

LAST WEEK SUMMARY

Markets posted a solid weekly gain, reaching new highs thanks to a combination of factors that restored investor confidence: the momentum of earnings season, the thawing of trade tensions, and, most importantly, the release of the first significant economic data since the start of the government shutdown. Overall, the market closed the week in the green, with the S&P 500 up **1.9%**, the Dow Jones Industrial Average up **2.2%**, the Russell 2000 up **2.5%**, and the Nasdaq up **2.3%**. U.S. stocks enjoyed positive momentum throughout the week and were particularly supported by the delayed release of September consumer inflation data, which helped reinforce expectations of a rate cut by the Federal Reserve. The upward momentum for the week reflected multiple favorable factors. National Economic Council Director Kevin Hassett sounded optimistic that the government shutdown could end during the week, while President Trump outlined U.S. demands ahead of planned trade talks with China in Malaysia, where leaders are expected to meet ahead of a November 10 truce deadline, and Apple rose nearly 4% to

reach an all-time high thanks to strong demand for the iPhone 17. Corporate results provided key support to the rally. Netflix shares fell after missing Wall Street forecasts, while Intel rose on an upbeat revenue guidance, Ford offered a better-than-expected outlook, and Texas Instruments reported disappointing fourth-quarter guidance. The mixed, but overall constructive, earnings picture validated current valuation levels despite the remaining uncertainty about the economic trajectory. The most significant event of the week came on Friday, when the September consumer price index showed headline inflation rising 3.0% year-over-year versus expectations of 3.1%, with monthly prices up 0.3%, below expectations for a 0.4% advance, the first major government economic data since the shutdown began more than three weeks ago.

The 10-year Treasury yield stood at 4.01% on October 23, with yields declining slightly from 4.05% to 4.02% over the week, while the 2-year yield fell from 3.52% to 3.46%. This modest decline reflected continued safe-haven demand, offset by improved risk sentiment and confidence in the Fed's rate cuts following benign inflation data. Gold and silver fell sharply, down 8.6% and 9.4% respectively, following record-breaking surges in September and October.

We view this correction as a buying opportunity, as we believe the long-term trend and structural bull market in precious metals remains intact.

This data vacuum had forced investors to rely exclusively on corporate earnings and private sector indicators to assess economic health.

Treasury bond markets showed relative stability during the week.

Treasury yields

THIRD QUARTER 2025: FINANCIAL RESULTS

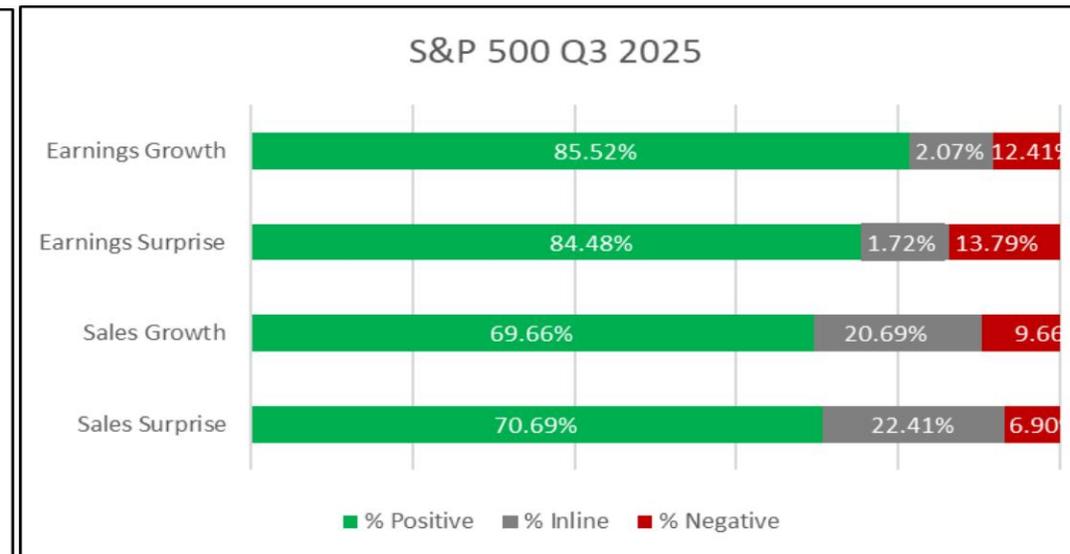
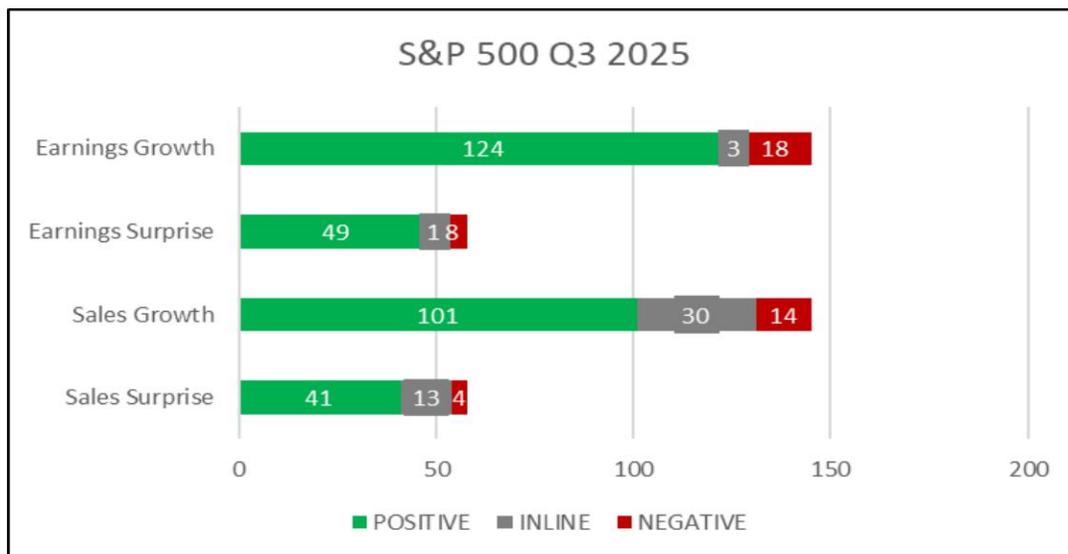
Earnings Growth				
	Positive	Inline Negative % 18		
S&P 500	124	3		7.70%
Materials	5	0	1	19.32%
Industrials	26	0	4	7.92%
Consumer Staples	10	0	0	4.32%
Energy	5	1	0	11.89%
Technology	9	0	2	8.98%
Consumer Discretionary	16	0	5	10.30%
Communications	3	1	1	-3.74%
Financials	33	0	4	9.16%
HealthCare	9	1	1	5.52%
Utilities	3	0	0	13.87%
Real Estate	5	0	0	4.95%

