LAST WEEK SUMMARY

Last week culminated with a historic decision by the Federal Reserve that triggered a broad-based rally in equities, with all major indexes reaching multiple all-time highs as markets celebrated the central bank's dovish shift.

The Fed's first rate cut in nine months, which reduced the federal funds rate by 25 basis points to between 4.00% and 4.25%, marked a decisive shift in monetary policy that encouraged investors across all market segments. The Nasdaq closed the week up **+2.21** %, followed by the S&P 500 at **+1.22%** and the Dow Jones at **+1.05** %. Market performance accelerated throughout the week, beginning with record highs on Monday driven by anticipation of the rate cut. Tuesday brought temporary weakness as investors remained cautious about the Fed's decision, and technology leaders weighed on the Nasdaq. However, Wednesday's rate announcement triggered Thursday and Friday's spectacular rallies, with the Dow, S&P 500, Nasdaq, and Russell 2000 hitting consecutive record closes. The tech sector emerged as the biggest beneficiary, with Nvidia announcing a $5 billion investment. dollars into Intel to jointly develop AI infrastructure, generating extraordinary momentum. Intel shares soared 23%, their best performance in more than three decades, while CrowdStrike rallied 13% on the back of its AI initiatives. Tech stocks among the “Mighty Seven” were significant contributors to the record performance as lower borrowing costs improved growth prospects. Economic data supported the Fed’s decision and bolstered hopes for a soft landing. Weekly jobless claims fell sharply to 231,000 from a near four-year high, while the Philly Fed manufacturing index rose to 23.2, its highest level since January. These indicators demonstrated the economy's resilience despite the cooling labor market, justifying the Fed's easing. The central bank revised GDP growth for 2025 upwards, from 1.4% to 1.6%, while signaling further rate cuts in the future. Geopolitical events had mixed influences. The ongoing conflicts in Ukraine and the Middle East continued to generate volatility, and Ukrainian attacks on Russian energy facilities drove gold to new highs.

However, positive US-China relations emerged when President Trump's call with Xi Jinping led to progress on trade issues and TikTok's operations, providing additional optimism to the market. Market breadth expanded significantly beyond technology, with the Russell 2000 hitting record highs for the first time since 2021, demonstrating the participation of small caps. Financial stocks benefited from steeper yield curves, while commodities and materials posted gains.

With two additional rate cuts planned and positive momentum in US-China trade negotiations, markets entered the final quarter with renewed confidence, despite persistent inflationary pressures.

