

## SUMMARY OF LAST WEEK

Last week dealt a severe blow to financial markets as the AI-driven rally that had propelled stocks to record highs came under intense scrutiny, triggering the tech sector's worst decline since April. The Nasdaq Composite plummeted 3.04 % last week, while the S&P 500 and Dow Jones Industrial Average fell 1.63 % and 1.21 %, respectively. The catalyst for this dramatic trend reversal centered on growing concerns about the "exorbitant valuations" of AI stocks. Meta's announcement of increased capital expenditures on GenAI has caused a stir among investors, raising questions about whether this marks the beginning of a broader pullback from artificial intelligence investments.

The Magnificent Seven collectively lost more than \$1 trillion in market value during the week, with Nvidia alone losing more than \$500 billion as its shares plunged 8%. The sell-off intensified after news broke that prominent short seller Michael Burry had taken bearish positions against the AI darlings, while a Trump administration official declared that "there will be no federal bailout for AI" and Nvidia's CEO,

Jensen Huang warned that the United States risked losing the AI arms race to China. The prolonged government shutdown is also contributing to the risk-averse climate, as the United States is currently experiencing the longest government shutdown in its history, which has already entered its 37th day as of November 7, 2025. The economic ramifications of this political standoff are becoming increasingly severe and pose a significant risk to market stability and investor confidence. According to the Congressional Budget Office, the shutdown will permanently cost the US economy between \$7 billion and \$14 billion through the end of 2026, depending on its duration.

Furthermore, the ongoing shutdown continues to deprive markets of fundamental economic data, such as employment reports and GDP figures, forcing investors to navigate without traditional economic signals. Any future confirmation of a slowing labor market could increase risk aversion. Corporate news was dominated by Tesla, whose shareholders on November 6 approved, with 75% support, CEO Elon Musk's unprecedented \$1 trillion compensation package, structured in 12 performance-linked tranches.

Ambitious goals, such as reaching a market capitalization of \$8.5 trillion and delivering 1 million humanoid robots. Despite the vote of confidence, Tesla shares fell on Friday as investor skepticism persisted regarding the lofty valuation targets. Measures from central banks provided little support, as the Bank of England voted by a narrow 5-4 margin to keep its benchmark interest rate at 4% on November 7, ahead of the UK's autumn budget presentation on November 26. The surprising outcome of the vote highlighted the deep divisions among policymakers in balancing persistent inflation, which stands at 3.8%, almost double the 2% target, with weakening economic growth.

# MACROECONOMIC FLUCTUATIONS AND DATA

## KEY DATES OF THE LAST WEEK

### November 3rd

#### S&P Global US Manufacturing

Actual 52.50 versus the poll 52.2

#### ISM manufacturing

Actual 48.7 vs. the poll 49.5

### November 4th

#### JOLTS Job Offers

NO DATA compared to 7,178,000 from the survey

### November 5th

#### S&P Global US Services PMI

Actual 54.8 vs. survey 55.2

#### US S&P Global Composite PMI

Actual 54.6 vs. poll 54.9

#### ISM Services Index

Actual 52.8 vs. the poll 50.8

### November 7th

#### Confidence index of the

#### University of Michigan

Actual 50.3 vs. poll 53.0

| GLOBAL EQUITY INDICES | Last       | 5 Days                  | 1 Month YTD            |
|-----------------------|------------|-------------------------|------------------------|
| MSCI WORLD            | 4,325.03   | -1.49% $\bar{y}$ 2.06%  | 16.65%                 |
| MSCI EM               | 1,381.63   | -1.42% $\bar{y}$ 1.17%  | 28.47%                 |
| MSCI EM LATIN AMERICA | 2,636.54   | 2.43% $\bar{y}$ 8.88%   | 42.32%                 |
| MSCI AC ASIA x JAPAN  | 903.68     | -1.47% $\bar{y}$ 0.84%  | 28.35%                 |
| <b>USA</b>            |            |                         |                        |
| S&P 500 INDEX         | 6,728.80   | -1.63% $\bar{y}$ 2.69%  | 14.40%                 |
| NASDAQ COMPOSITE      | 23,004.54  | -3.04% $\bar{y}$ 3.60%  | 19.13%                 |
| DOW JONES INDUS. AVG  | 46,987.10  | -1.21% $\bar{y}$ 3.31%  | 10.44%                 |
| RUSSELL 2000 INDEX    | 2,432.82   | -1.88% $\bar{y}$ 1.60%  | 9.09%                  |
| <b>EUROPE</b>         |            |                         |                        |
| STXE 600 (EUR) Pr     | 564.79     | -1.24% $\bar{y}$ 0.11%  | 11.26%                 |
| Euro Stoxx 50 Pr      | 5,566.53   | -1.69% $\bar{y}$ 0.64%  | 13.70%                 |
| DAX INDEX             | 23,569.96  | -1.62% $\bar{y}$ -2.77% | 18.39% <b>US RATES</b> |
| CAC 40 INDEX          | 7,950.18   | -2.10% $\bar{y}$ 0.41%  | 7.72%                  |
| FTSE MIB INDEX        | 42,917.67  | -0.60% $\bar{y}$ 2.07%  | 25.54%                 |
| IBEX 35 INDEX         | 15,901.40  | -0.82% $\bar{y}$ 2.75%  | 37.14%                 |
| SWISS MARKET INDEX    | 12,298.35  | 0.52% $\bar{y}$ -1.47%  | 6.01%                  |
| FTSE 100 INDEX        | 9,682.57   | -0.36% $\bar{y}$ 2.71%  | 18.47%                 |
| <b>ASIA</b>           |            |                         |                        |
| NIKKEI 225            | 50,276.37  | -2.04% $\bar{y}$ 4.55%  | 26.02%                 |
| HANG SENG INDEX       | 26,241.83  | 1.29% $\bar{y}$ -0.18%  | 30.82%                 |
| CSI 300 INDEX         | 4,678.79   | 0.82% $\bar{y}$ 1.34%   | 18.90%                 |
| SENSEX                | 83,216.28  | -1.41% $\bar{y}$ 0.87%  | 6.50%                  |
| <b>LATAM</b>          |            |                         |                        |
| S&P/BMV IPC           | 63,376.13  | 0.97% $\bar{y}$ 4.63%   | 28.00%                 |
| BRAZIL IBOVESPA INDEX | 154,063.53 | 3.02% $\bar{y}$ 9.51%   | 28.08%                 |
| MSCI COLCAP INDEX     | 2,081.29   | 4.55% $\bar{y}$ 11.31%  | 50.86%                 |
| S&P/CLX IPSA (CLP) TR | 9,605.06   | 1.87% $\bar{y}$ 10.71%  | 43.15%                 |

