LAST WEEK SUMMARY

Markets experienced a week of dramatic swings, recovering from the previous week's trade war-induced plunge and closing with modest gains despite lingering uncertainty. The period was characterized by sharp shifts in presidential rhetoric, strong corporate earnings that offset negative macroeconomic data, and diverging commodity trends, as safe-haven assets soared while oil continued its decline. Overall, the market closed the week in the green, with the S&P 500 up **+1.70%,** the Dow Jones up **+1.56%,** the Russell 2000 up **+2.40% ,** and the Nasdaq up **+2.14%,** as President Trump expressed optimism that talks with Chinese officials could lead to a deal to defuse the tariff dispute between the world's two largest economies. The catalyst of the week was the classic Trumpian twist: His Sunday social media post suggesting that trade relations with China "will be fine" marked a stark reversal from Friday's threat of a "massive tariff increase." Market strategists dubbed this pattern the "TACO trade": investors bet because President Trump "always chickens out" in the face of extreme tariff threats, a strategy that has repeatedly proven profitable since his return to office. Technology stocks led the rally, with Broadcom rising nearly 8% after officially announcing its partnership with OpenAI. Regional banks rebounded from a slump driven by credit quality concerns, and strong quarterly results from several lenders boosted the sector. This was critical given that the government shutdown was entering its tenth day, depriving investors of official economic data and elevating the importance of corporate results from JPMorgan, Citigroup, Wells Fargo, Goldman Sachs, and Bank of America. The ongoing government shutdown created an unprecedented information vacuum. Consumer confidence data showed a preliminary reading of 55.0 in October compared to 55.1 in September, with one-year inflation expectations declining slightly from 4.7% to 4.6%, while longer-term expectations remained anchored at 3.7%. However, critical reports such as jobs data, CPI, and retail sales remained unavailable, forcing investors to rely on alternative indicators and comments from the Fed. The House of Representatives The House remained in recess until at least October 19, while the Senate considered voting on a resolution, although no progress appeared imminent. This political dysfunction occurred against a backdrop of expectations for a Fed rate cut, and markets remained highly confident in continued monetary easing despite the data blackout. The 10-year Treasury yield crossed below 4.00% for the first time in over a year during the week, reaching its lowest level since April. Despite Friday's rally, this move represents some safe-haven demand and caution on the part of investors. Gold rose approximately 5.6% during the week, reaching $4,379, indirectly reflecting this delicate climate and the potential for risk aversion.

FLUCTUATIONS AND MACROECONOMIC DATA

KEY DATES OF THE LAST WEEK

October 14th

Empire Manufacturing

Real 10.7 vs. survey -1.8

October 15th

Year-on-year CPI

NO DATA compared to survey 3.1

October 16th

Advance Retail Sale intermonthly

NO DATA compared to survey 54.0

Producer Price Index (PPI) for monthly final demand

NO DATA vs. survey 0.3%

October 17th

Housing start

NO DATA vs. survey 1,315,000

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!"#$%FG()*	+H-.I0+1	**6<=L? !** 202I3	140563
!"#$%=!	1H@I10I2	**AB<=B?** # 104+3	-I0I23 !"#$%F()*B#G!%"K#
!"#$%=!%)9C$L%9!=($#9	-H+6.055	**C<M6? !** A10543	@@05I3
!"#$%9#%9"$9%I%J979L	5550@2	**AB<LN?** # 101-3	-I01I3
)0%			
";7%422%$L*=?	IHII+021	**6<NB? !** A20213	1@0@23
L9"*9T%#G!7G"$C=	--HI6.0.6	**C<6M? !** 20-13	160+43 !"#$%FG()*B!9C=($9) @640--
*GF%JGL="%$L*L"0%9KJ	+IH1.20I1	**6<4F? !** A20-63	50463
(L""=))%-222%$L*=?	-H+4-016	**C<MB? !** 201+3	.0.I3
G);#IG			
"C?=%I22%X=L(Q%7N	4II0-+	**B<=N?** # -01.3	110443
=NNR%"HRII%42%7N	4HI260@.	**6<=L? !** -06@3	1+04@3
9?%$L=?	-@H5@20..	**A6<FG?** " 20513	1.0623
#9#%+2%$L*=?	5H16+0-2	**=<CM? !** +0253	120643 -Q
OC"=%!$M%$L*=?	+1H645011	**AB<FG?** # A10@13	--0143 4Q
$M=?%@4%$L*=?	14HI21012	**B<L6?** # -0-@3	@+0443
"F$""%!9(R=C%$L*=?	1-HI++0+.	**6<=6? !** +0+-3	.0223
OC"=%122%$L*=?	.H@4+046	**AB<NN?** #10423	1+0+I3
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L$RR=$%--4	+6H45-014	**AC<B4?** " 40I@3	1.0-63
89LJ%"=LJ%$L*=?	-4H-+6012	**A=<GN?** " A+05.3	-405I3
#"$%@22%$L*=?	+H41+0-@	**AC<CC?** " 20-63	1+06-3
"=L"=?	5@H.4-01.	**6<NF? !** 10I23	60++3
"%+%7			
";7BM!K%$7#	I1H6+@0.-	**6<GM? !** 205.3	-+0623
M(9a$)%$MGK="79%$L*=?	1+@H@.50I@	**6<G=? !** A10I.3	1.0--3
!"#$%#G)#97%$L*=?	1H.-+0-I	**6<L4? !** @04I3	@.0+53
";7B#)?%$7"9%X#)7Q%C(	.H1-.0.5	**4<CM? !** 10@I3	@I02I3