FLUCTUATIONS AND MACROECONOMIC DATA

KEY DATES OF THE LAST WEEK

September 15th

Empire Manufacturing

Real: -8.7 vs. Survey: 5.0

September 16th

Monthly industrial production

Real +0.1% vs. survey -0.1%

September 17th

Housing started

Real 1307 000 compared to the survey 1365,000

FOMC Rate Decision of interest

Real 4.25%

GLOBAL EQUITY INDICES	Last	5 Days	1 Month	YTD
MSCI WORLD	4,293.85	**0.97%**	ÿ 2.41%	15.80%
MSCI EM	1,340.91	**1.15%**	ÿ 5.87%	24.68%
MSCI EM LATIN AMERICA	2,526.70	**1.94%**	ÿ 6.42%	36.39%
MSCI AC ASIA x JAPAN	878.42	**0.73%**	ÿ 6.14%	24.76%
USA				
S&P 500 INDEX	6,664.36	**1.22%**	ÿ 3.05%	13.31%
NASDAQ COMPOSITE	22,631.48	**2.21%**	ÿ 5.28%	17.20%
DOW JONES INDUS. AVG	46,315.27	**1.05%**	ÿ 1.50%	8.86%
RUSSELL 2000 INDEX	2,448.77	**2.16%**	ÿ 3.68%	9.80%
EUROPE				
STXE 600 (EUR) Pr	554.12	**-0.13%**	ÿ -1.28%	9.16%
Euro Stoxx 50 Pr	5,458.42	**1.26%**	ÿ -0.54%	11.49%
DAX INDEX	23,639.41	**-0.25%**	ÿ -2.97%	18.74%
CAC 40 INDEX	7,853.59	**0.36%**	ÿ -1.46%	6.41%
FTSE MIB INDEX	42,312.28	**-0.60%**	ÿ -2.30%	23.77%
IBEX 35 INDEX	15,260.70	**-0.31%**	ÿ -0.88%	31.61%
SWISS MARKET INDEX	12,109.67	**-0.69%**	ÿ -1.27%	4.39%
FTSE 100 INDEX	9,216.67	**-0.72%**	ÿ -1.12%	12.77%
ASIA				
NIKKEI 225	45,045.81	**1.52%**	ÿ 5.66%	12.91%
HANG SENG INDEX	26,545.10	**0.59%**	ÿ 4.76%	32.33%
CSI 300 INDEX	4,501.92	**-0.44%**	ÿ 2.83%	14.41%
SENSEX	82,626.23	**0.88%**	ÿ 1.62%	5.74%
LATAM				
S&P/BMV IPC	61,200.27	**-0.57%**	ÿ 3.33%	23.60%
BRAZIL IBOVESPA INDEX	145,865.11	**2.53%**	ÿ 5.72%	21.27%
MSCI COLCAP INDEX	1,858.13	**0.68%**	ÿ -0.02%	34.69%
S&P/CLX IPSA (CLP) TR	9,007.14	**0.37%**	ÿ 1.73%	34.23%

EQUITY SECTORS	Last	5 Days	1 Month	YTD
PHILA GOLD & SILVER INDX	283.70	**3.92%**	ÿ 18.59%	106.81%
MSCI WRLD/COMM SVC	164.69	**2.63%**	ÿ 8.71%	29.39%
MSCI WORLD/INF TECH	947.88	**2.56%**	ÿ 5.95%	19.70%
MSCI WORLD/CONS DIS	504.44	**1.32%**	ÿ 2.92%	7.77%
MSCI WORLD BANK INDEX	171.87	**1.23%**	ÿ 2.92%	34.62%
MSCI WORLD/FINANCEVAL	174.58	**0.79%**	ÿ 1.52%	24.56%
MSCI WORLD/INDUSTRY	488.14	**0.31%**	ÿ 0.21%	20.54%
MSCI WORLD/ENERGY	260.69	**-0.11%**	ÿ -0.01%	7.10%
MSCI WORLD/HLTH CARE	359.24	**-0.55%**	ÿ -0.76%	1.82%
MSCI WORLD/MATERIAL	371.82	**-0.58%**	ÿ 0.85%	15.71%
MSCI WORLD/UTILITY	189.94	**-0.85%**	ÿ -2.08%	15.98%
MSCI WORLD/CON STPL	296.81	**-1.36%**	ÿ -3.01%	6.27%

US RATES	Last	5 Days Close		12M Close	
2 And	3.57	3.56	0.02	3.58	-0.01
5 And	3.68	3.63	0.04	3.48	**0.19**
10Y	4.13	4.06	0.06	3.71	**0.41**

BONDS CREDIT SPREAD		5 Days Close		12M Close	
EM Bonds Spread	266.04	264.1	**2.0**	329.69	-63.7
HY Bonds Spread	245.00	258.0	-13.0	325.00	**-80.0**
BBB 10yr Spread	166.26	168.6	-23	166.44	**-0.2**

FIXED INCOME		5 Days	1 Month	YTD
US High Yield	2,880.14	0.34%	ÿ 1.38%	7.34%
EM Bonds USD	1,350.36	-0.34%	ÿ 0.86%	8.19%
EM Local Currency	150.71	0.23%	ÿ 1.44%	14.85%
CoCos USD	149.60	0.23%	ÿ 1.15%	12.63%
IG BBB 3-5yr USD	391.00	-0.03%	ÿ 1.54%	6.39%
IG AA Corp USD	285.90	-0.25%	ÿ 1.57%	7.33%

