

SUMMARY OF LAST WEEK

Markets navigated a turbulent week dominated by the Federal Reserve's final monetary policy meeting of 2025, where the FOMC announced a controversial 25-basis-point rate cut on Wednesday, bringing rates to between 3.5% and 3.75%. The cut passed with three dissenting votes, the first split since September 2019, as Chicago Fed President Austan Goolsbee and Kansas City Fed President Jeffrey Schmid opposed any reduction, while Governor Stephen Miran advocated for a 50-basis-point cut. The accompanying "dot chart" maintained the forecast of only one additional 25-basis-point cut in 2026, unchanged from September. Meanwhile, the committee revised its 2026 GDP growth forecast upward from 1.8% to 2.3%, indicating an upward trend despite the easing measure. On the other hand, futures markets anticipate two rate cuts next year. The Fed also announced it would resume purchasing \$40 billion in Treasury bills starting Friday to ease money market tensions, a technical measure that some considered a "covert easing," despite cautious forecasts.

The Dow Jones and the Russell 2000 both rose **1.05%** and **1.12%**, respectively. Meanwhile, the S&P 500 ended the week down 0.63%, dragged down by the Nasdaq, which plummeted **1.62%**. In the information technology sector, Wednesday's optimism evaporated on Thursday when Oracle released its fiscal Q2 2026 results after the market closed, reporting revenue of \$16.06 billion, below the estimate of \$16.21 billion. Management surprised investors by raising its full-year capital expenditure forecast from \$35 billion to \$50 billion, a \$15 billion increase driven by aggressive AI data center construction. Meanwhile, Q2 capital expenditure alone reached \$12 billion, compared to the \$8.5 billion forecast. Oracle's stock plunged 11% on Thursday, its worst single-day drop since January, dragging down AI-related stocks as investors questioned whether the massive infrastructure spending would translate into profitable revenue. Friday's sell-off intensified when Broadcom, despite far exceeding expectations with revenue of \$18.02 billion (+28% year-over-year), posted adjusted earnings per share of \$1.95 compared to \$1.86.

Expected dollar growth and AI semiconductor revenues that surged 74%, with forecasts to double to \$8.2 billion by the first quarter of 2026, plunged 11% as management pointed to near-term margin compression and delays in monetizing the \$11 billion chip order from new customer Anthropic, which will now extend into fiscal years 2027-2029. Precious metals offered a stark contrast, with gold climbing above \$4,300 an ounce to a seven-week high, up 62% from a year earlier, while silver topped \$64 an ounce after hitting record highs earlier in the week. Both benefited from the Fed's moderate rate hike, the weak dollar, persistent supply deficits, and the Fed's announcement of a new period of quantitative easing that anticipates further pressure on interest rates and the dollar.

The market has shown significant divergences in its performance over the past week. On the one hand, the

MACROECONOMIC FLUCTUATIONS AND DATA

KEY DATES OF THE LAST WEEK

December 10
FOMC Decision on the interest rates
Actual 3.75% vs. the survey 3.75%

December 11
Federal budget balance
Real: -\$175 billion vs. the survey: -\$173.3 billion