Earnings Surprise				
	Positive	Inline Negative %		
S&P 500	49	1	8	5.71%
Materials	0	0	0	0.00%
Industrials	8	0	1	5.57%
Consumer Staples	7	0	0	2.42%
Energy	1	0	0	4.36%
Technology	4	0	1	2.55%
Consumer Discretionary	4	0	3	10.14%
Communications	0	0	0	0.00%
Financials	23	0	3	7.28%
HealthCare	1	1	0	0.58%
Utilities	0	0	0	0.00%
Real Estate	1	0	0	3.47%

Sales Growth				
	Positive	Inline Negative %		
S&P 500	101	30	14	2.38%
Materials	4	1	1	0.84%
Industrials	16	8	6	2.10%
Consumer Staples	6	4	0	0.39%
Energy	5	1	0	5.41%
Technology	9	1	1	1.96%
Consumer Discretionary	12	7	2	4.85%
Communications	1	4	0	-0.24%
Financials	32	3	2	2.81%
HealthCare	10	1	0	1.82%
Utilities	1	0	2	-0.92%
Real Estate	5	0	0	2.23%

Sales Surprise				
	Positive	Inline Negative %		
S&P 500	41	13	4	1.70%
Materials	0	0	0	0.00%
Industrials	5	4	0	1.06%
Consumer Staples	4	3	0	0.24%
Energy	0	1	0	0.29%
Technology	4	0	1	1.82%
Consumer Discretionary	2	3	2	0.21%
Communications	0	0	0	0.00%
Financials	24	1	1	2.95%
HealthCare	1	1	0	0.67%
Utilities	0	0	0	0.00%
Real Estate	1	0	0	2.77%

THIRD QUARTER 2025: FINANCIAL RESULTS



LAST WEEK'S RESULTS SEASON

DATE	COMPANY	ESTIMATE		CURRENT		DIFFERENCE	
		EPS	REV	EPS	REV	EPS	REV
10/21/2025 (AM)	COCA-COLA CO/THE	\$0.78	\$12.44 B \$10.40	\$0.82	\$12.41 B 4.9% \$11.31 B 13.2%		-0.2%
10/21/2025 (AM)	GENERAL ELECTRIC	\$1.47	B \$6.25 B	\$1.66	5.6% \$22.48 B 20.3%	\$48.59 B	8.7%
10/21/2025 (AM)	3M CO	\$2.07	\$21.33 B	\$2.19	\$6.32 B	23.2%	1.1%
10/21/2025 (AM)	RTX CORP	\$1.41	\$45.18 B \$6.01	\$1.70			5.4%
10/21/2025 (AM)	GENERAL MOTORS C	\$2.27	B \$1.52 B \$6.13	\$2.80			7.5%
10/21/2025 (AM)	DANAHER CORP	\$1.72	B \$5.39 B	\$1.89	\$6.05 B \$1.54	9.8%	0.8%
10/21/2025 (AM)	EQUIFAX INC	\$1.94	\$10.72 B	\$2.04	B \$6.26 B	5.2%	1.3%
10/21/2025 (AM)	GENUINE PARTS CO	\$1.99	\$4.31 B \$6.24	\$1.98	\$5.60 B 18.1%	-0.7%	2.2%
10/21/2025 (AM)	HALLIBURTON CO	\$0.49	B \$1.81 B	\$0.58	\$10.42 B 18.6%	\$4.40 B \$6.11 B	4.0%
10/21/2025 (AM)	NORTHROP GRUMMAN	\$6.47	\$4.02 B \$4.65 B	\$7.67	\$1.96 B \$4.04 B \$4.74 B	\$30.71 B	-2.7%
10/21/2025 (AM)	PULTEGROUP INC	\$2.90	\$30.86 B	\$2.96	\$1.43 B \$2.22	2.1%	2.2%
10/21/2025 (AM)	PACCAR INC	\$1.13	\$1.48 B \$2.22	\$1.12	B \$5.07 B	-1.0%	-2.2%
10/21/2025 (PM)	EQT CORP	\$0.40	B \$4.97 B	\$0.52	\$3.12 B	29.4%	8.1%
10/21/2025 (PM)	OMNICOM GROUP	\$2.16	\$3.00 B	\$2.24	\$11.12 B	3.7%	0.4%
10/21/2025 (PM)	TEXAS INSTRUMENT	\$1.49	\$10.92 B	\$1.48	\$2.03 B \$2.56	-0.4%	1.9%
10/22/2025 (AM)	AT&T INC	\$0.54	\$2.03 B \$2.55 B	\$0.54	B \$6.19 B \$2.01	0.7%	-0.5%
10/22/2025 (AM)	LENNOX INTL INC	\$6.80	\$5.58 B \$1.95	\$6.98	B \$1.54 B	2.7%	-3.4%
10/22/2025 (AM)	AVERY DENNISON	\$2.33	B \$1.54 B	\$2.37	\$2.89 B \$1.54	1.6%	0.0%
10/22/2025 (AM)	BOSTON SCIENTIFIC	\$0.71	\$2.88 B \$1.53	\$0.75	B \$9.97 B	5.2%	1.9%
10/22/2025 (AM)	HILTON WORLDWIDE	\$2.05	B \$9.17 B	\$2.11	\$16.33 B	2.8%	3.8%
10/22/2025 (AM)	THERMO FISHER	\$5.50	\$16.10 B \$4.00	\$5.79	\$4.15 B \$3.73 B	5.3%	1.8%
10/22/2025 (AM)	NORTHERN TRUST	\$2.26	B \$3.68 B	\$2.29	\$6.95 B \$1.51	1.5%	-0.1%
10/22/2025 (AM)	NVR INC	\$108.51 \$0.80	\$6.92 B \$1.52	\$112.33 \$0.93	B \$2.31 B	3.5%	0.4%
10/22/2025 (AM)	AMPHENOL CORP-A	\$3.65	B \$2.29 B	\$3.92	\$4.71 B	15.8% 11.1%	
10/22/2025 (AM)	MOODY'S CORP	\$2.63	\$4.69 B	\$2.68		7.3%	2.9%
10/22/2025 (AM)	CME GROUP INC	\$2.28		\$2.32		1.7%	0.1%
10/22/2025 (AM)	WABTEC CORP	\$5.45		\$5.57		1.8%	0.3%
10/22/2025 (AM)	TELEDYNE TECH	\$1.75		\$1.64		2.2%	0.7%
10/22/2025 (AM)	GE VERNOVA INC	\$2.41		\$2.65		-6.1%	8.8%
10/22/2025 (PM)	IBM	\$0.29		\$0.29		9.9%	1.4%
10/22/2025 (PM)	KINDER MORGAN IN	\$2.84		\$3.11		0.7%	3.7%
10/22/2025 (PM)	RAYMOND JAMES	(\$0.03)		\$0.11		9.7%	1.2%
10/22/2025 (PM)	SOUTHWEST AIR	\$4.60 \$2.82		\$4.81		NA	0.4%
10/22/2025 (PM)	GLOBE LIFE INC	\$0.83		\$2.73		4.7%	-0.6%
10/22/2025 (PM)	PACKAGING CORP			\$0.85		-3.0%	1.0%
10/22/2025 (PM)	O'REILLY AUTOMOTIVE					23%	0.3%