COMMODITIES	Last	5 Days	1 Months	YTD
CRB INDEX	298.99	-2.12%	ÿ -0.34%	0.77%
WTI	62.68	-0.02%	ÿ 0.53%	-12.60%
Brent	67.06	-0.80%	ÿ -0.33%	-9.51%
US Natural Gas	2.89	-1.80%	ÿ 4.41%	-20.51%
S&P GSCI Precious Metal	**4,803.33**	**0.51%**	ÿ **8.42%**	**40.86%**
Gold	3,685.30	1.16%	ÿ 11.14%	40.42%
Silver	43.08	2.13%	ÿ 15.22%	49.07%
Platinum	1,408.36	0.82%	ÿ 7.11%	55.18%
Palladium	1,154.91	-3.76%	ÿ 3.64%	26.55%
S&P GSCI Industrial Metal Index	**472.79**	**-0.87%**	ÿ **1.86%**	**7.95%**
Aluminum	2,671.50	-0.67%	ÿ 4.21%	4.70%
Copper	9,924.10	-0.70%	ÿ 3.43%	14.69%
Nickel	15,091.60	-0.84%	ÿ 1.96%	-0.13%
S&P GSCI Agriculture	**356.61**	**-2.25%**	ÿ **-1.24%**	**-6.86%**

CURRENCIES	Last	5 Days	1 Month	YTD
CHF vs. USD	0.7955	0.14%	ÿ 1.53%	14.07%
JPY vs. USD	147.9500	-0.18%	ÿ -0.19%	6.25%
CAD vs. USD	1.3785	0.43%	ÿ 0.60%	4.35%
EUR vs. USD	1.1746	0.10%	ÿ 0.85%	13.44%
GBP vs. USD	1.3472	-0.62%	ÿ -0.14%	7.64%
AUD vs. USD	0.6593	-0.83%	ÿ 2.15%	6.54%
BRL vs. USD	5.3241	0.57%	ÿ 3.41%	16.03%
MXN vs. USD	18.4014	0.20%	ÿ 2.26%	13.18%
COP vs. USD	3,865.37	0.81%	ÿ 4.31%	13.98%
CNY vs. USD	7.1182	0.10%	ÿ 0.90%	2.54%
EUR vs. CHF	0.9343	0.04%	ÿ 0.69%	0.62%
DOLLAR INDEX	97.6440	0.10%	ÿ -0.63%	-9.99%
BITCOIN	115,958.28	0.48%	ÿ 1.37%	23.74%

KEY DATES OF THE NEXT WEEK

September 23rd

US Manufacturing PMI from S&P Global

Survey 51.50

September 24th

New home sales

Survey 650,000

September 25th

Annualized GDP quarter-on-quarter 2Q T

Survey 3.3%

Durable goods orders

Survey -0.5%

September 26th

Year-on-year PCE price index

Survey 2.7%

University of Michigan Confidence Index

Survey 55.80

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			

The market is on the cusp of four consecutive months of gains ( ). Last week, investors welcomed the Fed's expected 25 basis point rate cut, and the poor August jobs data made investors more dovish for the rest of the year and more optimistic about the equity market. This more dovish outlook is particularly positive for bonds and gold, and negative for the dollar. As for the equity market, despite the positive momentum and optimism, a short-term correction is expected after the 38% rally since April.

Ultimately, the Fed has the tools to avoid a recession, so we believe the stock market should show some resilience and find an attractive low after the next short-term consolidation. 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 looking to maintain their investments, a rotation from growth sectors to cheap value or defensive sectors would make sense. In any case, any correction would be a buying opportunity.

Technical analysis: So far so good

Beneath the daily chaos of market headlines, quarterly earnings reports, and central bank monetary policy announcements lies one of the most remarkable facts in finance: the S&P 500 has been dancing to a precise 31-year rhythm for over seven decades. **The market has been fluctuating in a supercycle pattern, a fascinating pattern in which the market alternates between 18-year expansion supercycles of relentless growth and 13-year correction supercycles of sideways consolidation** (Chart 1). Like clockwork, we witnessed expansion phases between 1950 and 1968, between 1982 and 2000, and now between 2013 and 2031, each separated by 13-year digestion periods during which the market caught its breath, overcame its excesses, and paved the way for the next bullish generation.

