SUMMARY OF LAST WEEK

The week was dominated by the aftermath of the longest U.S. government shutdown in history.

The US recess, which ended after six weeks and failed to release critical economic data for October, including the CPI and employment reports, created a difficult data vacuum for Federal Reserve policymakers . Against this backdrop of uncertainty, markets navigated a crucial week, marked by Nvidia's highly anticipated earnings report and a flurry of major retail earnings that painted a mixed picture of consumer spending. Nvidia posted spectacular third-quarter results on Wednesday, with revenue of $57 billion, up 62% year-over-year, and offered a strong guidance of $65 billion for the fourth quarter, while CEO Jensen Huang proclaimed that "Blackwell's sales have soared" and directly refuted concerns about an AI bubble. The company confirmed that its $500 billion order backlog for 2025 and 2026 remained on track, although sales of the H2O chip in China were disappointing at only $50 million, due to geopolitical issues and increased competition. Despite the positive results, Nvidia's shares paradoxically fell 3.15% the following day, reflecting the widespread weakness in the technology sector, as the Magnificent Seven group dropped more than 6% during November amid valuation concerns and profit-taking. Globally, the stock market, and particularly the IT segment, had a difficult week, with the Nasdaq falling **2.74%,** the S&P 500 **1.95% ,** and the Dow Jones **1.91%.** The retail sector sent mixed signals about economic health. Home Depot missed profit expectations and cut its full-year earnings forecast, citing consumer uncertainty and a housing market experiencing its lowest turnover rate in decades, with its shares falling 7%. Lowe's exceeded profit expectations but also lowered its forecast, while Target cut its profit forecast, warning of a weak holiday season as budget-conscious consumers prioritized essentials over discretionary purchases. Conversely, Walmart raised its sales and profit forecasts for the second consecutive quarter, reporting double-digit growth in e-commerce and attracting customers across all income levels, demonstrating its resilience as an indicator of healthy consumer spending. Finally, Eli Lilly It briefly surpassed the $1 trillion market capitalization threshold, becoming the first pharmaceutical company to reach this milestone, underscoring the market's expansion beyond purely technology companies, even as artificial intelligence and semiconductor stocks faced increased scrutiny. Federal Reserve policy dominated the latter part of the week. The market's implied probability of a December rate cut had fallen from 70 % in early November to just 40%, amid hawkish comments from some Fed officials and persistent inflation concerns. However, New York Fed President John Williams made crucial remarks on Friday, stating that he sees "room for further tightening in the near term" as labor market risks have increased, which sent the probability of a December cut soaring back up to about 70% and triggered a market rally.

Source: Sentosa; Co

MACROECONOMIC FLUCTUATIONS AND DATA

KEY DATES OF THE LAST WEEK

November 17th

Empire Manufacturing
Actual 18.7% vs. survey 5.8%

Construction spending
Actual 0.2% vs. survey -0.1%

Federal budget balance
NO DATA compared to survey
-$228.8 billion

November 18th

Industrial production
NO DATA compared to the 0.0% survey

Industrial orders
Actual 1.4% vs. survey 1.4%

Orders for durable goods
Actual 2.9% vs. survey 2.9%

November 19th

Trade balance
Real -$29.6 billion vs.
to the survey -60 300 million dollars

November 20th

Variation in non-farm payrolls
Actual 119,000 vs. the survey 50,000

Unemployment rate
Actual 4.4% vs. the survey 4.3%

November 21st

US manufacturing PMI from S&P Global
51,900 reais compared to 52,000 in the survey