Trade balance
Real: -\$52.8 billion versus survey: -\$63.1 billion

GLOBAL EQUITY INDICES	Last	5 Days	1 Month YTD
MSCI WORLD	4,407.82	-0.24% \bar{y} 1.48%	18.88%
MSCI EM	1,389.99	0.33% \bar{y} 0.32%	29.24%
MSCI EM LATIN AMERICA	2,734.63	1.17% \bar{y} 1.97%	47.61%
MSCI AC ASIA x JAPAN	902.83	0.04% \bar{y} -0.21%	28.23%
USA			
S&P 500 INDEX	6,827.41	-0.63% \bar{y} 1.39%	16.08%
NASDAQ COMPOSITE	23,195.17	-1.62% \bar{y} 1.29%	20.12%
DOW JONES INDUS. AVG	48,458.05	1.05% \bar{y} 2.78%	13.90%
RUSSELL 2000 INDEX	2,551.46	1.19% \bar{y} 6.83%	14.41%
EUROPE			
STXE 600 (EUR) Pr	578.24	-0.09% \bar{y} 0.60%	13.91%
Euro Stoxx 50 Pr	5,720.71	-0.06% \bar{y} 0.47%	16.85%
DAX INDEX	24,186.49	0.66% \bar{y} 1.30%	21.48%
CAC 40 INDEX	8,068.62	-0.57% \bar{y} -1.24%	9.32%
FTSE MIB INDEX	43,513.95	0.19% \bar{y} -1.09%	27.29%
IBEX 35 INDEX	16,854.40	0.99% \bar{y} 3.11%	45.36%
SWISS MARKET INDEX	12,887.48	-0.38% \bar{y} 2.00%	11.09%
FTSE 100 INDEX	9,649.03	-0.19% \bar{y} -0.51%	18.06%
ASIA			
NIKKEI 225	50,836.55	0.68% \bar{y} 0.91%	27.43%
HANG SENG INDEX	25,976.79	-0.42% \bar{y} -2.24%	29.50%
CSI 300 INDEX	4,580.95	-0.08% \bar{y} -1.02%	16.42%
SENSEX	85,267.66	-0.52% \bar{y} 0.83%	9.12%
LATAM			
S&P/BMV IPC	64,712.07	1.57% \bar{y} 3.82%	30.70%
BRAZIL IBOVESPA INDEX	160,766.37	2.16% \bar{y} 1.92%	33.66%
MSCI COLCAP INDEX	2,108.70	-0.34% \bar{y} 1.81%	52.85%
S&P/CLX IPSA (CLP) TR	10,400.01	2.17% \bar{y} 8.30%	54.99%

EQUITIES SECTORS	Last	5 Days	1 Month YTD
PHILA GOLD & SILVER INDX	337.73	6.05% \bar{y} 14.71%	146.20%
MSCI WORLD/FINANCEVAL	183.53	2.32% \bar{y} 4.93%	30.95%
MSCI WORLD BANK INDEX	183.55	2.25% \bar{y} 6.21%	43.77%
MSCI WORLD/MATERIAL	389.63	1.96% \bar{y} 4.66%	21.26%
MSCI WORLD/INDUSTRIAL	501.06	1.35% \bar{y} 2.40%	23.73%
MSCI WORLD/CON STPL	299.44	0.69% \bar{y} 1.37%	7.22%
MSCI WORLD/CONS DIS	504.36	0.47% \bar{y} 2.23%	7.75%
MSCI WORLD/HIGH CARE	395.70	0.12% \bar{y} 1.17%	12.15%
MSCI WORLD/REAL EST	1,055.91	-0.41% \bar{y} -0.51%	3.94%
MSCI WORLD/UTILITY	197.28	-0.79% \bar{y} -2.79%	20.46%
MSCI WORLD/ENERGY	267.72	-1.13% \bar{y} -1.69%	9.99%
MSCI WORLD/INF TECH	968.97	-2.15% \bar{y} -1.25%	22.36%
MSCI WRLD/COMM SVC	164.82	-2.97% \bar{y} 4.88%	29.50%
US RATES	Last	5 Days Close	12M Close
2 and	3.52	3.56	-0.04 4.19
5 and	3.74	3.71	0.03 4.18
10Y	4.18	4.14	0.05 4.33
BONDS CREDIT SPREAD	5 Days Close	12M Close	
EM Bonds Spread	232.06	233.5	-1.5 289.32 -57.3
HY Bonds Spread	252.00	244.0	8.0 279.00 -27.0
BBB 10yr Spread	168.59	173.5	-4.9 135.61
FIXED INCOME	5 Days	1 Month YTD	
US High Yield	2,897.76	-0.13% \bar{y} 0.81%	8.00%
EM Bonds USD	1,379.78	-0.04% \bar{y} 0.33%	10.55%
EM Local Currency	151.33	-0.03% \bar{y} 0.40%	15.32%
CoCos USD	150.51	0.19% \bar{y} 0.92%	13.32%
IG BBB 3-5yr USD	391.41	-0.30% \bar{y} 0.38%	5.89%
IG AA Corp USD	284.57	-0.56% \bar{y} -0.09%	7.44%