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78$)9%JG)*%;%"$)K=(%$L*?	@2I021	**=<44? !** 605I3	1-@0263
	14.051	**=<=4? !** A-0.I3	-404I3
!"#$%FG()*B#GL%"C7)	@2-0.-	**=<66? !** -02I3	50+I3
!"#$%FG()*B$LO%C=#8	.I6014	**C<BF? !** -02@3	--01@3
!"#$%FG()*BLC$)$CQ	-2+064	**6<GM? !** 606.3	-402-3
!"#$%FG()*B#GL"%*$"	+.20+4	**6<NL? !** A-0663	+0653
		6<F4? ! 20.13	1I0663
!"#$%FG()*B8)C8%#9(= @6+045		**B<FG?** # +0-63	I01I3
!"#$%FG()*B$L*L"C()	+560I+	**B<4C?** # A20123	-20+-3
!"#$%FG()*B=L=(JQ	-440@4	**B<CN?** # A-0243	+0.13
!"#$%FG()*%M9LR%$L*=? 1I40@-		**B<B4?** # A@0513	-.0+.3
!"#$%FG()*BO$L9L#=K9) 1I50@6		**AB<CC?** # A@04I3	-201+3

)0F;%+G0	"123	4F.152FFIO82O		6C7FIO82O
	@0+I	@042	A202+ @0.6	A2041
	@04.	@0I-	A202@ @0.2	A20@1
12Q	+021	+02@	A202- +02.	A2025

$#-.0FI;G.*+F0I;G%.F		4F.152FIO82O		6C7FIO82O
=!%MRGSP%"[NFMS	-I@02-	-I40-	A-0- @2-055	A@.0.
8Q%MRGSP%"[NFMS	-65022	-.I02	A1502 @26022	ACG<B
MMM%12SN%"[NFMS	1I.01-	16.05	A1206 1+@064	-40+

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=!%)R\MO%#NNNFG\S	1420+I	20I+3 ! A20163	1+0II3
#R#RP%L"*	1+.05@	20I63 ! 20143	1-0523
$J%MMM%@A4SN%L"*	@.@041	20663 ! 20I+3	60-.3
$J%99%#RN[%L"*	-550@-	102+3 ! 20543	50213

I#77#.*+*G0	"123F	4F.152	6F7893:2 ,+.
I;$F*-.G@	-.@0@4	A-0223 " A105.3	A101+3
FC$	4604+	A-0@13 " A1201I3	A1.0663
MNFGH	I20.+	A40423 " A120I@3	A160663
L"%LMHNNMO%JMP	@021	A@01I3 " A-0.63	A160-23
0HIF!0I*FIJOLM8N2F7O31O	**4PMN=<6F**	**4<=L? ! 6=<G4?**	**FB<4B?**
JROS	+H-4105-	405-3 ! 1I0163	I-0213
"UOVFN	410.-	@04@3 ! -+0453	6.0I+3
7OMHUGNP	1HI-1046	104+3 ! 150@43	650I53
7MOOMSUNP	1H+I+0@4	+0-13 ! -I02@3	I20+43
0HIF!0I*F*9QF7O31OF*9QOR	**MG=<BG**	**B<M=? # M<CG?**	**6C<4L?**
9ONPUGNP	-H666042	10263 ! @04-3	505I3
#R[[FN	12H4560I6	20.I3 #I0I53	--0@I3
LU\]FO	1+H.-@05I	A10253 " A10.-3	A10-+3
0HIF!0I*F%SJMLNO3NJO	**=4C<MB**	**6<NN? ! A6<6L?**	**AN<GF?**