| EQUITIES SECTORS         | Last        | 5 Days                  | 1 Month YTD        |
|--------------------------|-------------|-------------------------|--------------------|
| MSCI WORLD/ENERGY        | 265.62      | 1.07% $\bar{y}$ 4.30%   | 9.12%              |
| MSCI WORLD/CON STPL      | 293.34      | 1.00% $\bar{y}$ -0.15%  | 5.03%              |
| MSCI WORLD/HIGH CARE     | 376.34      | 0.89% $\bar{y}$ 1.16%   | 6.66%              |
| MSCI WORLD/FINANCEVAL    | 173.69      | 0.83% $\bar{y}$ 2.93%   | 23.93%             |
| MSCI WORLD/UTILITY       | 203.09      | 0.78% $\bar{y}$ 1.12%   | 24.01%             |
| MSCI WORLD BANK INDEX    | 171.93      | 0.28% $\bar{y}$ 4.05%   | 34.67%             |
| PHILA GOLD & SILVER INDX | 278.53      | -0.41% $\bar{y}$ -5.75% | 103.04%            |
| MSCI WORLD/MATERIAL      | 364.27      | -0.74% $\bar{y}$ -1.32% | 13.36%             |
| MSCI WORLD/INDUSTRIAL    | 490.75      | -1.39% $\bar{y}$ 1.16%  | 21.19%             |
| MSCI WORLD/CONS DIS      | 499.98      | -1.39% $\bar{y}$ 3.76%  | 6.81%              |
| MSCI WRLD/COMM SVC       | 158.54      | -2.08% $\bar{y}$ 2.53%  | 24.56%             |
| MSCI WORLD/INF TECH      | 978.71      | -4.40% $\bar{y}$ 3.27%  | 23.59%             |
|                          | <b>Last</b> | <b>5 Days Close</b>     | <b>12M Close</b>   |
| 2 and                    | 3.56        | 3.57                    | -0.01 4.20         |
| 5 and                    | 3.68        | 3.69                    | 0.00 4.17          |
| 10Y                      | 4.10        | 4.08                    | 0.02 4.33          |
|                          | <b>Last</b> | <b>5 Days Close</b>     | <b>12M Close</b>   |
| EM Bonds Spread          | 244.34      | 235.9                   | 8.4 297.23         |
| HY Bonds Spread          | 280.00      | 270.0                   | 10.0 287.00        |
| BBB 10yr Spread          | 172.34      | 167.3                   | 5.1 149.43         |
|                          | <b>Last</b> | <b>5 Days</b>           | <b>1 Month YTD</b> |
| US High Yield            | 2,872.89    | -0.29% $\bar{y}$ 0.49%  | 7.07%              |
| EM Bonds USD             | 1,374.66    | -0.21% $\bar{y}$ 1.25%  | 10.14%             |
| EM Local Currency        | 149.83      | -0.19% $\bar{y}$ 0.22%  | 14.18%             |
| CoCos USD                | 149.08      | -0.10% $\bar{y}$ 0.17%  | 12.24%             |
| IG BBB 3-5yr USD         | 390.84      | -0.18% $\bar{y}$ -0.13% | 6.28%              |
| IG AA Corp USD           | 285.62      | -0.18% $\bar{y}$ -0.33% | 7.28%              |