Confidence index of the University of Michigan
Actual 51 vs. survey 50.6

GLOBAL EQUITY INDICES	Last	5 Days	1 Month	YTD
MSCI WORLD	4,242.67	**-2.32%**	ÿ -2.94%	14.42%
MSCI EM	1,333.96	**-3.73%**	ÿ -3.99%	24.03%
MSCI EM LATIN AMERICA	2,604.93	**-2.86%**	ÿ 3.46%	40.61%
MSCI AC ASIA x JAPAN	868.31	**-4.02%**	ÿ -4.39%	23.32%
USA				
S&P 500 INDEX	6,602.99	**-1.95%**	ÿ -2.78%	12.26%
NASDAQ COMPOSITE	22,273.08	**-2.74%**	ÿ -4.02%	15.34%
DOW JONES INDUS. AVG	46,245.41	**-1.91%**	ÿ -2.04%	8.70%
RUSSELL 2000 INDEX	2,369.59	**-0.78%**	ÿ -5.72%	6.25%
EUROPE				
STXE 600 (EUR) Pr	562.10	**-2.21%**	ÿ -2.37%	10.73%
Euro Stoxx 50 Pr	5,515.09	**-3.14%**	ÿ -2.81%	12.65%
DAX INDEX	23,091.87	**-3.29%**	ÿ -4.74%	15.99%
CAC 40 INDEX	7,982.65	**-2.29%**	ÿ -2.95%	8.16%
FTSE MIB INDEX	42,661.67	**-3.03%**	ÿ 0.41%	24.79%
IBEX 35 INDEX	15,821.90	**-3.21%**	ÿ -0.25%	36.45%
SWISS MARKET INDEX	12,632.67	**-0.01%**	ÿ 0.51%	8.89%
FTSE 100 INDEX	9,539.71	**-1.64%**	ÿ -1.10%	16.72%
ASIA				
NIKKEI 225	48,625.88	**-3.48%**	ÿ -1.37%	21.89%
HANG SENG INDEX	25,220.02	**-5.09%**	ÿ -3.59%	25.72%
CSI 300 INDEX	4,453.61	**-3.77%**	ÿ -4.44%	13.18%
SENSEX	85,231.92	**0.79%**	ÿ 1.21%	9.08%
LATAM				
S&P/BMV IPC	61,877.27	**-1.04%**	ÿ 1.20%	24.97%
BRAZIL IBOVESPA INDEX	154,770.10	**-1.52%**	ÿ 5.88%	28.67%
MSCI COLCAP INDEX	2,040.59	**-0.54%**	ÿ 4.87%	47.91%
S&P/CLX IPSA (CLP) TR	9,826.58	**2.33%**	ÿ 6.99%	46.45%

EQUITIES SECTORS	Last	5 Days	1 Month	YTD
MSCI WRLD/COMM SVC	160.25	**1.96%**	ÿ -0.55%	25.90%
MSCI WORLD/HIGH CARE	395.18	**1.04%**	ÿ 4.25%	12.00%
MSCI WORLD/CON STPL	296.81	**0.48%**	ÿ -1.13%	6.27%
MSCI WORLD/REAL EST	1,053.99	**-0.69%**	ÿ -3.90%	3.75%
MSCI WORLD/UTILITY	200.19	**-1.36%**	ÿ -2.17%	22.24%
MSCI WORLD/FINANCEVAL	171.28	**-2.08%**	ÿ 0.03%	22.21%
MSCI WORLD BANK INDEX	168.59	**-2.45%**	ÿ 0.29%	32.05%
MSCI WORLD/MATERIAL	362.30	**-2.69%**	ÿ -3.35%	12.75%
MSCI WORLD/ENERGY	264.62	**-2.82%**	ÿ 0.83%	8.72%
MSCI WORLD/INDUSTRIAL	474.33	**-3.06%**	ÿ -4.94%	17.13%
PHILA GOLD & SILVER INDX	284.12	**-3.50%**	ÿ -0.52%	107.11%
MSCI WORLD/CONS DIS	476.00	**-3.51%**	ÿ -4.74%	1.69%
MSCI WORLD/INF TECH	934.09	**-4.80%**	ÿ -6.00%	17.96%

US RATES	Last	5 Days	Close	12M	Close
2 and	3.51	3.61	-0.10	4.35	-0.84
5 and	3.62	3.73	-0.11	4.30	-0.68
10Y	4.06	4.15	-0.09	4.42	-0.36

BONDS CREDIT SPREAD	Last	5 Days	Close	12M	Close
EM Bonds Spread	246.94	238.7	**8.2**	296.29	-49.4
HY Bonds Spread	284.00	275.0	**9.0**	282.00	2.0
BBB 10yr Spread	183.67	173.2	**10.5**	143.40	40.3

FIXED INCOME	Last	5 Days	1 Month	YTD
US High Yield	2,875.12	0.03%	ÿ -0.30%	7.15%
EM Bonds USD	1,376.24	0.07%	ÿ 0.49%	10.26%
EM Local Currency	149.52	-0.80%	ÿ -0.53%	13.94%
CoCos USD	148.61	-0.36%	ÿ -0.83%	11.89%
IG BBB 3-5yr USD	391.42	0.38%	ÿ -0.85%	6.45%
IG AA Corp USD	286.09	0.44%	ÿ -1.11%	7.44%