I);;GI*G0	"123	4F.152	6F7893: ,+.
#8O%VP0%L"*	206.@@	206.3 ! A20463	1+0@53
J7Q%VP0%L"*	1420I122	20@.3 ! A-0+23	+0@53
#9*%VP0%L"*	10+2-2	A20123 " A10643	-0I23
=L(%VP0%L"*	101I44	20@13 ! A10@+3	1-0463
JM7%VP0%L"*	10@+-6	20423 ! A10+I3	60-53
9L*%VP0%L"*	20I+..	20@.3 ! A-0@13	402@3
M()%VP0%L"*	40+12-	-0243 ! A10.43	1+0153
!?L%VP0%L"*	150@I..	101.3 ! A20-.3	1@0@53
#G7%VP0%L"*	@H5@10@-	-0+13 ! 10-13	1+0..3
#LQ%VP0%L"*	601-62	201-3 ! A20@-3	-0+-3
=L(%VP0%#8O	20.-42	20+@3 ! 206+3	10I@3
G))9(%$L=?	.50+@@2	A20443 " 10I13	A.0-63
M$C#G$L	12IH56-0@.	A606-3 " A.0113	1+02+3

KEY DATES OF THE NEXT WEEK

October 24th

CPY year-over-year

Survey 3.1

S&P Global US Manufacturing PMI

Survey 51.8

US Services PMI from S&P Global

Survey 53.5

New home sales

Survey 707,000

Confidence index of the University of Michigan

Survey 55.0

Source: Sentosa; Co

THIRD QUARTER 2025: FINANCIAL RESULTS

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I0!1233 !"#$	**45**	**3**		**62782.**
%F"'(	)	)	)	)*))+
H-.I(#%F"'(	0	)	1	2*23+
67-(I8$%9:#";'$(	<	)	=	>23?+
@-$%AB	)	)	2	>24*=<+
C$ME-7'7AB	5	)	)	<)*==+
67-(I8$%9FF(M%$#F7-"%B	<	)	=	>22*12+
6788I-FM"#F7-(	)	)	)	)*))+
GF-"-MF"'(	13	)	)	12*5<+
H$"'#E6"%$	1	)	)	2<*53+
I#F'F#F$(	)	)	)	)*))+
J$"'@(#"#$	2	)	)	=*11+

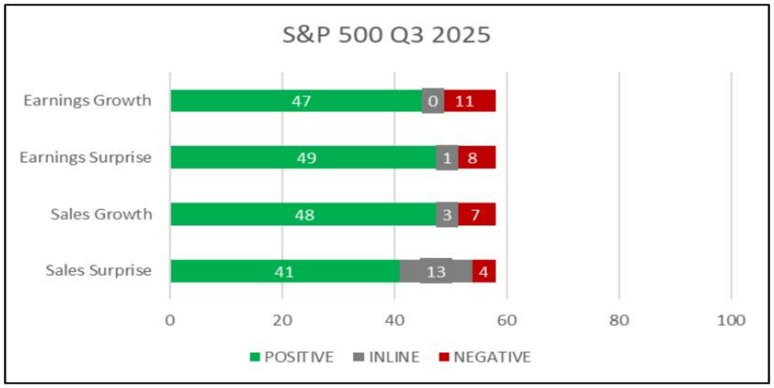
>-<)$),#1I;<=<$#G				
	!"#$%$&G	()*$)G +G,-%$&G .		
I0!1233	**48**	**6**	**9**	**2756.**
!"#$%F"'(	)	)	)	)*))+
H-.I(#%F"'(	4	)	2	5*50+
67-(I8$%9:#";'$(	0	)	)	1*=1+
@-$%AB	2	)	)	=*<3+
C$ME-7'7AB	=	)	2	1*55+
67-(I8$%9FF(M%$#F7-"%B	=	)	<	2)*2=+
6788I-FM"#F7-(	)	)	)	)*))+
GF-"-MF"'(	1<	)	<	0*14+
H$"'#E6"%$	2	2	)	)*54+
I#F'F#F$(	)	)	)	)*))+
J$"'@(#"#$	2	)	)	<*=0+