| COMMODITIES                                | Last            | 5 Days                                   | 1 Month YTD        |
|--|-----------------|--|--------------------|
| <b>CRB INDEX</b>                           | 300.91          | -0.54% $\bar{y}$ 2.78%                   | 1.41%              |
| WTI  | 59.75           | -2.02% $\bar{y}$ -3.21%                  | -16.69%            |
| Brent                                      | 63.79           | -2.18% $\bar{y}$ -4.68%                  | -13.93%            |
| US Natural Gas                             | 4.32            | 4.63% $\bar{y}$ 23.36%                   | 18.77%             |
| <b>S&amp;P GSCI Precious Metal</b>         | <b>5,222.25</b> | <b>0.48% <math>\bar{y}</math> 0.55%</b>  | <b>53.15%</b>      |
| Gold                                       | 4,001.26        | -0.04% $\bar{y}$ 0.41%                   | 52.46%             |
| Silver                                     | 48.32           | -0.75% $\bar{y}$ 1.03%                   | 67.20%             |
| Platinum                                   | 1,546.10        | -1.79% $\bar{y}$ -5.03%                  | 70.36%             |
| Palladium                                  | 1,382.85        | -3.88% $\bar{y}$ 2.50%                   | 51.52%             |
| <b>S&amp;P GSCI Industrial Metal Index</b> | <b>502.00</b>   | <b>-1.25% <math>\bar{y}</math> 2.24%</b> | <b>14.62%</b>      |
| Aluminum                                   | 2,848.00        | -1.25% $\bar{y}$ 3.88%                   | 11.62%             |
| Copper                                     | 10,698.28       | -1.61% $\bar{y}$ -0.24%                  | 23.64%             |
| Nickel                                     | 14,868.62       | -1.02% $\bar{y}$ -2.88%                  | -1.60%             |
| <b>S&amp;P GSCI Agriculture</b>            | <b>361.71</b>   | <b>-0.21% <math>\bar{y}</math> 4.46%</b> | <b>-5.53%</b>      |
|  | <b>Last</b>     | <b>5 Days</b>                            | <b>1 Month YTD</b> |
| CHF vs USD                                 | 0.8052          | -0.07% $\bar{y}$ -0.87%                  | 12.69%             |
| JPY vs USD                                 | 153.4200        | 0.37% $\bar{y}$ -0.99%                   | 2.46%              |
| CAD vs USD                                 | 1.4044          | -0.24% $\bar{y}$ -0.67%                  | 2.42%              |
| EUR vs USD                                 | 1.1566          | 0.25% $\bar{y}$ -0.78%                   | 11.71%             |
| GBP vs USD                                 | 1.3162          | 0.08% $\bar{y}$ -1.97%                   | 5.16%              |
| AUD vs USD                                 | 0.6493          | -0.79% $\bar{y}$ -1.34%                  | 4.93%              |
| BRL vs USD                                 | 5.3340          | 0.80% $\bar{y}$ 0.31%                    | 15.81%             |
| MXN vs USD                                 | 18.4478         | 0.55% $\bar{y}$ -0.31%                   | 12.90%             |
| COP vs USD                                 | 3,783.68        | 1.88% $\bar{y}$ 2.42%                    | 16.44%             |
| CNY vs USD                                 | 7.1221          | -0.04% $\bar{y}$ 0.00%                   | 2.49%              |
| EUR vs CHF                                 | 0.9309          | -0.28% $\bar{y}$ -0.04%                  | 0.99%              |
| DOLLAR INDEX                               | 99.6030         | -0.20% $\bar{y}$ 1.04%                   | -8.19%             |
| BITCOIN                                    | 101,719.32      | -4.82% $\bar{y}$ -17.24%                 | 8.54%              |

## KEY DATES OF THE NEXT WEEK

### November 13th

year-on-year CPI for October Survey 3.0%

#### Federal budget balance

Survey: -\$102.5 billion

### November 14th

Advance retail sales intermonthly

Survey -0.2%

#### Producer Price Index (PPI)

Final year-on-year demand

Survey: -

## THIRD QUARTER OF 2025: FINANCIAL RESULTS

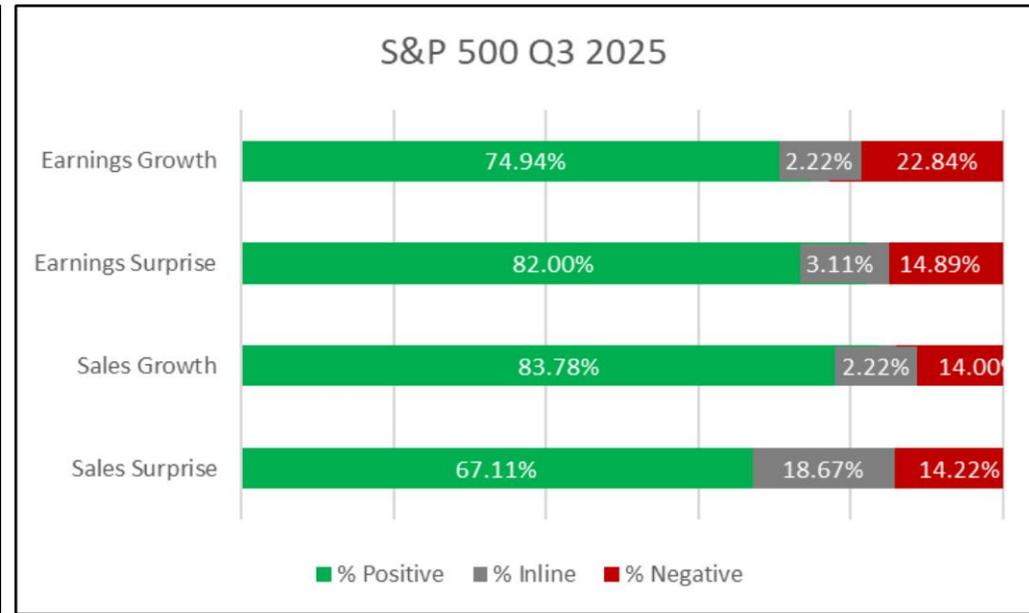
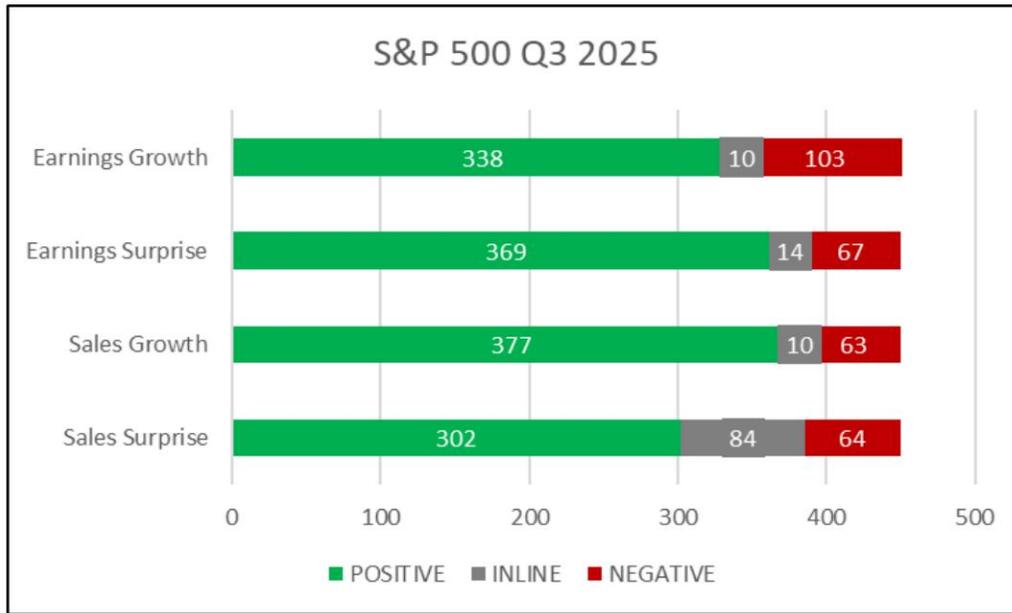
| Earnings Growth        |            |           |            |               |
|------------------------|------------|-----------|------------|---------------|
|                        | Positive   | Inline    | Negative   | %             |
| <b>S&amp;P 500</b>     | <b>338</b> | <b>10</b> | <b>103</b> | <b>11.75%</b> |
| Materials              | 19         | 1         | 5          | 19.20%        |
| Industrials            | 53         | 0         | 15         | 9.71%         |
| Consumer Staples       | 13         | 2         | 12         | 0.55%         |
| Energy                 | 13         | 0         | 9          | -0.67%        |
| Technology             | 39         | 2         | 6          | 22.97%        |
| Consumer Discretionary | 21         | 0         | 19         | 7.99%         |
| Communications         | 17         | 1         | 6          | 0.53%         |
| Financials             | 75         | 1         | 3          | 23.87%        |
| HealthCare             | 40         | 2         | 15         | 6.12%         |
| Utilities              | 24         | 0         | 7          | 7.23%         |
| Real Estate            | 24         | 1         | 6          | 8.38%         |