COMMODITIES	Last	5 Days	1 Month	YTD
CRB INDEX	295.58	-2.24%	ÿ -2.44%	-0.38%
WTI	58.06	-3.38%	ÿ 0.42%	-19.05%
Brent	62.34	-2.20%	ÿ 2.20%	-15.88%
US Natural Gas	4.58	0.31%	ÿ 31.84%	26.07%
S&P GSCI Precious Metal	**5,362.01**	**-0.43%**	ÿ **-0.13%**	**57.24%**
Gold	4,065.14	-0.46%	ÿ -1.46%	54.89%
Silver	50.02	-1.12%	ÿ 2.69%	73.07%
Platinum	1,521.48	-1.55%	ÿ -1.67%	67.65%
Palladium	1,380.49	-1.46%	ÿ -2.48%	51.27%
S&P GSCI Industrial Metal Index	**496.86**	**-1.62%**	ÿ **-2.28%**	**13.44%**
Aluminum	2,786.00	-2.54%	ÿ 0.18%	9.19%
Copper	10,778.56	-0.71%	ÿ 1.75%	24.57%
Nickel	14,270.19	-2.90%	ÿ -4.67%	-5.56%
S&P GSCI Agriculture	**359.91**	**-1.02%**	ÿ **1.04%**	**-6.00%**

CURRENCIES	Last	5 Days	1 Month	YTD
CHF vs USD	0.8083	-1.77%	ÿ -1.47%	12.26%
JPY vs. USD	156.4100	-1.19%	ÿ -2.86%	0.51%
CAD vs. USD	1.4101	-0.55%	ÿ -0.55%	2.01%
EUR vs. USD	1.1513	-0.93%	ÿ -0.75%	11.19%
GBP vs. USD	1.3099	-0.55%	ÿ -2.03%	4.66%
AUD vs. USD	0.6455	-1.27%	ÿ -0.51%	4.31%
BRL vs. USD	5.4032	-1.96%	ÿ -0.28%	14.33%
MXN vs. USD	18.4788	-0.95%	ÿ -0.24%	12.71%
COP vs. USD	3,807.40	-1.37%	ÿ 2.25%	15.72%
CNY vs. USD	7.1052	-0.08%	ÿ 0.27%	2.73%
EUR vs. CHF	0.9308	-0.87%	ÿ -0.76%	0.99%
DOLLAR INDEX	100.1800	0.89%	ÿ 1.26%	-7.66%
BITCOIN	83,703.76	-8.85%	ÿ -22.27%	-10.68%

KEY DATES OF THE NEXT WEEK

November 24th

Home construction
Survey 1,329,000

New home sales
No survey

November 25th

Monthly advance retail sales
Survey 0.4%

Producer Price Index (PPI) Final year-on-year demand
Survey 2.6%

Consumer confidence of Conference Board
Survey 93.4

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			

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.

Source: Sentosa; Co

Is Japan facing a debt crisis?

Looking at market performance this year, the Nikkei has been one of the best performers to date, with a rise of 25% (Chart 1).
In comparison, European and US markets have significantly underperformed, rising 14% and 11%, respectively. **This superior performance of the Japanese market has been particularly pronounced in October due to the sharp depreciation of the yen** (Chart 2). The weakening of the Japanese yen against other currencies is surprising and warrants further attention. **While the dollar has lost more than 7% against most currencies year-to-date, the Japanese yen has been just as weak, with the USD/JPY pair remaining stable year-to-date** (Chart 3). The yen's weakness is not a mere blip, nor is it disconnected from macroeconomic fundamentals, nor is it simply a cyclical adjustment. This depreciation appears to be structural, widespread, and a warning sign regarding the state of the Japanese economy.

In March 2024, the Bank of Japan (BOJ) ended its long-standing negative interest rate policy, marking a significant shift in its monetary strategy after nearly two decades of ultra-accommodative financial conditions. Having maintained negative rates since 2016, the BOJ initiated its first rate hike in 17 years, moving from -0.1% to a 0-0.1% range in March 2024. In July 2024, the central bank raised rates again to 0.25%, signaling the gradual normalization of its monetary policy. **Subsequently, in January 2025, the BOJ raised rates to 0.5%, the highest level since 2008, driven by sustained inflation, steady wage growth, and improving economic indicators** (Chart 5).

