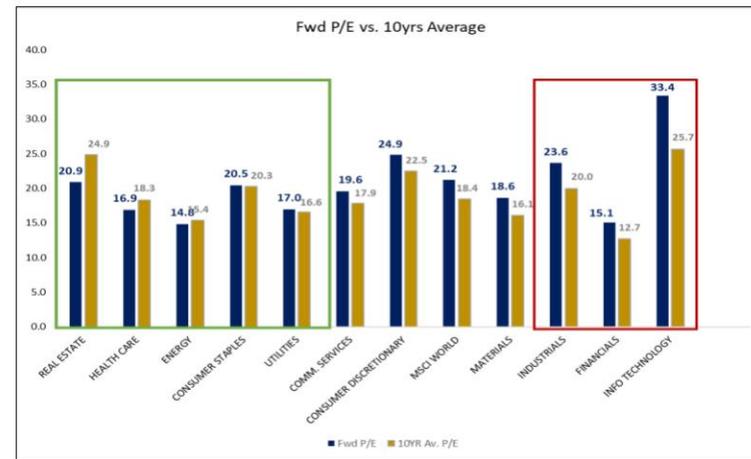


Chart 10: Future PER by sector versus the 10-year average



THE TOPIC OF THE WEEK

Although we decided to adopt a more cyclical strategy during the month of July, strategically upgrading the materials and industrials sectors and downgrading the consumer staples and utilities sectors, we believe the market is at risk of a tactical correction. The rotation from growth to value and from semiconductors to real estate or healthcare creates more balanced portfolio characteristics while maintaining exposure to secular growth themes. This approach recognizes that while corporate fundamentals remain strong, prudent portfolio management requires adapting to evolving market dynamics.

CONCLUSION

The current market environment presents a classic case in which strategic optimism must be balanced with tactical prudence. Although we remain optimistic for the next 6-12 months, supported by earnings resilience, technological innovation, and favorable political trends, a tactical correction is expected, and short-term market dynamics warrant defensive adjustments to investors' portfolios.

For longer-term investors, the tactical rotation from growth to value and from semiconductors to real estate or healthcare reflects a more mature investment approach that prioritizes both return generation and capital preservation. This positioning recognizes that the most aggressive phase of the current cycle may be behind us, requiring more nuanced portfolio management strategies to effectively navigate changing market conditions in the coming months. For more tactical investors, taking some of their chips off the table and waiting for a better level to re-enter also seems a solution.

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