Think of it as the market's natural breathing cycle: 18 years of inhaling growth and 13 years of exhaling volatility. We're currently in the twelfth year of the last expansion supercycle that began in 2013, which, if this remarkable pattern holds, suggests we still have roughly six to seven years of upside potential left before the next major consolidation begins around 2031. For investors who understand this hidden metronome, the implications are profound: We may not just be witnessing another bull market, but the continuation of one of history's most predictable, yet most overlooked, market phenomena, offering rare insight into the market's long-term DNA and the generational wealth-building opportunity that still lies ahead.

Chart 1: S&P 500 (6602.38) / Quarterly Chart

Source: Sentosa; Co

THE TOPIC OF THE WEEK

Very well oriented... but very overbought **Overall, the stock market has been in a very strong bullish phase since the 2022 lows, so strong that prices are now rising exponentially towards a new, steeper ascending channel** (Chart 2). Since the October 2022 lows, the MSCI World has recorded 9 positive quarters out of 12, or 75% of the quarters. Looking at the quarterly chart, there are no bearish divergences with the MACD indicators, meaning that current levels are validated by momentum indicators. **Taking a closer look at the recent situation on the weekly chart, the trend has also been very well oriented since the April lows, with no real negative signals** (Chart 3). In this case, technical indicators such as the RSI and MACD are giving cautious signals as they are close to overbought levels.

Despite the bullish situation and strong current momentum, the market appears to be close to a short-term correction. **The strong +36% rally from the April lows has occurred with six consecutive positive months** (Chart 2). Therefore, a short-term consolidation would be logical at this point. **Looking back at the quarterly chart, despite the uptrend accelerating, prices have reached new highs outside the old ascending channel dynamic that has held since 2009** (Chart 2). From this perspective, two conclusions can be drawn: 1. The market is very overbought and will return to its old channel, as happened in 2021... or 2. The market is now in a new dynamic that will push prices immediately to the top of the new ascending channel. Considering the strong rally over the past five months, current valuations, and the ongoing economic slowdown confirmed by weak nonfarm payrolls... we're betting on the latter.

Chart 2: MSCI World (4293.85) / Quarterly Chart

Chart 3: MSCI World (4293.85) / Monthly Chart

Chart 4: MSCI World (4293.85) / Weekly Chart

Source: Sentosa; Co

THE TOPIC OF THE WEEK

The Dominance of US Large Caps Is Weakening **The compelling chart of the relative performance of the S&P 500 against the MSCI World Index reveals one of the most dominant trends in modern finance: the relentless outperformance of US equities since 2011** (Exhibit 5). The steady rise reflects multiple structural advantages that favored US markets, from the dominance of US tech giants and superior corporate profitability to more accommodative monetary policy and stronger economic growth compared to Europe and emerging markets. However, the chart reveals a notable inflection point starting in late 2024, when this more than decade-long trend of US outperformance has begun to stall and even reverse slightly. This recent deterioration in relative performance suggests that we could be witnessing the early stages of a potential regime shift, in which international markets could finally begin to close the performance gap with their US counterparts. Whether this represents a temporary pause in US dominance or the beginning of a more sustained period of global market convergence will be one of the most critical investment themes to watch, as it could fundamentally reshape portfolio allocation strategies and challenge the "America First" investment orthodoxy that has dominated the past decade.

The post-COVID period has accelerated the dominance of US large caps with the emergence of digitalization and artificial intelligence. The same period has penalized US small caps by preventing them from raising capital at low interest rates and forcing them to obtain it through variable-rate bank loans. Starting in 2022, the situation worsened after the Fed decided to raise its target interest rate from 0% to 5.5%, penalizing this leveraged segment. **Looking at the relative chart of small caps versus large caps, this trend is about to reverse, indirectly corresponding to the Fed's initiation of a more accommodative monetary policy** (Chart 6).