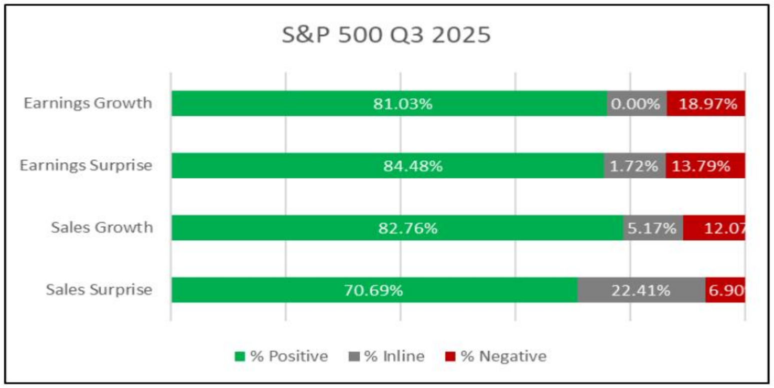
I-*G#1?<"@%A				
	!"#$%$&G	()*$)G +G,-%$&G .		
I0!1233	**49**	**:**	**5**	**5785.**
!"#$%F"'(	)	)	)	)*))+
H-.I(#%F"'(	0	2	2	<*52+
67-(I8$%9:#";'$(	<	2	<	5*<)+
@-$%AB	)	)	2	>1*51+
C$ME-7'7AB	5	)	)	23*5=+
67-(I8$%9FF(M%$#F7-"%B	5	)	1	>)*5<+
6788I-FM"#F7-(	)	)	)	)*))+
GF-"-MF"'(	15	2	)	2)*41+
H$"'#E6"%$	1	)	)	3*42+
I#F'F#F$(	)	)	)	)*))+
J$"'@(#"#$	2	)	)	4*0=+

I-*G#1I;<=<$#G				
	!"#$%$&G	()*$)G +G,-%$&G .		
I0!1233	**46**	**6:**	**4**	**6753.**
!"#$%F"'(	)	)	)	)*))+
H-.I(#%F"'(	5	=	)	23+
67-(I8$%9:#";'$(	=	<	)	)*1=+
@-$%AB	)	2	)	)*1?+
C$ME-7'7AB	=	)	2	2*41+
67-(I8$%9FF(M%$#F7-"%B	1	<	1	)*12+
6788I-FM"#F7-(	)	)	)	)*))+
GF-"-MF"'(	1=	2	2	1*?5+
H$"'#E6"%$	2	2	)	)*30+
I#F'F#F$(	)	)	)	)*))+
J$"'@(#"#$	2	)	)	1*00+