COMMODITIES	Last	5 Days	1 Month YTD
CRB INDEX	298.29	-2.51% \bar{y} -1.34%	0.53%
WTI	57.44	-4.39% \bar{y} -1.80%	-19.91%
Brent	61.95	-4.15% \bar{y} -0.07%	-16.40%
US Natural Gas	4.11	-22.23% \bar{y} -9.27%	13.21%
S&P GSCI Precious Metal	5,722.31	2.31% \bar{y} 6.26%	67.81%
Gold	4,299.63	2.43% \bar{y} 2.48%	63.83%
Silver	61.96	6.20% \bar{y} 16.36%	114.38%
Platinum	1,747.14	6.30% \bar{y} 8.02%	92.51%
Palladium	1,493.53	2.18% \bar{y} 1.46%	63.65%
S&P GSCI Industrial Metal Index	519.84	-0.92% \bar{y} 2.93%	18.69%
Aluminum	2,868.50	-1.00% \bar{y} -0.90%	12.42%
Copper	11,535.69	-0.93% \bar{y} 5.54%	33.32%
Nickel	14,400.55	-2.36% \bar{y} -3.02%	-4.70%
S&P GSCI Agriculture	360.52	-0.54% \bar{y} -0.85%	-5.84%
CURRENCIES	Last	5 Days	1 Month YTD
CHF vs. USD	0.7958	1.13% \bar{y} 0.24%	14.02%
JPY vs. USD	155.8100	-0.31% \bar{y} -0.65%	0.89%
CAD vs. USD	1.3772	0.33% \bar{y} 1.70%	4.44%
EUR vs. USD	1.1740	0.84% \bar{y} 1.27%	13.39%
GBP vs. USD	1.3371	0.32% \bar{y} 1.81%	6.83%
AUD vs. USD	0.6652	0.18% \bar{y} 1.70%	7.50%
BRL vs. USD	5.4181	0.60% \bar{y} -2.32%	14.01%
MXN vs. USD	18.0119	0.89% \bar{y} 1.57%	15.63%
COP vs. USD	3,800.46	1.11% \bar{y} -2.46%	15.93%
CNY vs. USD	7.0550	0.23% \bar{y} 0.79%	3.46%
EUR vs. CHF	0.9343	0.27% \bar{y} -1.01%	0.62%
DOLLAR INDEX	98.3990	-0.60% \bar{y} -1.10%	-9.30%
BITCOIN	90,252.21	-1.18% \bar{y} -8.61%	-3.69%

KEY DATES OF THE NEXT WEEK

December 16
Variation in payrolls
non-agricultural
Survey: 50,000

Unemployment rate
Survey 4.5%

Monthly advance retail sales
Survey 0.1%

US manufacturing PMI
from S&P Global
Survey 52.0

S&P Global US Services PMI
Survey 54.0

VISION OF IN ON CAPITAL SA

Asset Class	U	N	O
Renta Fija			■
Renta Variable		■	
Alternativos		■	
Regions (Equity)	U	N	O
North America		■	
Europe		■	
Emerging Markets		■	
Japan		■	
Equity Sectors	U	N	O
Consumer Staples		■	
Health Care			■
Telcom Services		■	
Utilities		■	
Consumer Disc.	■		
Energy		■	
Financials		■	
Industrials		■	
Technology		■	
Real Estate		■	
Materials		■	

The lack of visibility regarding the US economy due to the government shutdown and the unpredictability of the Federal Reserve's intentions will undoubtedly cause volatility during the first quarter. The strong divisions of opinion within the Federal Open Market Committee (FOMC) make it much more difficult for the market to anticipate the Fed's actions. In any case, the market is currently in an upward trend and could correct during the first quarter.

The new \$40 billion Treasury bill purchase program appears to be an initial signal of a more substantial program for longer-term bonds in 2026. The dot plot only mentions one additional rate cut next year, while futures anticipate two. We believe the Fed will have to cut rates at least three times next year, as the labor market is deteriorating considerably. Fed support will help the market stabilize after the next correction and will underpin the continuation of the current precious metals bull market.