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LAST WEEK'S RESULTS SEASON

	ESTIMATE		CURRENT		DIFFERENCE	
10/22/2025 (PM) FIRSTENERGY CORP	\$0.77	\$3.86 B	\$0.83	\$4.15B	7.7%	7.5%
10/22/2025 (PM) LAM RESEARCH	\$1.22	\$5.23 B	\$1.26	\$5.32B	3.4%	1.8%
10/22/2025 (PM) UNITED RENTALS	\$12.30	\$4.16 B	\$11.70	\$4.23B	-4.9%	1.7%
10/22/2025 (PM) TESLA INC	\$0.54	\$26.36 B \$1.05	\$0.50	\$28.10B	-6.9%	6.6%
10/22/2025 (PM) CROWN CASTLE INC	\$0.95	B \$3.04 B	\$1.01	\$1.07B	6.4%	1.8%
10/22/2025 (PM) LAS VEGAS SANDS	\$0.61	\$10.96 B	\$0.78	\$3.33B	27.2%	9.6%
10/22/2025 (PM) MOLINA HEALTHCARE	\$3.92	\$2.11 B \$6.70	\$1.84	\$11.48 B -53.1%	4.7%	
10/23/2025 (AM) DOVER CORP	\$2.51	B \$2.05 B	\$2.62	\$2.08 B	4.5%	-1.4%
10/23/2025 (AM) FREEPORT-MCMORAN	\$0.41	\$6.59 B	\$0.50	\$6.97 B	21.4%	4.1%
10/23/2025 (AM) CENTERPOINT ENERGY	\$0.44	\$0.79 B	\$0.50	\$1.99 B	13.6%	-3.2%
10/23/2025 (AM) PG&E CORP	\$0.43	\$3.70 B	\$0.50	\$6.25 B	16.8%	-5.1%
10/23/2025 (AM) WEST PHARMACEUTICALS	\$1.70	\$6.25 B	\$1.96	\$0.80 B	15.6%	2.1%
10/23/2025 (AM) TEXTRON INC	\$1.43	\$3.10 B	\$1.55	\$3.60 B	8.3%	-2.7%
10/23/2025 (AM) UNION PAC CORP	\$3.00	\$1.34 B	\$3.08	\$6.24 B	2.7%	-0.1%
10/23/2025 (AM) BLACKSTONE INC	\$1.22	\$29.83 B	\$1.52	\$3.30 B	24.2%	6.6%
10/23/2025 (AM) HASBRO INC	\$1.63	\$1.05 B	\$1.68	\$1.39 B	2.9%	3.3%
10/23/2025 (AM) VALERO ENERGY	\$3.05	\$2.02 B \$10.06	\$3.66	\$32.17 B 19.9%	\$1.07 B \$2.02 B	7.8%
10/23/2025 (AM) ALLEGION PLC	\$2.21	B \$3.72 B	\$2.30		4.3%	2.0%
10/23/2025 (AM) ROPER TECHNOLOGY	\$5.11	\$1.45 B	\$5.14		0.5%	-0.4%
10/23/2025 (AM) CBRE GROUP INC-A	\$1.46	\$21.98 B	\$1.61	\$10.26 B 10.0%	\$3.72 B \$1.45 B	2.0%
10/23/2025 (AM) TRACTOR SUPPLY	\$0.48	\$10.15 B	\$0.49	\$21.96 B	1.7%	0.1%
10/23/2025 (AM) POOL CORP	\$3.38	\$10.29 B	\$3.39	\$10.41 B	0.2%	-0.2%
10/23/2025 (AM) T-MOBILE US INC	\$2.38	\$13.15 B	\$2.41	\$9.97 B \$13.65	1.3%	-0.1%
10/23/2025 (AM) HONEYWELL INTL	\$2.57	\$43.70 B \$0.69	\$2.82	B 1816.7%	9.8%	2.5%
10/23/2025 (AM) DOW INC	(\$0.30)	B \$5.29 B	(\$0.19)	3.8%	NA	-3.0%
10/23/2025 (PM) INTEL CORP	\$0.01	\$3.11 B \$0.42	\$0.23			
10/23/2025 (PM) FORD MOTOR CO	\$0.36	B \$6.82 B	\$0.45	\$47.19 B 25.0%		8.0%
10/23/2025 (PM) HEALTHPEAK PROPE	\$0.45	\$2.73 B	\$0.46	\$0.71 B	2.0%	2.4%
10/23/2025 (PM) NEWMONT CORP	\$1.42	\$1.42 B	\$1.71	\$5.52 B	20.3%	4.3%
10/23/2025 (PM) NORFOLK SOUTHERN	\$3.20	\$1.53 B	\$3.30	\$3.10 B	3.2%	-0.2%
10/23/2025 (PM) VERISIGN INC	\$2.25	\$22.19 B	\$2.27	\$0.42 B	0.9%	0.6%