| Earnings Surprise      |            |           |           |              |
|------------------------|------------|-----------|-----------|--------------|
|                        | Positive   | Inline    | Negative  | %            |
| <b>S&amp;P 500</b>     | <b>369</b> | <b>14</b> | <b>67</b> | <b>6.72%</b> |
| Materials              | 19         | 1         | 5         | 5.81%        |
| Industrials            | 59         | 1         | 8         | 2.35%        |
| Consumer Staples       | 24         | 2         | 1         | 4.36%        |
| Energy                 | 16         | 1         | 5         | 5.42%        |
| Technology             | 40         | 1         | 6         | 8.11%        |
| Consumer Discretionary | 27         | 1         | 12        | 13.73%       |
| Communications         | 15         | 2         | 7         | -2.60%       |
| Financials             | 68         | 1         | 9         | 8.66%        |
| HealthCare             | 53         | 2         | 2         | 13.11%       |
| Utilities              | 23         | 0         | 8         | 4.84%        |
| Real Estate            | 25         | 2         | 4         | 4.12%        |

| Sales Growth           |            |           |           |              |
|------------------------|------------|-----------|-----------|--------------|
|                        | Positive   | Inline    | Negative  | %            |
| <b>S&amp;P 500</b>     | <b>377</b> | <b>10</b> | <b>63</b> | <b>8.19%</b> |
| Materials              | 17         | 0         | 8         | 4.53%        |
| Industrials            | 55         | 2         | 11        | 6.94%        |
| Consumer Staples       | 17         | 1         | 9         | 6.95%        |
| Energy                 | 14         | 0         | 8         | 1.42%        |
| Technology             | 42         | 0         | 5         | 11.69%       |
| Consumer Discretionary | 32         | 1         | 7         | 7.89%        |
| Communications         | 19         | 0         | 5         | 10.21%       |
| Financials             | 74         | 2         | 3         | 8.16%        |
| HealthCare             | 51         | 2         | 4         | 10.38%       |
| Utilities              | 27         | 2         | 1         | 7.12%        |
| Real Estate            | 29         | 0         | 2         | 7.68%        |

| Sales Surprise         |            |           |           |              |
|------------------------|------------|-----------|-----------|--------------|
|                        | Positive   | Inline    | Negative  | %            |
| <b>S&amp;P 500</b>     | <b>302</b> | <b>84</b> | <b>64</b> | <b>2.25%</b> |
| Materials              | 16         | 6         | 4         | 0.81%        |
| Industrials            | 38         | 16        | 14        | 2.09%        |
| Consumer Staples       | 13         | 10        | 4         | 0.17%        |
| Energy                 | 17         | 2         | 3         | 5.23%        |
| Technology             | 35         | 10        | 2         | 1.49%        |
| Consumer Discretionary | 24         | 9         | 7         | 2.91%        |
| Communications         | 14         | 6         | 4         | 1.46%        |
| Financials             | 59         | 7         | 12        | 2.79%        |
| HealthCare             | 42         | 10        | 5         | 2.21%        |
| Utilities              | 23         | 1         | 6         | 1.45%        |
| Real Estate            | 21         | 7         | 3         | 2.01%        |