THE TOPIC OF THE WEEK

The labor market is in trouble... but the Fed will save 2026

The government shutdown has created a data vacuum, with several October and November figures missing, significantly reducing analysts' and the Fed's visibility into the economic situation. The most critical missing data so far are the October 2025 consumer price index and the October unemployment rate, which apparently will not be collected or retrieved. This leaves the Fed without two months of reliable inflation data and with a gap in its labor market readings at a time when both aspects of its mandate—controlling inflation and maintaining employment—are under pressure. This is why Powell acknowledged that policymakers are essentially "flying blind" and will need to interpret the upcoming November data with caution, as it too may be distorted.

One thing is certain: the labor market is in serious trouble. During the last FOMC meeting, Jerome Powell indicated that official data (NFP) likely overestimates job creation by 60,000 jobs per month. After adjusting for methodological errors, he admitted that the true figure could be a net loss of 20,000 jobs per month for the entire year 2025. **In any case, the labor market has cooled considerably this year... with average monthly job creation of only 95,000, we are far from the 2023-2024 average of 190,000** (Chart 1). Even more worrying is that, in the last five months, the economy has only created an average of 38,000 jobs, and although the September figure was seemingly positive at 119,000 jobs, the August figure was drastically revised downwards, from 22,000 to -4,000. **Surprisingly, despite this worrying situation, the market remains quite conservative and only expects two rate cuts by 2026** (Chart 2).

Chart 1: Non-farm payrolls (119,000, September)

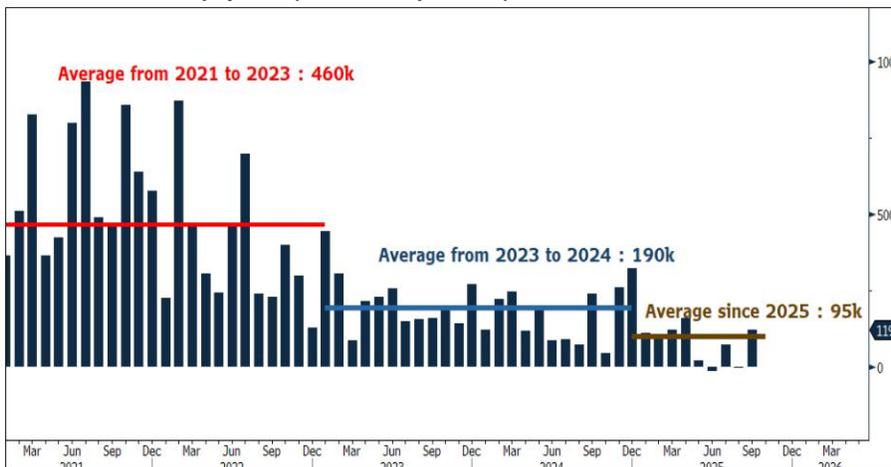
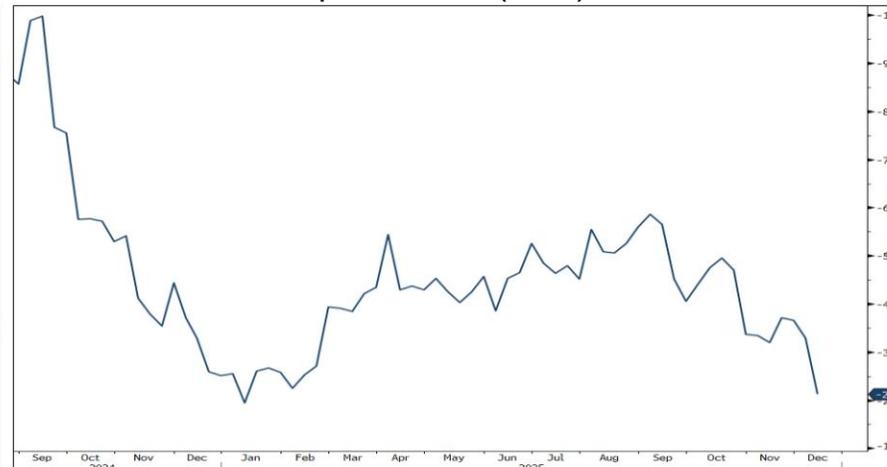