Source: Sentosa; Co

THIRD QUARTER 2025: FINANCIAL RESULTS





Source: Sentosa; Co

LAST WEEK'S RESULTS SEASON

		!"#$%F#! $+#;"'#$		F'#(F) "%#<"=		*$++!,!-'! !;LL$,$)%$	
!"#$	%F'(")*	$(+	,$-	$(+	,$-	$(+	,$-
!"#"$#%"%FG()*+ HH.I01GI20 !"#!6#%"%FG()*+		3%4%5	3%6455G7	3%4%	3%64$8G7	.I01	.I21
9).J-2);G01 !"#!8#%"%FG()*+ KH*1=L)2G0?).- !"#!		3"46"	3%4!6G7	$ 3"4%	3%4!6G7	32I41	.I51
8#%"%FG()*+ K1?2.12AK1?2.12 !"#!8#%"%FG()*+		38456	38F485G7	$	38@4!%G7	4I61	7I01
0IJIL=1BHGI20 !"#!8#%"%FG()*+ M-;;.G9)=L1GAG01 !"#!		3%4@5	3%64@8G7	3F4"@ 3%45"	3%64$$G7	.I81	5I51
8#%"%FG()*+ L1;N*)2G.)0?.GLH !"#!8#%"%FG()*+		3!45@	3%!4!%G7	3!45C	3%%4"$G7	3.I71	4I01
7;)0F=10FGI20 !"#!8#%"%FG()*+ N1*I21G.GHIHH)		3!4FF	3%!4!CG7 3!	3!4CC	3%!488G7	9I51	5I71
		3!!4"8 3!!	84!@G7	3!%4%F	3!F4!5G7	55I.1	9I21
		48@	3C468G7	3!!4FF	3C4F!G7	.I91	2I01
		384"!	3!4!8G7	384"5	3!4!FG7	5I91	.I41
!"#!F#%"%FG()*+ 7)2FG19G)*-=I0)		3"4$F	3%@4F$G7	3!4"F	3%54%8G7	5.I61	2I41
!"#!F#%"%FG()*+)771JJG;)7.		3!46"	3!!46$G7	3!46"	3!!46@G7	3.I51	3.I21
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H20G9I2)20I);G.- !"#!F#%"%FG()*+ H=1L=-..IJ-G01=H !"#!		384"%	3F45%G7	3846F	3F4$FG7	8I51	2I51
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0IJIH-2.G9I2)20I !"#!F#%"%FG()*+ H=1;1LI.GI20 !"#!		3%4!! 3!	3!C4C8G7	3%45"	%G7 72I81 3%4!%G7		6I:1
F#%"%FG(H*+ ?B2JG(K7+GJ=)2.		4"6 3!	3%4!"G7	3!4"F 3!	3%4%!G7	2I21	.I61
		488 3!	3%4!FG7	48$ 3!	364"FG7	7I:1	2I81
		48C	364"%G7	4@C	3!F4%6G7	2.I01	5I21
!"#!F#%"%FG(H*+ B2IJ-NG)I=;I2-.		3%4CC	3!F4%5G7	3%4@5	3!%48@G7	4I:1	3.I41
!"#!C#%"%FG()*+ J=)J-;-=.G01.GI2 !"#!C#%"%FG()*+		3C46%	3!%46CG7	354!8 3!	28I61 3F4"@G7 3C46FG7		.I61
7)2FG2IG*-;;12 !"#!C#%"%FG()*+ *)=.?GAG*0;-22)2 !"#!		3!4@@	384$5G7	4$!	3C4!8G7	9I91	5I61
C#%"%FG()*+ .0?M)7G(0?)=;-.+ !"#!C#%"%FG()*+		3!4@@	3C46!G7	3!45F	3!4!$G7	4I:1	.I91
.2)HO12GI20 !"#!C#%"%FG()*+ *AJG7)2FG01=H !"#!		3!4%8	3C4"%G7	3!46!	3%4F!G7	:I:1	5I61
C#%"%FG()*+ F-I01=H !"#!C#%"%FG()*+		384C8	3!4!CG7	3F4"%	3!4$"G7	8I21	2I91
B.G7)201=H !"#!C#%"%FG(H*+ I2J-=)0JIJ-G7=1F !"#!		38486	3%488G7	3845@	3@466G7	6I61	2I61
C#%"%FG(H*+ 0.LG01=H !"#!		3"465 3!	3!455G7	3"48! 3!	3!4C!G7	9I61	.I01
@#%"%FG()*+)*-=I0)2G-LH=-..		4!%	3@4!@G7	4%%	364F$G7	6I.1	2I21
		3"4F6	3!4F8G7	3"4F@	3!5486G7	0I91	4I91
		3"486	364F@G7	3"48F	354$6G7	:I01	.I41
		364$$	3!54"8G7	384!8	3F4%8G7	7I81	2I51
!"#!@#%"%FG()*+ .;7G;JN!"#!		3"4CC	354$"G7	3"4C$	3%46!G7	4I41	.I71
@#%"%FG()*+ J=BI.JG9I2)20I); !"#!@#%"%FG()*+ 9I9J?		3!4""	3F4%"G7	3!4"8	3%4!FG7	4I21	.I91
GJ?I=NG7)20 !"#!@#%"%FG()*+ ?B2JI2LJ12G7)20 !"#!		3"455	3%4%$G7	3"4$8	364FFG7	0I81	.I91
@#%"%FG()*+ .J)JG.JG01=H !"#!@#%"%FG()*+ =-		3"46@	3%4"FG7	3"46$	3!4$8G7	4I71	4I61
LI12.G9I2)20I)		3%4CC	3648@G7	3%4@5		4I01	2I21
		3"4C"	3!4$%G7	3"4C6		:I:1	.I61