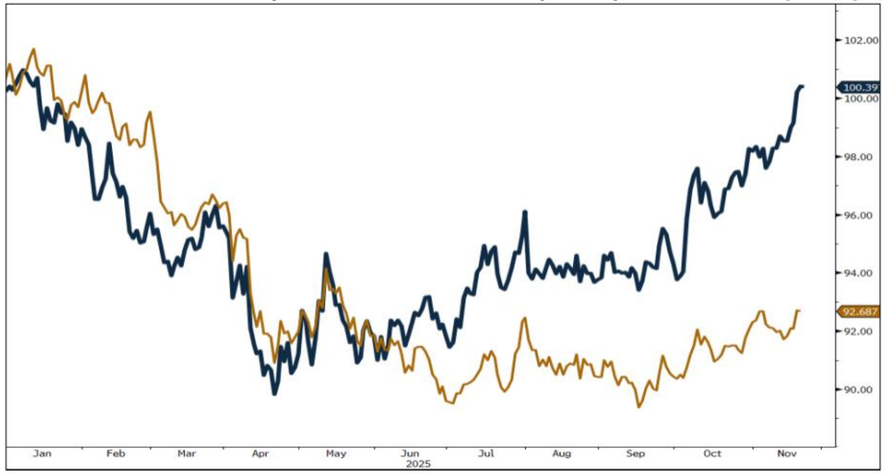
Chart 1: Year-to-date performance:
Nikkei (+25%); Euro Stoxx 50 (+14%); S&P 500 (+11%)

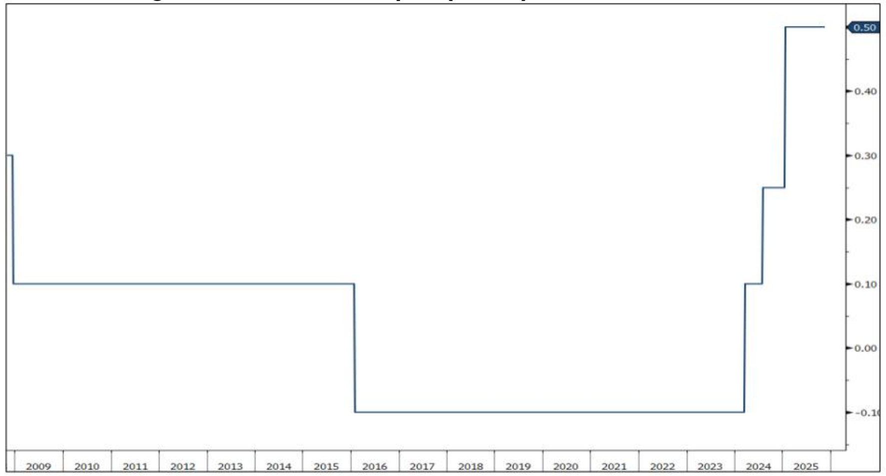
Chart 2: USDJPY (157.50) / weekly chart

Source: Sentosa & Co., Altitude IS

THE TOPIC OF THE WEEK

Chart 3: Year-to-date performance: USDJPY (+0.4%); Dollar Index (-7.3%) Chart 4: Overnight interest rate in Japan (0.50%)





By ending its negative interest rate policy, the Bank of Japan led investors to believe that deflation was a thing of the past and that it could normalize its monetary policy. However, Japan carries an extraordinarily high public debt, equivalent to 235% of GDP, and the recent surge in bond yields has increased the interest burden from 7.7% to 9.1% of government spending. This ratio has become incompatible with any growth in economic activity, especially for an economy whose population is shrinking every year. Above all, this ratio dangerously strains fiscal sustainability. Above a certain debt level, investor confidence collapses. They perceive too great a risk of default and shy away from sovereign bonds (JGB in Japan's case). **The result of this weak demand is a rise in interest rates: Japanese 10-year yields have soared 47% from their April lows** (Chart 5) **and are now at their highest level in almost 20 years** (Chart 6).

The Japanese Treasury is forced to pay investors more if it wants to find buyers for all its bonds. This increase in the risk premium and the associated rise in interest rates are slowing the economy: the government is trying to reduce its deficit, companies are no longer borrowing to invest, and households are saving instead of spending. Recession and deflation are taking hold, further exacerbating the debt problem. For its part, the Bank of Japan, even when it attempted to raise its official interest rates, was careful to emphasize that monetary conditions would remain "accommodative," that it would continue buying Japanese government bonds (JGB), and, above all, that it reserved the right to raise them "swiftly" if yields became pressured. In other words, even after the March 2024 exchange rate change, the Bank of Japan remains prepared to reactivate its purchase program if the market demands it. Between default by the world's third-largest debtor and debt monetization, it will always opt for the latter.