# THIRD QUARTER OF 2025: FINANCIAL RESULTS



## LAST WEEK'S RESULTS SEASON

| DATE            | COMPANY           | Value yourself |           | CURRENT |           | DIFFERENCE |       |
|-----------------|-------------------|----------------|-----------|---------|-----------|------------|-------|
|                 |                   | EPS            | REV       | EPS     | REV       | EPS        | REV   |
| 03/11/2025 (PM) | PALANTIR TECHN-A  | \$0.17         | \$1.09 B  | \$0.21  | \$1.18 B  | 25.0%      | 8.3%  |
| 03/11/2025 (PM) | SIMON PROPERTY    | \$3.13         | \$1.49 B  | \$3.25  | \$1.60 B  | 4.0%       | 7.6%  |
| 11/04/2025 (AM) | PFIZER INC        | \$0.64         | \$16.59 B | \$0.87  | \$16.65 B | 36.2%      | 0.4%  |
| 04/11/2025 (AM) | UBER TECHNOLOGIE  | \$0.70         | \$13.26 B | \$3.11  | B         | 346.8%     | 1.5%  |
| 04/11/2025 (PM) | AMERICAN INTERNAL | \$1.72         | \$6.84 B  | \$2.20  | \$6.35 B  | 28.0%      | -7.2% |
| 04/11/2025 (PM) | ADV MICRO DEVICE  | \$1.17         | \$8.74 B  | \$1.20  | \$9.25 B  | 2.7%       | 5.8%  |
| 11/04/2025 (PM) | AMGEN INC         | \$4.99         | \$8.95 B  | \$5.64  | \$9.56 B  | 13.1%      | 6.8%  |
| 05/11/2025 (AM) | MCDONALDS CORP    | \$3.32         | \$7.10 B  | \$3.22  | \$7.08 B  | -3.1%      | -0.4% |
| 05/11/2025 (AM) | EMERSON ELEC CO   | \$1.61         | \$4.91 B  | \$1.62  | \$4.86 B  | 0.4%       | -1.0% |
| 11/05/2025 (PM) | METLIFE INC       | \$2.32         | \$18.79 B | \$2.37  | \$17.90 B | 2.1%       | -4.7% |
| 11/05/2025 (PM) | QUALCOMM INC      | \$2.88         | \$10.77 B | \$3.00  | \$11.27 B | 4.3%       | 4.7%  |
| 06/11/2025 (AM) | CONOCOPHILLIPS    | \$1.40         | \$14.17 B | \$1.61  | \$15.52 B | 15.2%      | 9.6%  |
| 07/11/2025 (AM) | DUKE ENERGY CORP  | \$1.75         | \$8.49 B  | \$1.81  |           | 3.3%       | 0.6%  |

## 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        |   |   |   |

After seven consecutive months of gains, the market is losing momentum and entering a short-term correction. The combination of overvaluations, narrowing growth differentials between the MAG 7 and the broader market, and economic uncertainty stemming from the current government shutdown is shifting investor confidence, moving them from risk-taking to risk-averse. We have downgraded our global equity rating to "underweight," as we believe the market is entering a one- to three-month correction period.

That said, this is more of a tactical than a strategic move, as we see opportunities in some regions and sectors where valuations and future growth remain attractive. Precious metals have also entered a short-term consolidation phase following one of the best annual results on record. We also expect this to be temporary and advise investors to take advantage of this window of opportunity to buy in.

## THE TOPIC OF THE WEEK

### The market is ready for a correction.

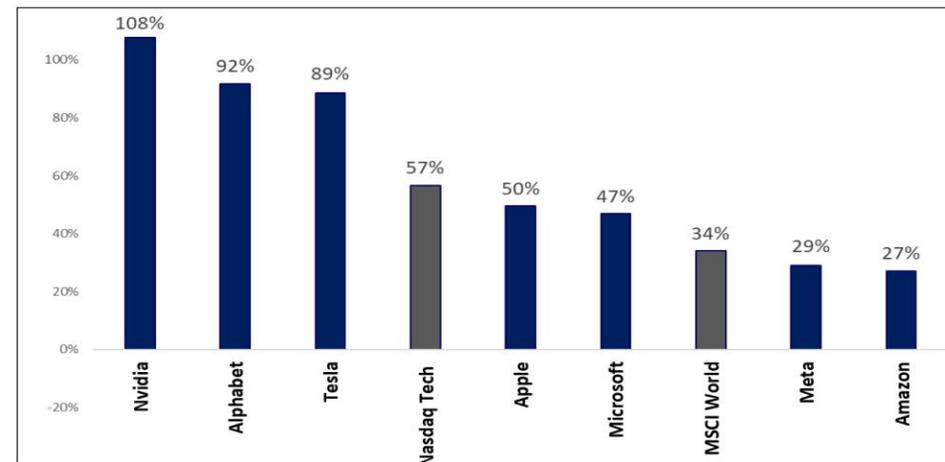
To say that markets have performed well since the lows of April this year is certainly an understatement. **Looking back, the MSCI World** **It literally shot up 40% from its low to its high, with seven consecutive months of gains** (Chart 1). The technology sector has once again taken the lead, with a +66% during the same period, significantly outperforming the market. **As for the MAG 7, despite some outliers like Nvidia (+108%), Alphabet (+92%), and Tesla (+89%), the rest have lost relative momentum** (Chart 2). **Looking at sector performance, it is quite constructive to see that the lagging sectors are the defensive, which in some way describes the confidence that investors have in the economy** (Chart 3).

That said, despite the strong rally of the last seven months, the market is now significantly overvalued. This situation does not change our long-term outlook. not a long-term plan, but rather a brief period of correction after which opportunities will arise. Therefore, we will remain dynamic and flexible to adapt our approach again. perspective at the moment when we consider that opportunities arise.