Chart 2: Number of rate cuts planned for 2026 (-2 cuts)



THE TOPIC OF THE WEEK

At the latest FOMC meeting, the US central bank took a significant turn in its monetary policy approach. It is no longer a simple mid-cycle adjustment, but rather a proactive crisis management strategy. Beyond the widely anticipated 25-basis-point rate cut, the decision was far from unanimous. Three members of the Board of Governors did not vote in favor of the rate cut. On one side, the "hawks" (Schmid, Goolsbee) foresee rampant inflation, above 2%. They voted for the status quo. On the other side, the "doves" (Stephen Miran) foresee a recession. They voted for a 50-basis-point cut. This discord is highly unusual and suggests that, from now on, the predictability of the Fed's decisions will be reduced. Worse still, it increases the risk of successive contradictory decisions.

In any case, the Fed fully intends to support the US economy by announcing that it will begin purchasing \$40 billion in Treasury bills per month starting December 12. According to the Fed's statement, reserve balances have fallen to significant levels, and these purchases of short-term Treasury securities are intended to maintain ample reserves on an ongoing basis. The Fed is playing with words, but the facts are stubborn... we have returned to quantitative easing mode, and undoubtedly for longer than expected. In fact, we believe that the objective behind this announcement is to implement an extraordinary monetary policy that will allow the Treasury to more easily place its mountain of debt. **It is very likely that, in the coming months, the Fed will modify these purchases by formally announcing the purchase of long-term bonds, with maturities of 10 years or more, as this is the part of the yield curve where the pressures are greatest (Chart 3). Ironically, the Fed is already unofficially applying quantitative easing to long-term bonds (Chart 4).** This announcement would undoubtedly allow her to increase purchases of long-term bonds and be more aggressive in her mandate : moderating long-term interest rates.

Chart 3: 10-year US yields (4.19%); 2-year US yields (3.52%)

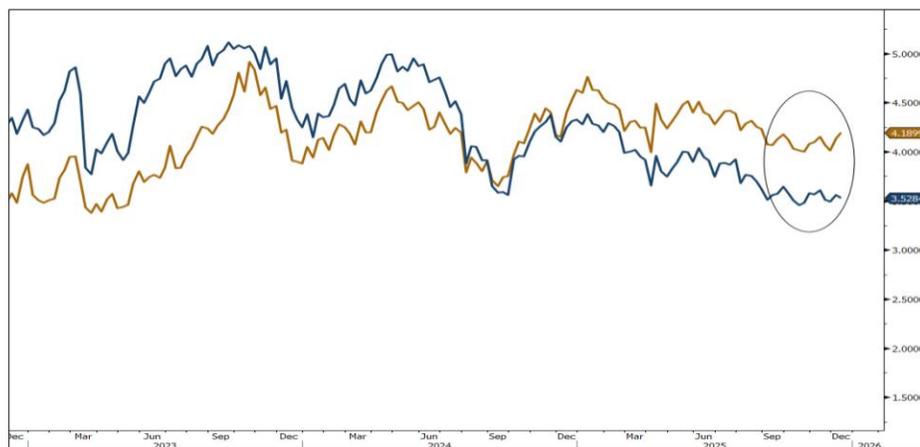
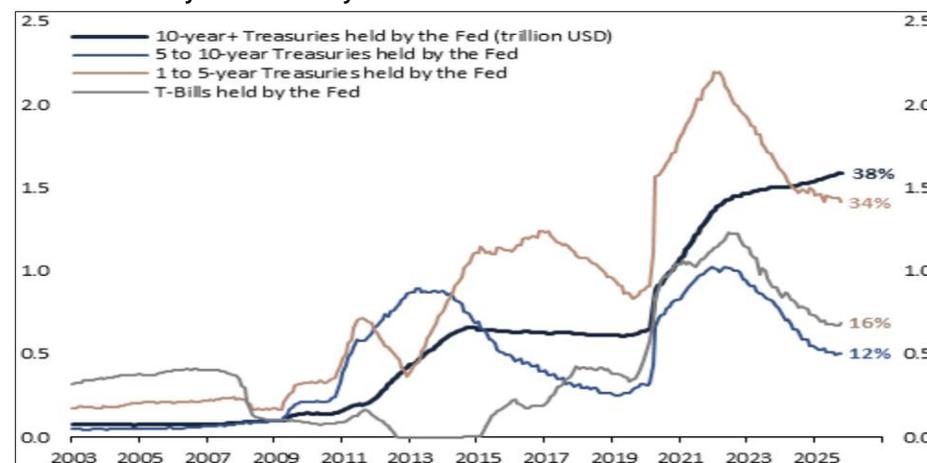