10/23/2025 (PM) BAKER HUGHES CO	\$0.61	\$18.57 B	\$0.68	\$7.01 B	11.8%	2.8%
10/23/2025 (PM) MOHAWK INDS	\$2.62	\$12.52B	\$2.67	\$2.76 B	1.8%	1.0%
10/23/2025 (PM) DECKERS OUTDOOR	\$1.58	\$4.09 B	\$1.82	\$1.43 B	15.2%	1.0%
10/23/2025 (PM) DIGITAL REALTY	\$1.80		\$1.89	\$1.58 B	5.1%	3.2%
10/24/2025 (AM) PROCTER & GAMBLE	\$1.89		\$1.99	\$22.39 B	5.6%	0.9%
10/24/2025 (AM) HCA HEALTHCARE I	\$5.71		\$6.96	\$19.16 B 22.0%	\$12.91 B \$4.06	3.2%
10/24/2025 (AM) GENERAL DYNAMICS	\$3.71		\$3.88	B	4.6%	3.1%
10/24/2025 (AM) ILLINOIS TOOL WORKS	\$2.71		\$2.81		3.6%	-0.7%

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NEXT WEEK'S RESULTS SEASON

DATE	COMPANY	ESTIMATE		CURRENT		DIFFERENCE	
		EPS	REV	EPS	REV	EPS	REV
10/27/2025	REVVITY INC 10/27/2025 NXP	\$1.14	\$0.70 B				
10/27/2025	SEMICONDUCT MAIN FINL 10/27/2025 NUCOR	\$3.14	\$3.16 B				
10/27/2025	WASTE MANAGEMENT	\$2.20	\$4.09 B				
10/28/2025	ROYAL CARIBBEAN 10/28/2025	\$2.18	\$8.13 B				
10/28/2025	MSCI INC 10/28/2025 REGENCY CENTERS 10/28/2025	\$2.02	\$6.51 B				
10/28/2025	NEXTERA ENERGY 10/28/2025 EXPAND ENERGY CO	\$5.68	\$5.17 B				
10/28/2025	MONDELEZ INTER-A	\$4.39	\$0.80 B				
10/28/2025	UNITEDHEALTH GRP 10/28/2025 DR	\$1.15	\$0.38 B				
10/28/2025	HORTON INC 10/28/2025 ELECTRONIC ARTS	\$1.06	\$8.16 B				
10/28/2025	SMITH (AO) CORP 10/28/2025 INVESCO LTD	\$0.78	\$2.21 B				
10/28/2025	UNITED PARCEL-B 10/28/2025 AMERICAN	\$0.71	\$9.70 B				
10/28/2025	TOWER C 10/28/2025 VISA INC-CLASS A 10/28/2025	\$2.83	\$113.03 B				
10/28/2025	SEAGATE TECHNOLO 10/28/2025 PAYPAL	\$3.30	\$9.43 B				
10/29/2025	HOLDINGS 10/29/2025 VERIZON COMMUNIC	\$1.31	\$1.88 B				
10/29/2025	BOEING CO/THE 10/29/2025 CATERPILLAR	\$0.90	\$0.95 B				
10/29/2025	PHILLIPS 66 10/29/2025	\$0.45	\$1.55 B				
10/29/2025	MICROSOFT CORP 10/29/2025 GARMIN LTD	\$1.32	\$20.87 B				
10/29/2025	CVS HEALTH CORP 10/29/2025 KLA CORP	\$2.47	\$2.65 B				
10/29/2025	STARBUCKS CORP 10/29/2025 KRAFT	\$2.97	\$10.61 B				
10/29/2025	HEINZ CO/T 10/29/2025 EBAY INC 10/29/2025 ALPHABET	\$2.37	\$2.55 B				
10/29/2025	INC-C 10/29/2025 CHIPOTLE MEXICAN 10/29/2025 GE	\$1.20	\$8.24 B				
10/29/2025	HEALTHCARE TE 10/29/2025 META PLATFORMS-A	\$1.19	\$34.25 B				
		(\$4.92)	\$22.30 B				
		\$4.52	\$16.05 B				
		\$2.17	\$33.49 B				
		\$3.68	\$75.53 B				
		\$1.97	\$1.77 B				
		\$1.36	\$98.89 B				
		\$8.63	\$3.17 B				
		\$0.55	\$9.35 B				
		\$0.58	\$6.25 B				
		\$1.33	\$2.73 B				
		\$2.27	\$85.11 B				
		\$0.29	\$3.02 B				
		\$1.04	\$5.07 B				
		\$6.72	\$49.40 B				