Chart 5: US Market vs. MSCI World

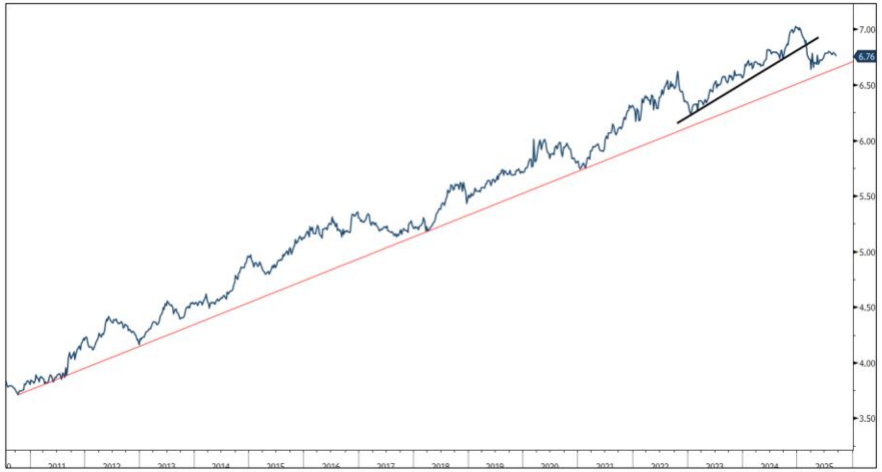
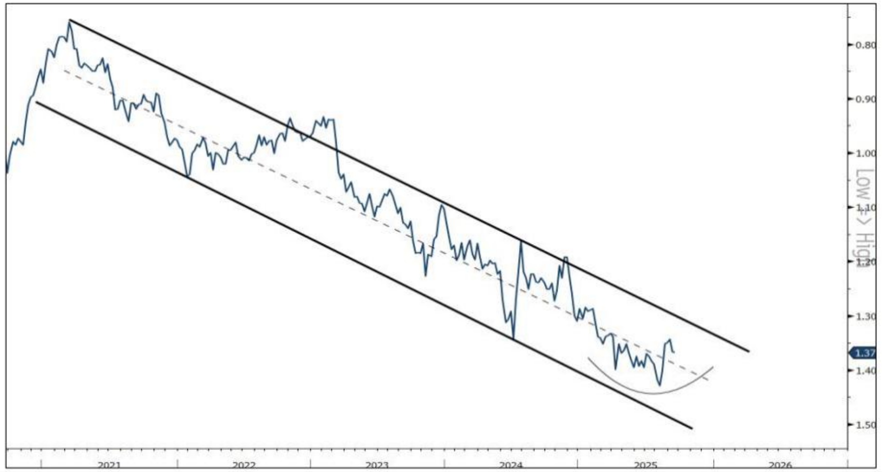


Chart 6: Small Caps vs. Large Caps



Source: Sentosa; Co

THE TOPIC OF THE WEEK

The Falling Dollar Catalysts Emerging Markets' Rise **From 2021 to late 2024, emerging markets experienced a brutal and relentless decline relative to developed markets, falling into a persistent bearish channel that reflected a perfect storm of headwinds** (Chart 7)—from China's regulatory measures and zero-COVID policies to rising US interest rates, which strengthened the dollar and drained capital from emerging market assets, compounded by geopolitical tensions and concerns about slowing structural growth. The decline was so severe and sustained that it created one of the most pronounced oversold conditions in emerging markets history relative to their developed peers. However, the chart reveals a compelling potential inflection point starting in late 2024, followed by a reversal that accelerated in 2025. This has been further supported by a turning point in the dollar over the same period.

This potential turning point suggests that the dollar's multi-year bull run may be coming to an end, creating the perfect conditions for an emerging market renaissance (Chart 8). As the dollar weakens, emerging market currencies strengthen, debt burdens ease, inflationary pressures moderate, and suddenly, those once-depressed valuations become magnetically attractive to global investors.

This nascent recovery could indicate that emerging markets are finally emerging from their prolonged period of investor disinterest, potentially driven by China's economic stabilization, a peak in dollar strength, and valuations that have become too attractive to ignore. If this technical shift gains momentum, we could be witnessing the first chapters of emerging markets' return to investor favor, a dramatic regime shift that could reshape global portfolio allocations and reward investors brave enough to position themselves before the inevitable market rotation returns to these much-discounted markets.