Chart 4: Treasury Bonds Held by the Fed



THE TOPIC OF THE WEEK

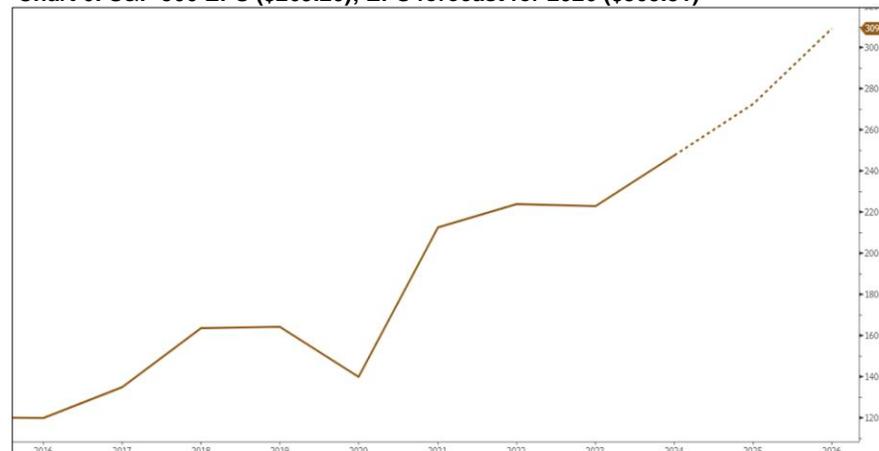
The market should correct in the first quarter and then be more constructive for the rest of the year. There is no doubt that the market is at risk of a deeper correction during the first quarter. **Looking solely at the S&P 500 valuation, the forward P/E ratio of 22.2x is extremely high, near all-time highs and at a 30% premium over the long-term average** (Chart 5). From a technical perspective, the market is very overbought, and there are clear signs that a correction is coming. **Looking at the long-term chart, prices are currently just below the upper boundary of the supercycle's ascending channel, which is considered a strong resistance zone that has held well in the past** (Chart 7). The weekly chart confirms that the resistance on the monthly chart will not be broken in the coming month. **In fact, after a 43% rise since April, the market is in an upward trend, with prices forming strong bearish divergences with momentum indicators** (Chart 8). The first downside target is the February 2025 highs at 6150, which would represent a 10% drop from current levels. If prices break this first support level, the next one would be at 5700 (-18.5% from current levels).

In any case, the consensus remains quite optimistic about earnings per share (EPS) growth. **After a 13% increase in 2025, analysts expect EPS to reach \$309.31 next year, representing a 14% increase** (Chart 6). If multiples remain unchanged, the S&P 500 would finish 2026 around 6870 points, roughly where we are today. **However, EPS growth could be boosted by a more dovish Fed, which we believe will be the case, as it will need to support a weaker economy and reduce the cost of its debt. In this scenario, given that the median five-year EPS surprise is 7.6% and considering a conservative growth surprise of 5% (below the historical average), the S&P 500 could end the year near 7200 points** (Chart 9).