In On Capital

Source: Sentosa; Co

NEXT WEEK'S RESULTS SEASON

		!"#$%F#!		F'#(F)		*$++!,!-'!		
!"#$	%&'(")*	$(+	,$-	$(+	,$-	$(+	,$-	
!"#$"#$"$% FG(()*+H-.I01F !"#$"#$"$% 89*7(9J)(H*1;9K !"#$!#$"$		2$345 2!	25366*7					!
% 1;1.L1;).*1;#G?(!"#$!#$"$% A(-(9.)*()(1G901 !"#$!#$"$% =I*1; !"#$!		3!!	2=36"*7 2!					$
#$"$% 9GB*1;9K !"#$!#$"$% A(-(9.)*I;G;9F*1 !"#$!#$"$% +.-.?(9*1;9K !"#$!		2"36@	$355*7					=
#$"$% (CM0N.B*0-1 !"#$!#$"$% (CG*1;9K !"#$!#$"$% A(-M0-		2!356	2!"35"*7 243$					5
(*K.9GF*1; !"#$!#$"$% ?.))07M9G;-*1; !"#$!		2$3"6 2!	%*7 2$!					%
#$"$% -;9G?9;K*A9MII.- !"#$!#$"$% ;I-01;I*A9;MK !"#$!		35!	3==*7 25%3!					4
#$"$% KM)G(A9;MK*0-1 !"#$!#$"$% G(BF*0-FG9MI(-G !"#$!#$"$%		2$3$@	@*7 243"!*7					6
K.11.9*0-1 !"#$!#$"$% 1?M77*)G+ !"#$!#$"$%);1J?((+*I.9G0- !"#$!		2!36$ 2!	2!3%$*7 2!					@
#$"$% 1.K0G.)*;-(*N0-.		3F5	3@5*7 243!					F
		2"35= 2!	=*7					!"
		3FF	2%3=F*7					!!
		2"3%"	2!"36$*7					!$
		24354	253"$*7					!=
		2$3!4	253="*7					!5
		2$3F"	2534%*7					!%
		2!35F 2!	243$%*7 2!					!4
		3!5 243!	%34$*7 2!					!6
		5 243=%	@3%"*7 2!					!@
		253=F	%3"=*7					!F
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Source: Sentosa; Co

NEXT WEEK'S RESULTS SEASON

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Source: Sentosa; Co

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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		●	

Markets experienced high volatility over the past two weeks, with fluctuations in US stocks due to President Trump's announcements about the threat of tariffs on China. After one of the best six-month rallies in history, the market appears fragile and on the verge of a short-term correction. Investors continued to accumulate precious metals as safe havens. Gold, silver, and bonds are benefiting from the current environment, with the US 10-year bond yield reaching 3.93% last week, its lowest level since April.

The market is recording its first negative month in six months, which is somewhat logical. 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.

Source: Sentosa; Co

THE TOPIC OF THE WEEK

How about a defensive approach at current levels?

After six consecutive months of positive results and an impressive +38% return since the April lows (Chart 2), it would be logical to ask whether this dynamic is sustainable. **Even more impressive, from a purely technical perspective, prices are now well above the top of the ascending supercycle channel on the quarterly chart** (Chart 1). Since the 2022 lows, the market has achieved 10 positive quarters out of 12 and a return of +88%. It appears that the market has accelerated into a new upward dynamic outside of the original ascending channel that began in 2009. Post-COVID, this positive dynamic has dramatically reversed with the negative market of 2022... will the same happen in 2026?

Since October, the market has begun to show some signs of volatility related to the escalation of trade tensions between the United States and China. Although the Fed continues to have powerful monetary policy tools to prevent a sharp and deep correction like the one in 2022, the immediate upside potential appears clearly limited. **The weekly chart is slowly losing momentum, and a break below the weekly ascending channel could trigger a medium-term correction signal** (Chart 2). On the macroeconomic front, global economic growth is slowing significantly as US employment figures deteriorate. A defensive approach for the coming months appears to be the best strategy.