Chart 1: MSCI World (4323.70) / Monthly Chart



Chart 2: MAG 7 performance from April 7 to October 30, 2025



## THE TOPIC OF THE WEEK

Chart 3: Sector performance between April 7 and October 30, 2025

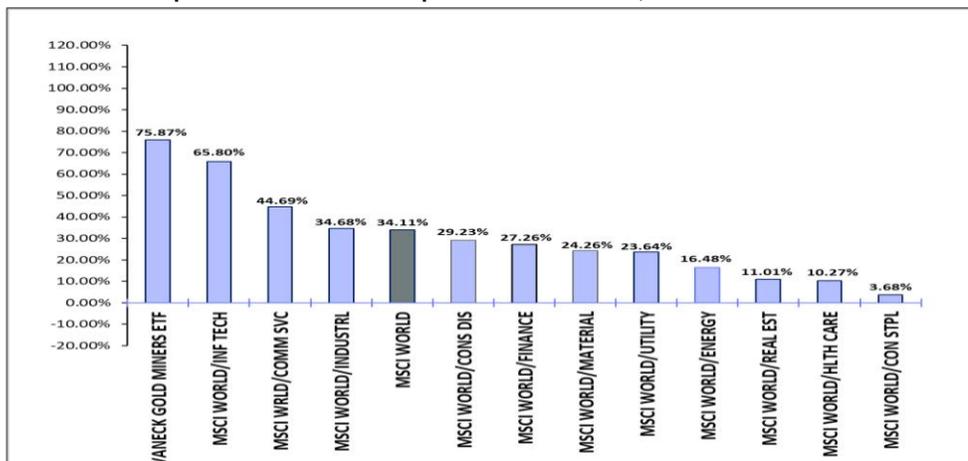
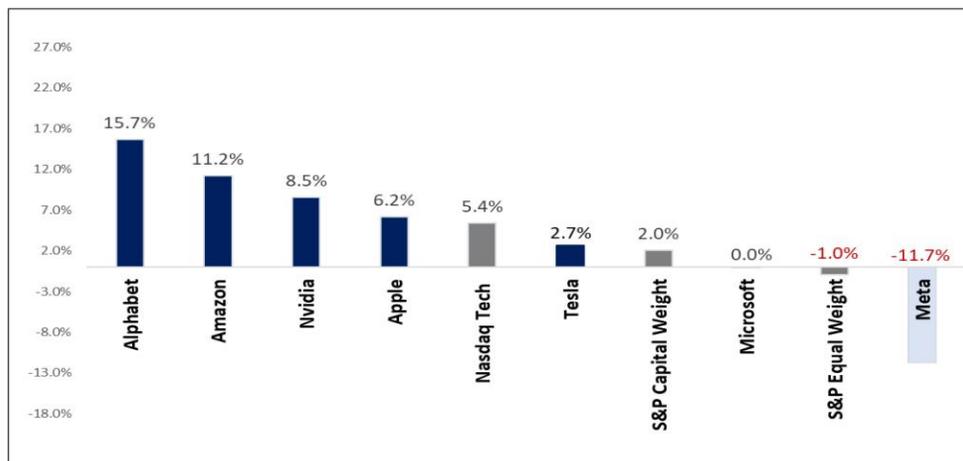


Chart 4: MAG 7 performance in October



**Meta's results and announcements shifted investor confidence during October.** Recent market volatility surrounding Meta's announcement of increased capital expenditures on GenAI triggered a ripple effect in investor confidence, raising concerns about whether we are witnessing the beginning of a broader pullback in artificial intelligence investments. However, a closer examination of the underlying fundamentals reveals a more nuanced story, suggesting that investor reaction to Meta's spending plans represents a cautionary signal against overspending, rather than evidence of an impending decline in GenAI capital expenditures across the tech sector. Within the Magnificent Seven, performance dispersion widened significantly during October. While the group as a whole gained 4.9%, outperforming the S&P 493 by 4.7%, individual performance varied dramatically. **Google led the pack with an impressive gain of 15.7%, followed by Amazon at 11.2% and Nvidia at 8.5%. In stark contrast, Meta suffered an 11.7% decline, as its announcement of a significant increase in capital spending raised investor concerns about rising costs and pressure on margins. Tesla, which had been the best-performing company in the third quarter, underperformed the group, gaining 2.7% after its strong summer rally** (Chart 4). The divergent reactions to Meta and its fellow tech giants reveal an important distinction. Microsoft, Alphabet, and Amazon are aggressively expanding their cloud infrastructure to meet the growing demand from enterprises adopting GenAI.

However, Meta's situation stands in stark contrast to these demand-driven investments. The company does not operate a cloud services business, meaning its investments in GenAI are primarily for internal use, supporting model development and training. Meta has invested \$19.3 billion in general AI-related capital expenditures to meet internal computing needs as it pursues general artificial intelligence and develops its LLAMA models. This represents a speculative bet on future capabilities rather than a response to current customer demand.