Chart 5: S&P 500 futures P/E ratio (22.2 times); 30-year average (17 times)



Chart 6: S&P 500 EPS (\$269.20); EPS forecast for 2026 (\$309.31)



THE TOPIC OF THE WEEK

Chart 7: S&P 500 (6827.41) / Monthly Chart



Chart 8: S&P 500 (6827.41) / Weekly Chart



Chart 9: S&P 500 targets based on earnings per share growth surprise.

		EPS GROWTH SURPRISE						
		-15%	-10%	-5%	0%	5%	7%	15%
FORWARD P/E	16	4208	4455	4703	4950	5198	5297	5693
	17	4471	4734	4997	5260	5523	5628	6049
	18	4734	5012	5291	5569	5848	5959	6405
	19	4997	5291	5585	5879	6173	6290	6760
	20	5260	5569	5879	6188	6497	6621	7116
	21	5523	5848	6173	6497	6822	6952	7472
	22	5786	6126	6466	6807	7147	7283	7828
	22.3	5865	6210	6555	6900	7245	7383	7935
23	6049	6405	6760	7116	7472	7614	8184	

THE TOPIC OF THE WEEK

Sector, Style, and Regional Rotation Projected for 2026: Although the overall market has limited upside potential for the coming year, we believe some sectors and regions offer attractive valuations and driving factors that will provide opportunities for investors. The Mag 7 have been the engine of the US market for two years. **Since January 2023, the Mag 7 have outperformed the market by 130.7%, but this year they have only outperformed it by 3.6%. The outperformance phase has likely come to an end** (Chart 10).

The economic slowdown will eventually push investors towards attractive valuations and segments that have underperformed in recent years. As a first example, the valuation gap between growth and value stocks remains wide, and while growth companies have performed well, much of that performance is already priced in. **We expect value to begin a phase of outperformance next year** (Chart 11). **Within value sectors, our favorites are materials and healthcare, as both benefit from cheap valuations and significantly underperformance in 2025... an outperformance trend is about to begin** (Charts 12 and 13).

In terms of style and regions, we see value in **small-cap stocks** (Chart 14) and **emerging markets** (Chart 15). The former has faced ongoing challenges in the wake of COVID-19 due to the high interest rate environment and should begin to outperform soon. The latter has already begun to recover and is benefiting from lower valuations, rising commodity prices, and a weaker dollar that is expected to weaken further.

Chart 10: MAG 7/S&P 500 Ratio

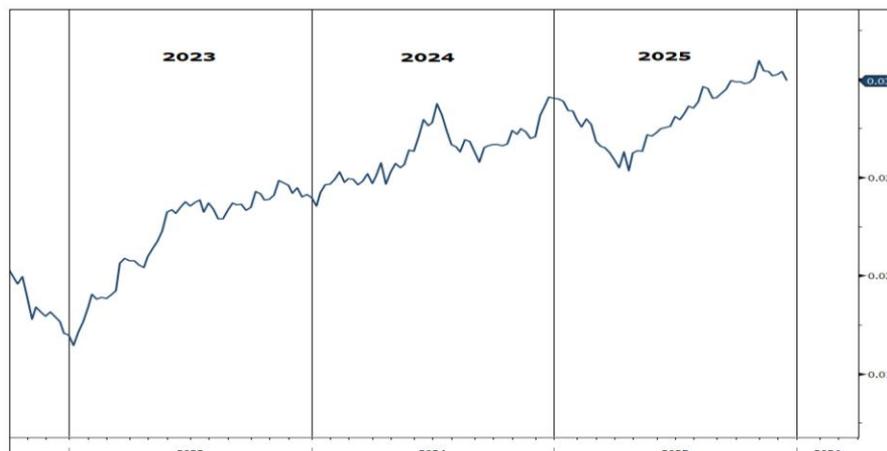
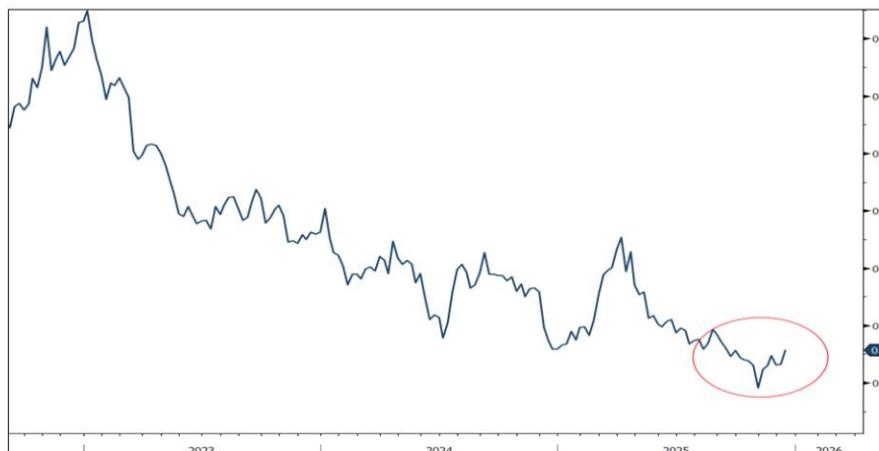