Chart 1: MSCI World (4292.08) / Quarterly Chart

Chart 2: MSCI World (4292.08) / Weekly Chart

Source: Sentosa & Co., Altitude IS

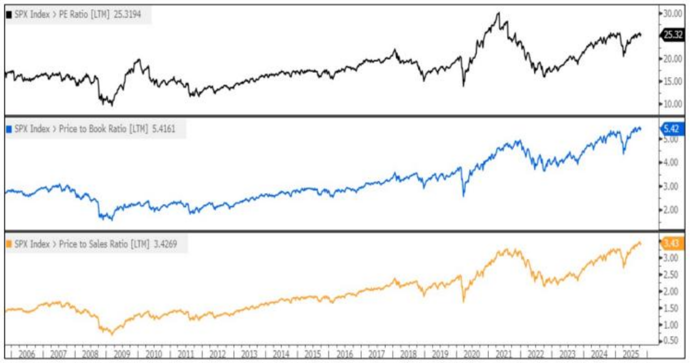
THE TOPIC OF THE WEEK

Furthermore, from a technical perspective, the stock market appears to have anticipated an extreme level of earnings growth. **Indeed, earnings would need to grow 40% over the next 12 months to justify current levels** (Chart 3). Given the current economic headwinds, we consider this overly optimistic. On the microeconomic front, earnings season has just begun, but releases are likely to slightly exceed consensus estimates without generating lasting momentum. Market expectations are already high, and earnings growth remains concentrated in a few mega-caps. Furthermore, many companies are likely to revise their targets due to eroding pricing power, persistent labor costs, and tightening financial conditions.

Finally, and this factor is not insignificant, valuations have reached extreme levels, especially in the US market. **Fueled by investor enthusiasm for the Magnificent 7, artificial intelligence, and technology as a whole, the S&P 500 index now trades at 3.2 times sales, 4.7 times book value, and 25.3 times earnings** (Chart 4). By any measure, the market looks expensive. As much as we believe sector and geographic rotation will occur and certain segments appear quite bullish, the global market should face a period of correction for the reasons described above. There are many ways to protect against a market correction, such as reducing equity allocations, buying protective strategies, buying high-quality bonds, or switching to defensive sectors. Another option is to focus on companies that are part of an oligopolistic situation, i.e., where a small number of large companies dominate an important segment or theme. Not only do they tend to consistently perform well, even in times of crisis, but they also offer a level of diversification that major indices no longer provide.

Chart 3: US Stock Market Index and Earnings

Chart 4: S&P 500 P/E (25.3X); P/B (5.4X); P/S (3.4X)



Source: Sentosa & Co., Altitude IS

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In most industries, there are two or three leaders who, without agreeing with each other, end up coexisting stably and generating recurring profits.
Given the current economic climate and market valuations, investors who have identified listed duopolies and triopolies should perform better in the short term, but also during any market downturn.

Analyzing the market, we could ultimately classify it into four important groups: **1. Essential quality companies; 2. Technology leaders; 3. Other large capitalizations.**

1. The Essential Quality Companies These companies have lasting, visible, and extraordinarily difficult advantages to compete with. Payment networks are the most striking example. **Visa** and **Mastercard** don't own the issuing banks or merchants, but they provide the infrastructure that enables money to be withdrawn or transferred, with standards, security, and reliability that can't be improvised. Their value lies as much in technology as in universality: the more cardholders and acceptors there are, the more useful the network. The more useful it is, the more it attracts new users. The cycle is self-reinforcing. There is a threat of a credible account-to-account alternative emerging, but a global system shift is slow, costly, and risky. **As long as the growth of digital commerce and electronic payments remains strong, the duopoly has a bright future ahead. Both companies have significantly outperformed the market over the decade** (Exhibit 5).

In the luxury sector, competitive advantage depends less on technology than on brand power, scarcity management, and distribution control. A few groups dominate the top of the pyramid by leveraging the longevity of their brands, the integration of their production chains, the selection of their distribution networks, and price discipline. **Hermès** and **LVMH** benefit from inimitable iconography and organized scarcity, making it very difficult for competitors to enter their market. **Their performance has suffered over the past two years, but the current situation could be seen as an opportunity** (Chart 6).

In consumer goods, oligopolistic conditions were not enough to prevent underperformance, but any market correction should put them in a safe position and close the gap created over the past two years. In the beverage sector, **Coca-Cola** and **PepsiCo** retain long-established brands and unrivaled distribution networks, but demand is more hesitant, amid price increases, consumer arbitrage, and unfavorable taxation (sugar taxes).