Source: Sentosa & Co., Altitude IS

THE TOPIC OF THE WEEK

Chart 5: 10-year yields in Japan (1.78%) / Short-term chart

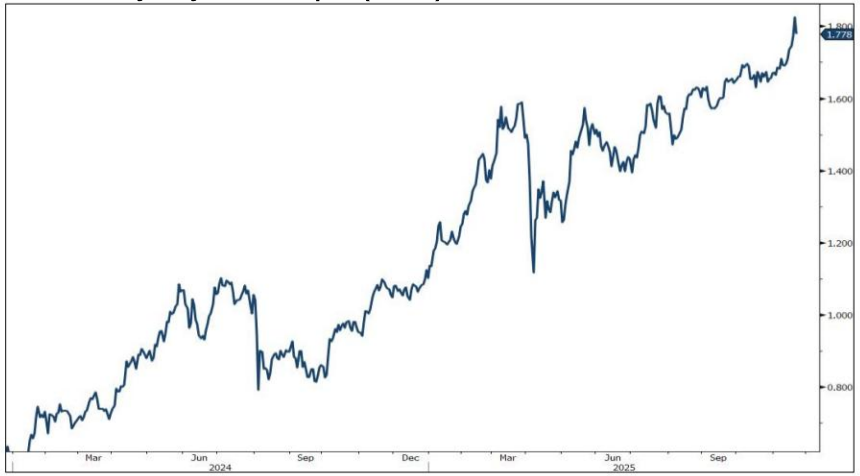
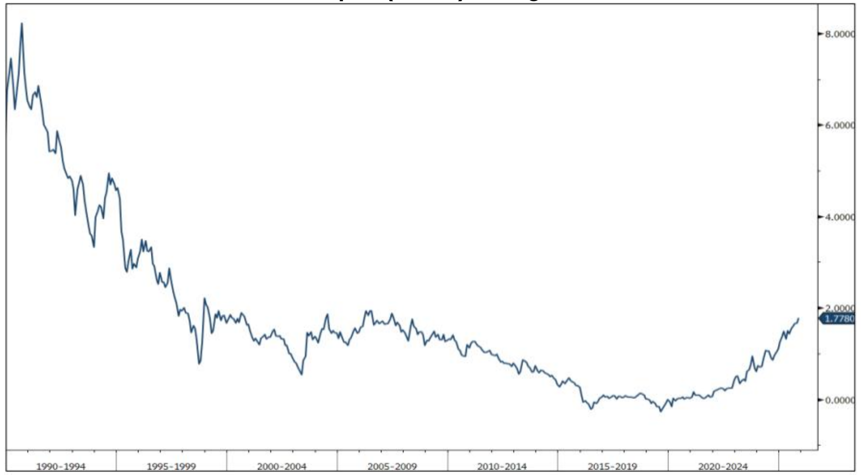


Chart 6: 10-Year Returns in Japan (1.78%) / Long-Term Chart



The Bank of Japan is already well advanced in its debt monetization process. After years of money creation (quantitative easing and yield curve control), it has become the dominant buyer. It now holds almost half of the Japanese government bond stock (Chart 7). Contrary to popular belief, it is no longer the Japanese people who finance public debt, but their central bank. When it outlined a gradual reduction of its purchases in June 2025, it lacked credibility, and everything changed. Despite its desire to normalize its monetary policy, it was quick to point out that it would retain the option to increase its purchases if yields rose too rapidly. It soon became clear that the appetite of the private sector, and even more so of foreign investors, was very weak.

Recent auctions have served as a reminder that demand for yen-denominated bonds is erratic, especially for long-term maturities. Coverage ratios are very low, and yields are at record highs. The concern is such that the government has had to warn, in its roadmap, of the risks of bond market volatility and adjust the issuance profile (reducing long-term maturities and increasing short-term ones). Once again, without the Bank of Japan's firm intervention, the Japanese yield curve would rise dangerously. **The consequences for the yen are frighteningly simple: the more yen the Bank of Japan prints to buy debt, the more the yen will fall... and the more the Japanese stock market will rise, as the correlation is strongly negative** (Chart 8). All other variables being equal, the falling yen makes Japanese companies more competitive internationally. By exporting more and repatriating revenues in hard currency, they significantly improve their margins and profits. As a result, the Nikkei is significantly outperforming US and European indices, and will continue to do so if the yen continues to depreciate... until something breaks this trend.