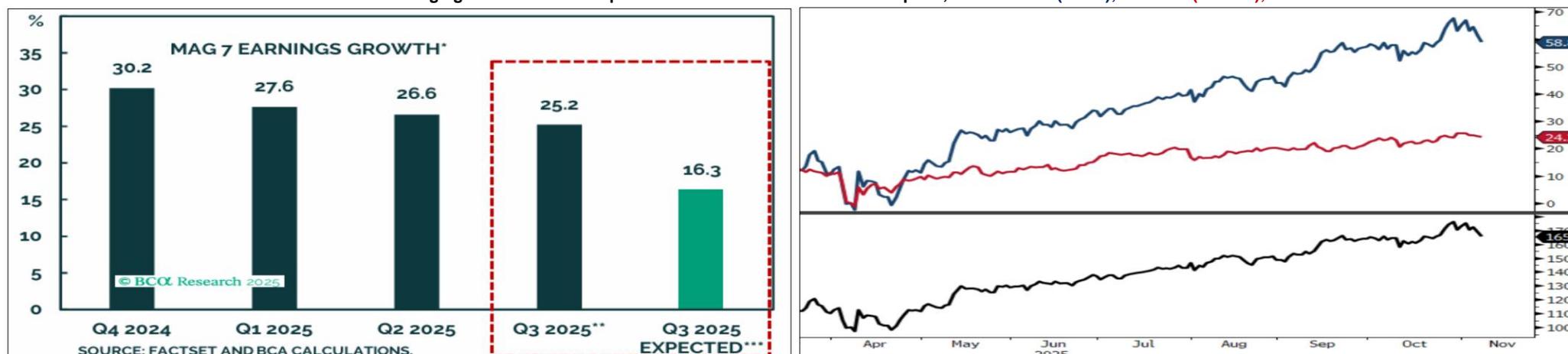
## THE TOPIC OF THE WEEK

The company's capital expenditure as a percentage of sales is increasing at the expense of free cash flow, which has plummeted into negative territory. Since the end of last year, Meta's cash balance has fallen by 43%, and the company plans to increase spending even further in 2026. Return on invested capital metrics tell a compelling story. All the major technology companies, except Meta, are experiencing stable or increasing returns on invested capital.

Microsoft and Amazon are increasing their cloud capacity to address significant order backlogs, reflecting continued strength in enterprise and AI-related demand. Alphabet is enjoying strong momentum in Google Cloud services, with cloud operating profits nearly doubling. Despite high capital expenditures, all hyperscalers remain highly profitable, with high and rising margins. However, Meta's return on invested capital has declined markedly, providing tangible evidence to support investor concerns about capital misallocation.

**The growth gap between the MAG 7 and the market is expected to narrow.** Looking at earnings growth trajectories, the Magnificent Seven's advantage over the broader market is diminishing. At the start of the third-quarter earnings season, Mag7 earnings were expected to increase by 16.3% in the third quarter, a clear slowdown from previous quarters. **With six of the seven companies reporting, actual third-quarter growth for the group was 25.2%, roughly 9% better than expected** (Chart 5). However, analysts expect this growth gap to narrow over time. While Mag7 earnings are projected to grow by 19.7% over the next twelve months, compared to 11.6% for the S&P 493, this gap is expected to shrink in subsequent quarters. **Whether true or not, the MAG 7s are the ones that have been correcting the most since the end of October** (chart 6).

Chart 5: MAG 7. Forecast and actual results of earnings growth in the third quarter. Chart 6: Performance since April 7, 2025: MAG 7 (+59%); S&P 493 (+24.4%); difference



## THE TOPIC OF THE WEEK

Despite market expectations of weak earnings growth, five of the seven superstar companies (excluding Tesla) significantly surprised to the upside, with earnings growth exceeding 20% year-over-year (Chart 7). However, Nvidia will announce its results on November 19, while Meta's underlying operational strength showed 27% EBIT growth, despite an 83% drop in gross profit due to a one-off tax expense. Tesla was the only underperformer, with a 37% earnings contraction that fell short of expectations, although it still achieved double-digit revenue growth of 11.6%, demonstrating that strong demand continues to support revenue expansion for all these companies. For these reasons, we remain bullish on the IT and AI sector overall, but believe a market rebalancing is necessary following the strong rally since April.

Chart 7: MAG 7 third quarter figures

|           | EPS Growth<br>(YoY %) | EPS Surprise<br>(%) | Revenue<br>Growth<br>(% YoY) | Revenue Surprise<br>(%) | EBIT<br>(YoY%) | EBIT<br>Surprise<br>(%) | PE NTM | Market Cap (\$B) |
|-----------|-----------------------|---------------------|------------------------------|-------------------------|----------------|-------------------------|--------|------------------|
| META      | -82.6                 | -84.4               | 26.2                         | 3.5                     | 26.7           | 2.05                    | 23.0   | 1,446            |
| MICROSOFT | 12.5                  | 12.5                | 18.4                         | 2.9                     | 18.7           | -11.7                   | 31.2   | 3,908            |
| AMAZON    | 33.5                  | 24.3                | 13.3                         | 1.3                     | 9.5            | -2.7                    | 29.3   | 2,377            |
| ALPHABET  | 35.5                  | 26.8                | 16.2                         | 2.4                     | 18.5           | 5.4                     | 25.8   | 3,162            |
| TESLA     | -37.3                 | -11.8               | 11.6                         | 3.2                     | 24.2           | 8.2                     | 201.9  | 1,464            |
| APPLE     | 12.2                  | 4.1                 | 9.6                          | 0.2                     | 51.5           | 3.7                     | 33.0   | 4,028            |

### The government shutdown poses an additional risk. The

United States is currently experiencing the longest government shutdown in its history, which has already entered its 37th day as of November 7, 2025. This unprecedented fiscal impasse began on October 1, when Senate Republicans and Democrats failed to reach a short-term funding agreement, as Democrats insisted on extending the enhanced grants of the Affordable Care Act before voting on reopening the government.

The economic ramifications of this political standoff are becoming increasingly severe and pose a significant risk to market stability and investor confidence. According to the Congressional Budget Office, the shutdown will permanently cost the U.S. economy between \$7 billion and \$14 billion through the end of 2026, depending on its duration. A more recent analysis by Bloomberg estimates that the shutdown is costing the economy approximately \$15 billion per week, while the Congressional Budget Office projects that the delay in federal spending has already reached \$33 billion in the first month alone and could climb to \$74 billion if the shutdown lasts for eight weeks. The shutdown is expected to reduce fourth-quarter 2025 GDP growth by 1.0 to 2.0 percentage points, posing a significant obstacle to economic expansion.