Source: Sentosa & Co., Altitude IS

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Chart 5: 10-year performance:
Mastercard (+462%); VISA (344%); MSCI World (+152%)

Chart 6: 10-year performance:
Hermes (+536%); LVMH (255%); MSCI World (+152%)

2. Technology Leaders

Given the risk of growth being affected during a market correction, any decline would be an opportunity to enter technology or semiconductor leaders. Semiconductor manufacturing companies like **ASML** are an example of a monopoly in critical technology. ASML is the only company in the world that manufactures EUV (extreme ultraviolet) lithography machines, absolutely essential for producing chips at 7 nm and below, the nodes required for all next-generation processors, including AI chips, smartphone processors, and high-performance computing. Customers like TSMC, Samsung, and Intel have no alternative for manufacturing advanced chips. Even geopolitical rivals recognize ASML's monopoly: China desperately wants access to these machines.

Taiwan Semiconductor Manufacturing Company (TSMC) is another example of leadership. **TSMC** is the world's largest contract chip manufacturer and produces semiconductors designed by other companies such as Apple, NVIDIA, and AMD. They dominate the market because they are the only foundry capable of making chips using the most advanced 3nm technology, giving them a 2-3 year lead over Samsung and Intel. This technological advantage means that the world's most important AI chips, smartphone processors, and high-performance computing chips can only be manufactured at TSMC. Their specialization model, where they don't compete with customers by designing their own chips, combined with decades of manufacturing expertise and massive R&D spending, has created an irreplaceable position in the global semiconductor supply chain. Simply put, if TSMC's factories stopped operating tomorrow, the global tech industry would collapse. There would be no smartphones, no AI chips, and no data centers. That's monopoly power.

Source: Sentosa & Co., Altitude IS

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Chart 7: 10-year performance:
TSMC (+1,213%); ASML (928%); MSCI World (+152%)

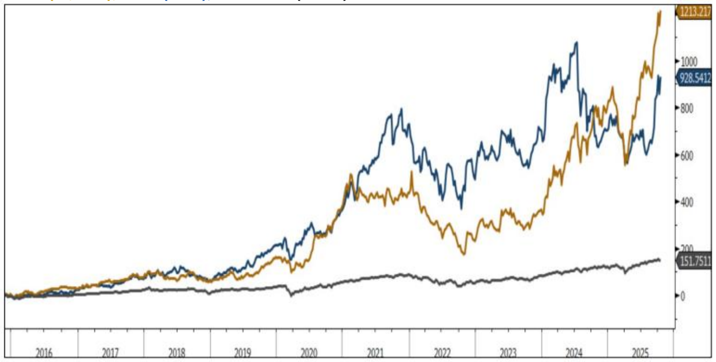
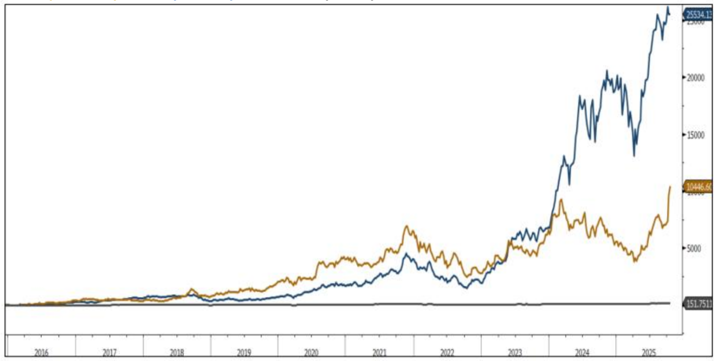


Chart 8: 10-year yield:
AMD (+10,446%); Nvidia (25,534%); MSCI World (+152%)



Closer to end users, **Nvidia** and **AMD** embody another form of oligopoly, that of computing accelerators. The AI phenomenon has transformed Nvidia into the architect of the modern data center. For its part, AMD has found its niche by focusing on openness and compatibility. For both, the ecosystem is as technical that competitors are struggling to catch up and make a name for themselves.

Source: Sentosa & Co., Altitude IS

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CONCLUSION

After six months of rally, the market is now overvalued and appears quite fragile in the face of renewed political tensions. The economic slowdown caused by lower job creation is compounding a potential period of risk aversion that could soon occur. We recommend investors remain cautious and reduce risk overall.

Source: Sentosa & Co., Altitude IS

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