Chart 7: Emerging markets versus MSCI World

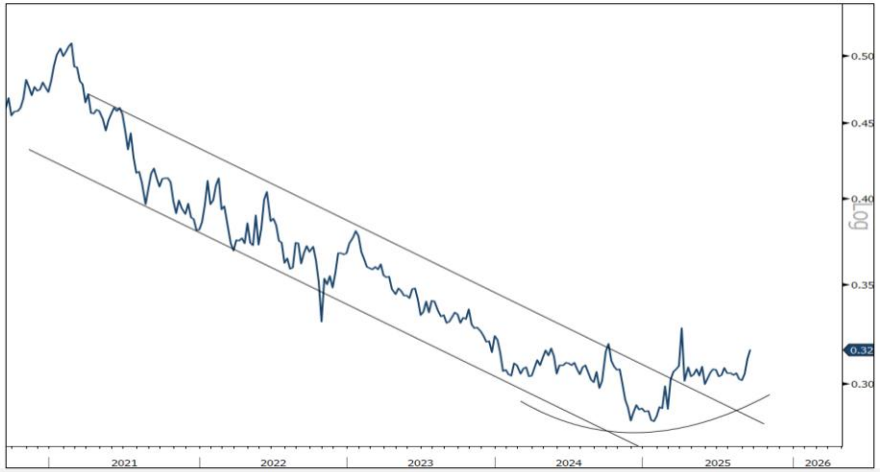
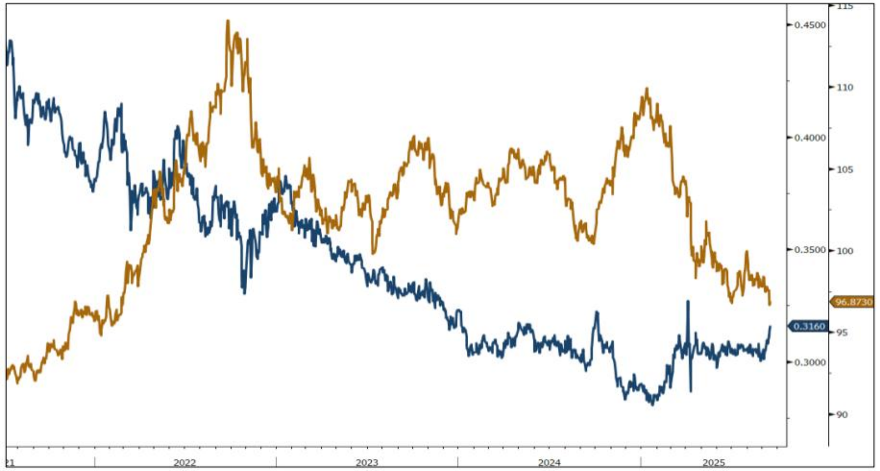


Chart 8: **Dollar index;** **MSCI EM vs. MSCI World**



THE TOPIC OF THE WEEK

Europe Disappoints, China Returns Strong During
the first quarter of 2025, Europe finally offered some arguments for diversification, and the ratio was finally ready to reverse years of underperformance, arguably driven by expectations of economic stabilization, improvements in energy security, and attractive valuations that had been weighed down by years of structural challenges. **However, after a strong performance in the first quarter, Europe completely reversed all of its outperformance starting in April** (Exhibit 9). The collapse in the relative trend highlights the punitive tariffs imposed by the US, the political challenges faced by countries like France, and the continent's continued lag in innovation compared to the rest of the world. That said, the weaker dollar is indirectly driving the euro higher, which is certainly a plus for US investors and the reason for our neutral positioning.

From 2020 to the end of 2023, Chinese stocks experienced a catastrophic decline relative to their global peers (Exhibit 10), slipping from relative strength to profound underperformance, as a perfect storm of regulatory measures against tech giants, draconian zero-COVID policies, a collapsing real estate sector, and geopolitical tensions with the West systematically destroyed investor confidence. **The relative chart reveals an inflection point in 2024, with an accelerating uptrend in 2025, poised to kick off a new long-term relative bull market** (Exhibit 10). This nascent turnaround likely reflects a combination of factors, including government stimulus measures, attractive valuations after years of punishment, a bearish dollar, and the market's growing recognition that China's structural growth story, while facing challenges, remains intact.