## THE TOPIC OF THE WEEK

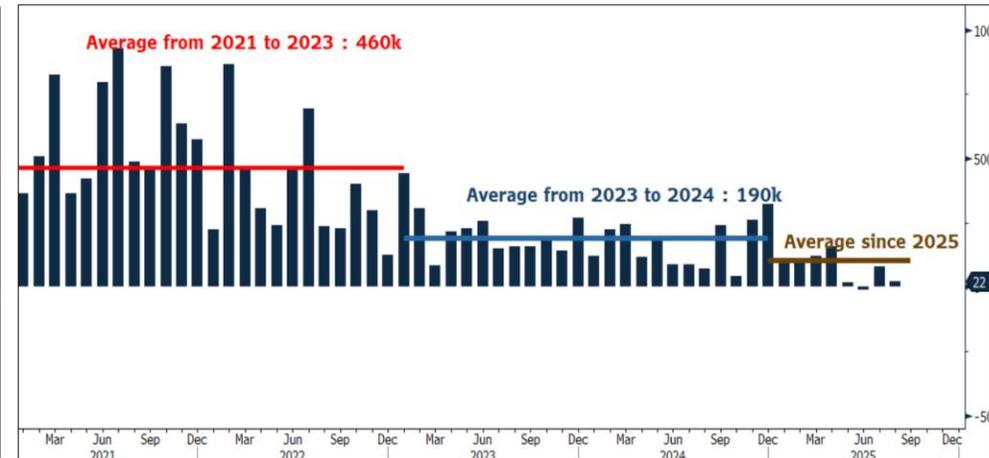
The labor market is facing profound disruption as a result of this crisis. More than one million federal workers are currently furloughed, with approximately 750,000 on day leave and another 730,000 classified as essential employees who are required to work without pay. In addition, the Trump administration has laid off some 4,100 federal workers from seven agencies during the shutdown, further exacerbating job insecurity. Furloughed workers are facing significant delays in accessing unemployment benefits, as state systems struggle to process the surge in applications.

**Federal Reserve officials acknowledge that the shutdown disrupts the collection of critical labor market data, making it difficult to accurately assess the economic situation at a time when consumer confidence is falling to multi-year lows (Chart 8). Let's not forget that the private sector labor market has slowed considerably this year, dropping from an average monthly creation of 190,000 jobs to just 100,000 in 2025 (Chart 9).** Even worse, average monthly job creation between May and August was only 27,000... any confirmation of this trend once the government reopens could accelerate the market correction.

Chart 8: US Consumer Confidence; Michigan Consumer Confidence



Chart 9: US Nonfarm Monthly Payrolls (22,000 in August)



## THE TOPIC OF THE WEEK

---

### CONCLUSION

After an exceptional seven-month rally in which the MSCI World Index rose 40% since April, with the MAG 7 leading the way with a 59% return, the market has reached a critical turning point that requires tactical caution. The combination of overvaluations, worrying capital allocation signals from Meta, the narrowing growth differential between the MAG 7 and the broader market, and the economic uncertainty created by the current government shutdown suggest that a period of consolidation is now highly likely.

We anticipate a short-term correction over the next 1-3 months, rather than a prolonged bear market, which should be viewed as a healthy readjustment following an unprecedented rally. This tactical shift to an underweight position in equities does not reflect a change in our long-term constructive view on technology- and AI-driven growth, but rather acknowledges the need to stabilize the market. We remain positioned to act dynamically, ready to enhance our position as attractive opportunities arise during this anticipated correction phase.

## Legal Notice

---

**In On Capital, SA** makes this content available for informational purposes only and without the intention of constituting a solicitation or offer, recommendation or advice for to acquire or sell rights to securities or investment products or to be a party to any transaction of any kind, particularly with any recipient other than a Qualified, authorized, eligible, and/or professional investor. This content is for the sole use of the recipient and may not be communicated, printed, downloaded, used, or reproduced for any other purpose. It is not intended for distribution to, or use by, individuals or entities that are nationals of any country, or is subject to the jurisdiction of a jurisdiction whose laws or regulations prohibit such distribution or use. While In On Capital will make every effort to obtain information from sources that In On Capital, its directors, representatives, employees, agents, or shareholders do not assume any responsibility for this content and offer no guarantees. Warranty. The data mentioned is not accurate, complete, or reliable. Therefore, In On Capital assumes no responsibility for any loss resulting from the use of This content. Ongoing information, revisions, and evaluations in this document will apply at the time of publication and may be revoked or modified without notice. Prior notice is required. This content is intended only for recipients who understand and can assume the risks involved. Before making any transaction, recipients They must determine whether the product or investment product mentioned in the content corresponds to their particular circumstances and must ensure they evaluate independently (with their professional advisors) the specific risks and legal, tax and accounting consequences and eligibility conditions for any purchase, holding or selling of securities or investment products mentioned in the content. In On Capital, its directors, representatives, employees, agents, or shareholders may have interest in the investments described in this document and/or be bound by subscription commitments to such investments. In On Capital does not guarantee the suitability of the Information, notices, or investment values and products mentioned. Historical performance data for securities and investment products or underlying assets are not a The organizational unit responsible for financial research. In On Capital is subject to separate regulatory requirements and certain services, securities, and/or investment products. These services may not be available in all jurisdictions or to all types of recipients. Recipients must comply with all applicable laws and regulations. This document is not intended to provide services, securities and/or investment products in countries or jurisdictions where such an offer would be illegal under the laws and Applicable local regulations. In On Capital, SA is an entity regulated and supervised by the Superintendency of the Securities Market of Panama SMV 296/2014.