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NEXT WEEK'S RESULTS SEASON

		ESTIMATE		CURRENT		DIFFERENCE	
10/29/2025 EQUINIX INC	10/30/2025	\$3.55	\$2.33 B				
MERCK & CO	10/30/2025 THE CIGNA	\$2.35	\$16.96 B				
GROUP	10/30/2025 ALTRIA GROUP INC	\$7.64	\$67.39 B				
10/30/2025 INTL PAPER CO	10/30/2025 BAXTER	\$1.45	\$5.32 B				
INTL INC	10/30/2025 BRISTOL-MYER SQB	\$0.43	\$6.54 B				
10/30/2025 L3HARRIS	10/30/2025 TECHNOL	\$0.60	\$2.88 B				
HERSHEY CO/THE	10/30/2025 KIMCO REALTY	\$1.48	\$11.81 B				
10/30/2025 ELI LILLY & CO	10/30/2025 S&P	\$2.63	\$5.51 B				
GLOBAL INC	10/30/2025 SOUTHERN CO	\$1.07	\$3.12 B				
10/30/2025 APPLE INC	10/30/2025	\$0.43	\$0.52 B				
COMCAST CORP-A	10/30/2025 GILEAD	\$5.81	\$16.08 B				
SCIENCES	10/30/2025 BIOGEN INC	\$4.41	\$3.83 B				
FOX CORP - B	10/30/2025 ESTEE LAUDER	\$1.51	\$7.80 B				
10/30/2025 AMAZON	10/30/2025 .COM INC	\$1.77	\$102.00 B				
10/30/2025 QUANTA	10/30/2025 SERVICES	\$1.10	\$30.72 B				
AMERIPRISE FINAN	10/30/2025 MASTERCARD	\$2.13	\$7.46 B				
INC-A	10/30/2025 FIRST SOLAR INC	\$3.92	\$2.34 B				
10/30/2025 COINBASE	10/30/2025 GLOBA-A	\$1.10	\$3.57 B				
10/31/2025 LYONDELL	10/31/2025 BASSELL-A	\$0.18	\$3.38 B				
CHEVRON CORP	10/31/2025 ABBVIE INC	\$1.56	\$177.78 B				
10/31/2025 EXXON MOBIL	10/31/2025 CORP	\$3.27	\$7.40 B				
LINDE PLC	10/31/2025 COLGATE-PALMOLIV	\$9.76	\$4.56 B				
10/31/2025 DOMINION	10/31/2025 ENERGY	\$4.31	\$8.52 B				
GLOBAL MARK	10/31/2025 T ROWE PRICE	\$4.25	\$1.61 B				
GRP	10/31/2025 CHURCH & DWIGHT	\$1.23	\$1.81 B				
		\$0.80	\$7.48 B				
		\$1.68	\$47.88 B				
		\$1.78	\$15.59 B				
		\$1.81	\$83.60 B				
		\$4.17	\$8.61 B				
		\$0.89	\$5.13 B				
		\$0.94	\$4.22 B				
		\$2.53	\$0.59 B				
		\$2.55	\$1.89 B				
		\$0.74	\$1.53 B				

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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		■	

Markets have been positively boosted by the latest CPI figure, which came in at 3% year-over-year, supporting upcoming Fed rate cuts and allowing prices to reach new highs. After one of the best six-month rallies in history, the market appears fragile and on the verge of a short-term correction. Precious metals are entering a short-term consolidation phase with a sharp decline, but we view this as a buying opportunity for long-term investors, as the trend for gold and silver remains favorable.

The current federal government shutdown has prevented the release of important and critical data, such as the September nonfarm payrolls. If the figures are weak, this could exacerbate the current risk aversion situation and push the market into a prolonged correction.

THE TOPIC OF THE WEEK

High-quality bonds and Treasury bonds remain a good investment

For those who follow us, we've often mentioned in our previous reports that long-term yields were more likely to fall toward 3.5% than to soar above 5%. The peak reached in October 2023 in 10-year sovereign yields appears to have marked a cyclical turning point in this regard.

Since peaking in 2023 at 5%, US 10-year yields appear to have reached a cyclical turning point, as they now stand at 3.97% (Chart 1). Since then, fixed income has posted remarkable returns, with quality bonds posting between +14% and +23%, depending on the segment. This development, surprisingly, remains undervalued by investors. On the one hand, investment returns are considered disappointing, and on the other, they follow a year described as an annus horribilis in 2022, in which bond prices fell by -14.8%. Therefore, the recent positive performance, perceived as frustrating, has not been enough to make people forget the trauma of the past.

Throughout the period from March to August 2025, 10-year yields remained range-bound. Disinflationary trends and slowing growth dynamics exerted downward pressure on rates, driven by tariff-related economic headwinds and rising concerns about fiscal sustainability. A notable shift occurred in September, as long-term rates began to renew on a downward trajectory. This acceleration reflects two key developments: the stabilization of the risk premium and the resumption of the easing cycle by the Federal Reserve. Now that the technical and fundamental tailwinds have aligned, the rate environment has entered a more decisive downward phase.