Source: Sentosa & Co., Altitude IS

THE TOPIC OF THE WEEK

Chart 7: Japanese debt held by the Bank of Japan

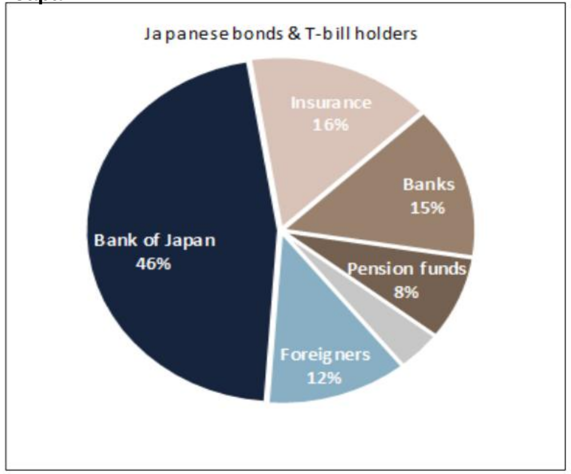
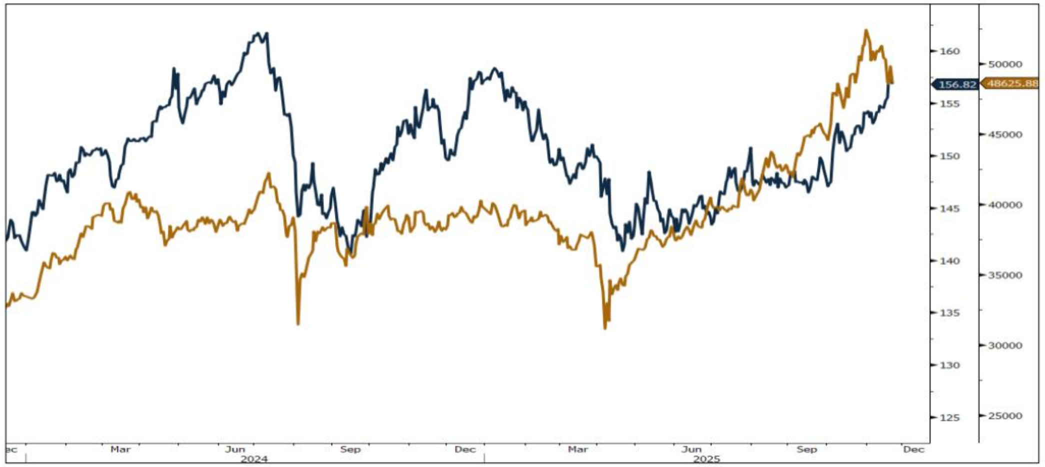


Chart 8: Correlation between USDJPY (156.82) and the Nikkei index (48,625.88)



CONCLUSION

Japan faces a difficult fiscal paradox, as long-term bond yields reach multi-decade highs while government debt stands at 235% of GDP. Each 100 basis point increase in yields adds more than 2.8 trillion yen to annual borrowing costs, creating an unsustainable trajectory.

The Bank of Japan faces a serious dilemma: although it has raised interest rates to 0.50% and is reducing its purchases of Japanese government bonds, fiscal pressures may ultimately force it to resume monetization to suppress yields, especially if bond auctions show weak demand. Since the Bank of Japan will be compelled to control the yield curve through bond monetization (printing yen to buy government bonds), this will continue to exert persistent downward pressure on the yen. The economy faces risks of stagflation (rising costs without corresponding growth), while social security spending is projected to increase by 41.5% by 2040.

The stock market presents a mixed picture: on the one hand, we might think that Japanese companies will benefit from the weak yen, since 65% of Nikkei companies are export-oriented... but, on the other hand, Japan's fiscal sustainability seems increasingly fragile, and markets could start to become volatile and turbulent, as investors may assess whether the government is able to strike a balance between growth, debt service, and monetary stability.

The situation in Japan mirrors what could be starting to happen in the United States. Both countries are caught in the same trap: unsustainable debt trajectories that force central banks to resort to monetization, weakening their currencies and pushing capital into tangible assets like gold. The difference lies in the timing and the degree: Japan is further along this path, but the United States appears to be following the same script. This is one of the reasons why we remain bullish on gold and bearish on the US dollar.

Source: Sentosa & Co., Altitude IS

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