Among emerging markets, China is our favorite market.

Chart 9: Europe vs. the US

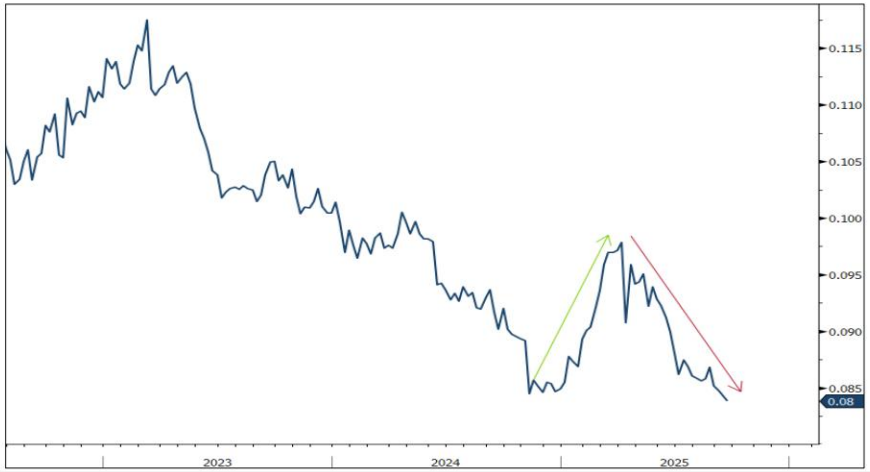
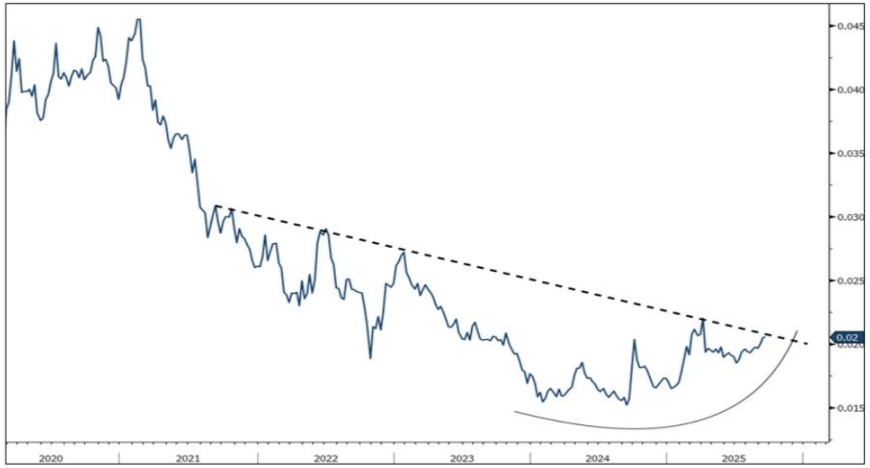


Chart 10: China vs. MSCI World



Source: Sentosa; Co

THE TOPIC OF THE WEEK

CONCLUSION

Although the market appears highly overvalued and a short-term correction is expected soon, the current situation offers no indication of a bear market. The fact that small-cap companies and emerging markets show signs of a relatively positive trend leads us to conclude that there is little chance of a bear market in the medium term. In fact, we observe that investors are leaning toward more global investments with a less biased focus on technology or large-cap companies, focusing on other segments and sectors that are currently undervalued.

For this reason, unless something breaks and changes the global outlook, any short-term correction should be considered an opportunity. **As long as prices remain above the 20-quarter moving average at 4600, the long-term situation is considered bullish** (Chart 1). Finally, we are still in the positive trend of the 18-year supercycle that was confirmed in 2013, and if the past trend repeats itself, we should find ourselves in a positive environment until 2030-2031.

Source: Sentosa; Co

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