Chart 1: US 10-year yields (3.97%)

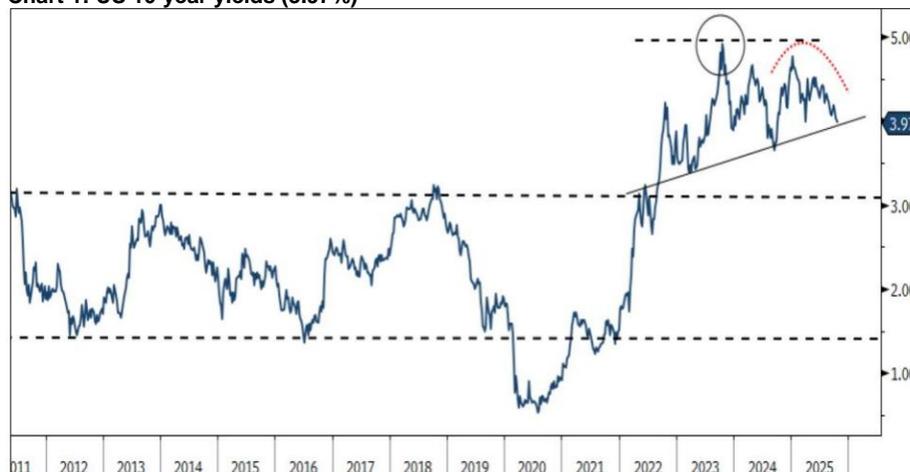
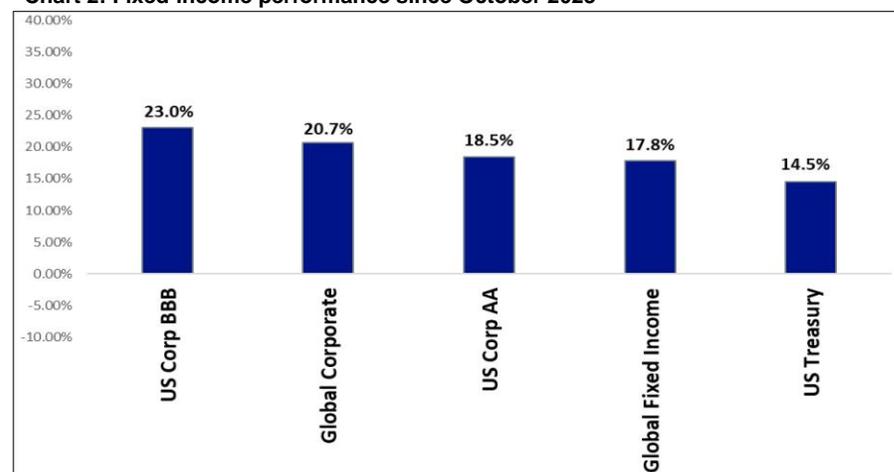


Chart 2: Fixed-income performance since October 2023



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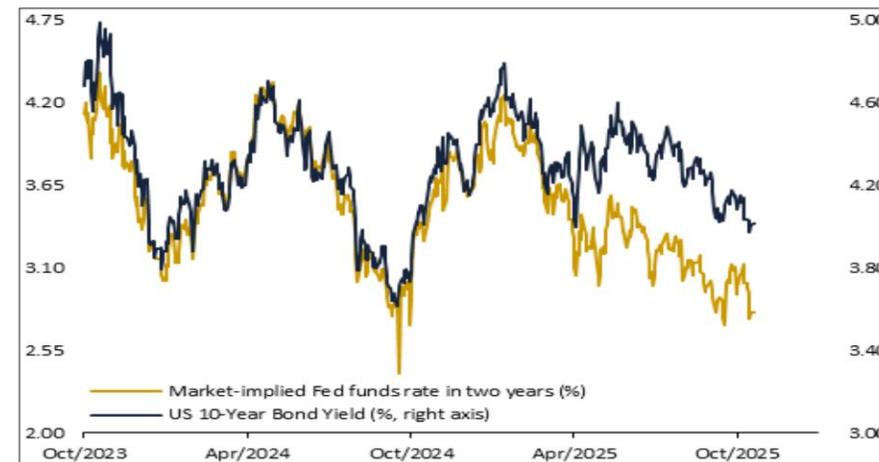
Current market prices anticipate two additional Fed interest rate cuts in 2025 and two in 2026, implying a terminal rate of 3.25% versus the current policy rate of 4.25% (Chart 3). Analyzing J. Powell's recent major speeches (Jackson Hole and FOMC), we can observe fundamental changes in his message (Fed pivot). Based primarily on inflation and employment data, a gradual rate cut over the remainder of the year is most likely. According to Powell, the economic conditions for a dovish monetary policy are already in place. However, four rate cuts by the end of 2026 seem quite conservative to us. Indeed, given the rapidly deteriorating labor market and the disinflationary impact of rents, a scenario of more aggressive rate cuts is becoming increasingly credible.

In its latest Beige Book, the US central bank echoed this analysis. It states that, in most states, an increasing number of employers have reported reducing their workforce through layoffs or attrition without replacement. Furthermore, companies are more willing to use temporary or part-time workers than to hire full-time employees. Therefore, the Fed could further ease its monetary policy to support the economy. **Any further rate cut by the Fed should cause a steepening of the slope and a downward shift of the entire yield curve (upward sloping), which, in aggregate, would have a negative impact on the dollar (Chart 4).** Sustained upward pressure on long-term rates is likely to remain subdued until the easing cycle comes to an end, and bond investors should benefit from positioning themselves in high-quality, long-duration bonds. **Of the 13 monetary easing cycles experienced since 1966, 10-year US Treasury bond yields have only increased in four instances. This is precisely what happened in 2024 (Chart 5).**

Chart 3: Probabilities of a Federal Funds Rate Cut

MEETING DATE	CME FEDWATCH TOOL - CONDITIONAL MEETING PROBABILITIES										
	175-200	200-225	225-250	250-275	275-300	300-325	325-350	350-375	375-400	400-425	425-450
29/10/2025					0,0%	0,0%	0,0%	0,0%	96,7%	3,3%	0,0%
10/12/2025	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	77,5%	21,8%	0,6%	0,0%
28/01/2026	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	30,9%	55,3%	13,4%	0,4%	0,0%
18/03/2026	0,0%	0,0%	0,0%	0,0%	0,0%	13,4%	41,5%	37,2%	7,8%	0,2%	0,0%
29/04/2026	0,0%	0,0%	0,0%	0,0%	3,0%	19,8%	40,5%	30,5%	6,0%	0,2%	0,0%
17/06/2026	0,0%	0,0%	0,0%	1,7%	12,3%	31,2%	35,0%	17,0%	2,8%	0,1%	0,0%
29/07/2026	0,0%	0,0%	0,5%	4,7%	17,7%	32,3%	29,8%	12,9%	2,0%	0,1%	0,0%
16/09/2026	0,0%	0,2%	1,9%	9,0%	22,5%	31,5%	24,3%	9,4%	1,4%	0,0%	0,0%
28/10/2026	0,0%	0,4%	2,9%	10,9%	23,8%	30,4%	22,1%	8,2%	1,2%	0,0%	0,0%
09/12/2026	0,1%	0,8%	4,2%	13,0%	24,9%	29,1%	19,9%	7,1%	1,0%	0,0%	0,0%
27/01/2027	0,1%	1,0%	4,6%	13,6%	25,1%	28,7%	19,3%	6,8%	1,0%	0,0%	0,0%
17/03/2027	0,1%	0,9%	4,5%	13,2%	24,6%	28,5%	19,7%	7,3%	1,2%	0,1%	0,0%
28/04/2027	0,1%	0,8%	4,1%	12,2%	23,3%	28,1%	20,6%	8,6%	1,9%	0,2%	0,0%
09/06/2027	0,1%	0,8%	3,7%	11,2%	21,9%	27,5%	21,6%	10,1%	2,7%	0,4%	0,0%
28/07/2027	0,1%	0,5%	2,6%	8,5%	18,1%	25,5%	23,7%	14,2%	5,3%	1,2%	0,2%
15/09/2027	0,1%	0,5%	2,6%	8,5%	18,1%	25,5%	23,7%	14,2%	5,3%	1,2%	0,2%

Chart 4: US 10-year yields; 2-year implied federal funds rate



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Although elevated US sovereign debt levels remain a concern for investors, this risk must be properly contextualized. In any extreme risk scenario, the Treasury retains the ultimate policy option to monetize the debt, an outcome that, as we have repeatedly mentioned in our reports, would occur before an outright default. Therefore, it is highly likely that, with or without a debt crisis, if the Fed cuts rates by another 100 basis points, bond yields would fall across the entire curve. While the Federal Reserve primarily influences long-term rates through its adjustments to policy rates, it has direct tools to shape the yield curve. In practice, the Fed has historically operated under a "dual mandate" framework, treating moderate long-term rates as an endogenous outcome of successfully achieving the first two objectives, rather than as a standalone policy goal. The current high debt service burden has reignited this policy debate. Senior policymakers, including Treasury Secretary Scott Bessent and Fed Governor Stephen Miran, have advocated for stronger long-term yield management.

With interest expenses consuming an ever-increasing share of federal expenditures, a third mandate may be moving from a theoretical construct to an active policy consideration. In reality, a closer look at the Fed's balance sheet reveals that the US central bank is already fulfilling its third mandate, directly moderating long-term interest rates. Over the past three years, the Fed has only reduced its short- and intermediate-term bond portfolios. **On the contrary, it has not only held onto its bonds with maturities of 10 years or more, but has continued to acquire them** (Chart 6). This measure by the Fed is not insignificant and should be considered alongside that of the Treasury, which has issued very few long-term bonds in recent years. All of this confirms that, with the aim of offsetting weak investor appetite for US debt with maturities of 10 years or more, the Fed is already actively intervening within the framework of its third mandate.

Chart 5: Impact of rate cuts on 10-year yields

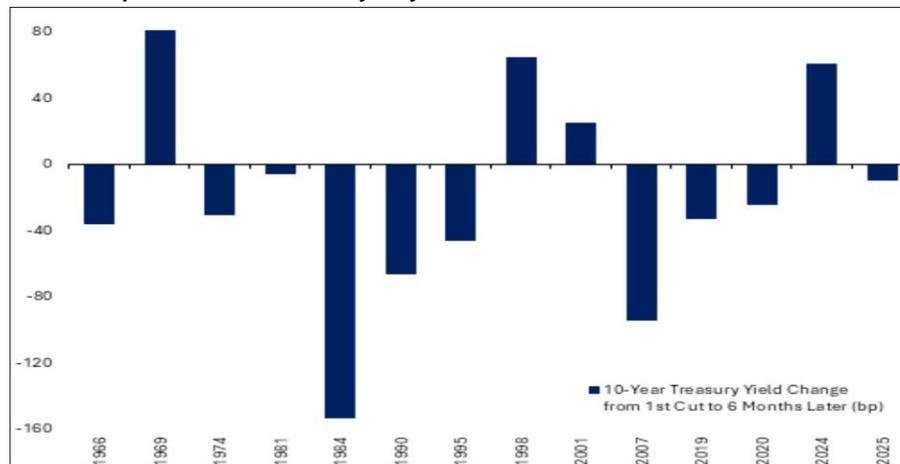
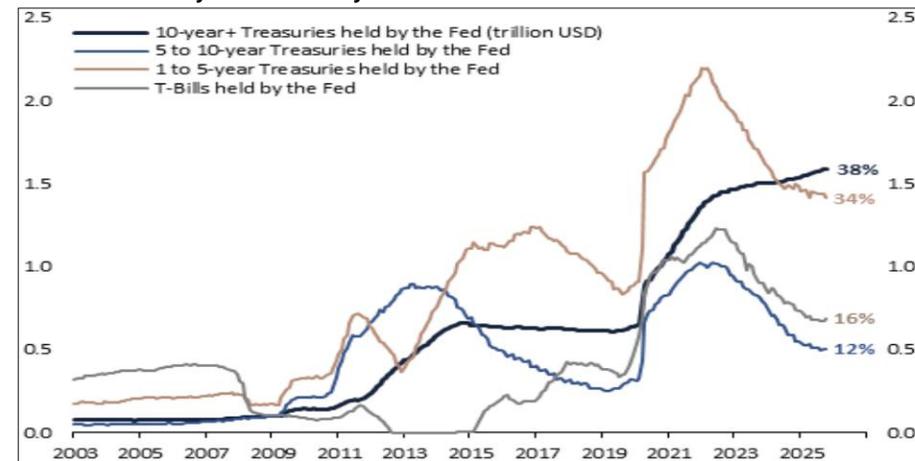


Chart 6: Treasury Bonds Held by the Fed



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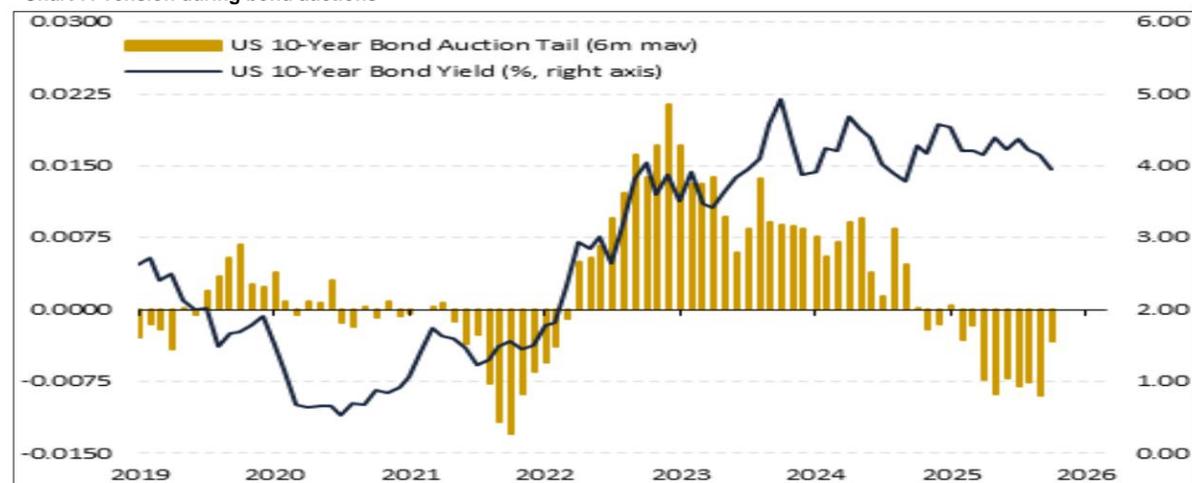
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Weak demand is evident in the 10-year bond auctions. Before each sale, the Treasury publishes a target rate for the pre-issued security, which serves as a benchmark. If, on the day of the sale, the actual rate is higher than this benchmark, it means that underwriting was more difficult than expected. Demand was insufficient, and a higher rate had to be offered to place the entire volume. **Between 2022 and 2024, positive spreads at this rate became the norm** (Chart 7), indicating that investors were reluctant to lend to the United States long-term and demanded an additional premium to do so. The good news is that this is no longer the case in 2025. Both the Federal Reserve and the Treasury Department share a compelling interest in yield curve normalization. A steeper curve would organically incentivize money market fund allocations to migrate toward intermediate- and long-duration fixed income, either through ETFs or mutual funds, thus broadening the natural buyer base for Treasury issues.

This shift in demand would facilitate greater supply absorption and, at the same time, provide the Fed with an orderly exit from its quantitative easing program, allowing for a gradual reduction in its holdings of 10-year and longer maturities. By lowering its key interest rates, the Fed will facilitate the issuance of Treasury bonds and improve the quality of its balance sheet. All this while reducing the interest paid on government debt. For investors, the message is clear. Sovereign bonds will regain their status as risk-free assets, tilting strategies will diversify bond portfolios, and duration will be profitable. In fact, we advise investors to take on greater duration risk in their bond portfolios, as they will perform better than short-term bonds in a bullish tilt environment and avoid any potential reinvestment risk in the future.

Chart 7: Tension during bond auctions



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CONCLUSION

Investors are beginning to absorb the fact that the Fed has initiated a new monetary policy direction. However, the number of rate cuts the market expects remains conservative compared to what we believe will be the reality. The rapidly deteriorating labor market, coupled with potentially lower inflation levels due to falling rents, could require more than four rate cuts before the end of 2026.

Long-term yields should follow the direction of the federal funds rate, and while the yield curve will remain steep, it will shift downward. This upward shift will favor quality long-term bonds, so we reiterate the advisability of being overweight in high-quality investment-grade bonds. Longer duration is recommended to take advantage of the downward curve and avoid any reinversion risk that may arise soon.

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