Chart 11: MSCI Value/MSCI Growth Ratio



THE TOPIC OF THE WEEK

Chart 12: MSCI Materials/MSCI World Ratio

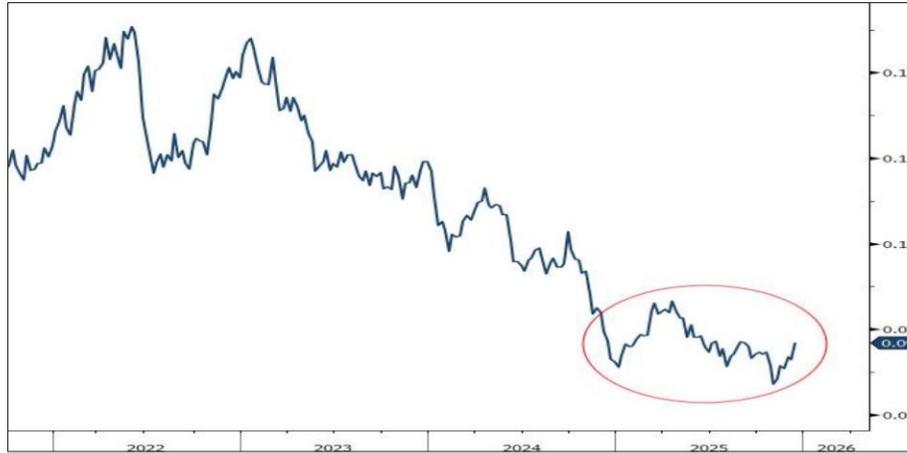


Chart 13: MSCI Health Care/MSCI World Ratio

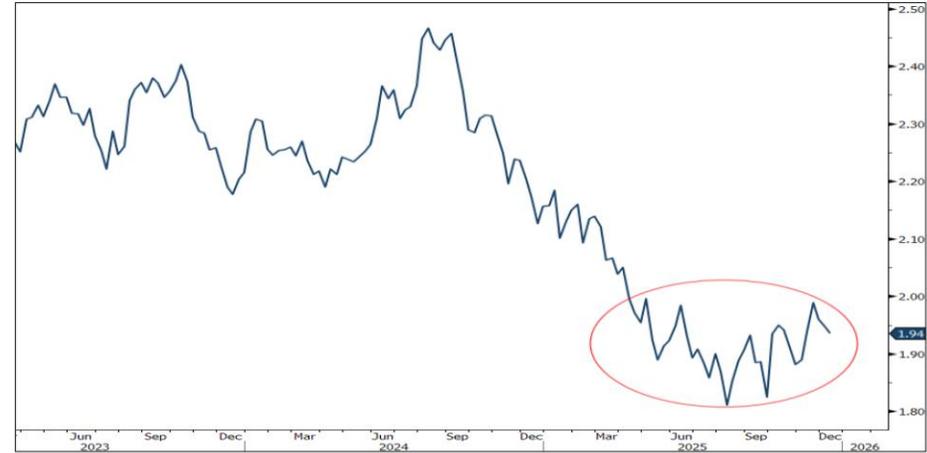


Chart 14: US Small Cap/US Big Cap Ratio

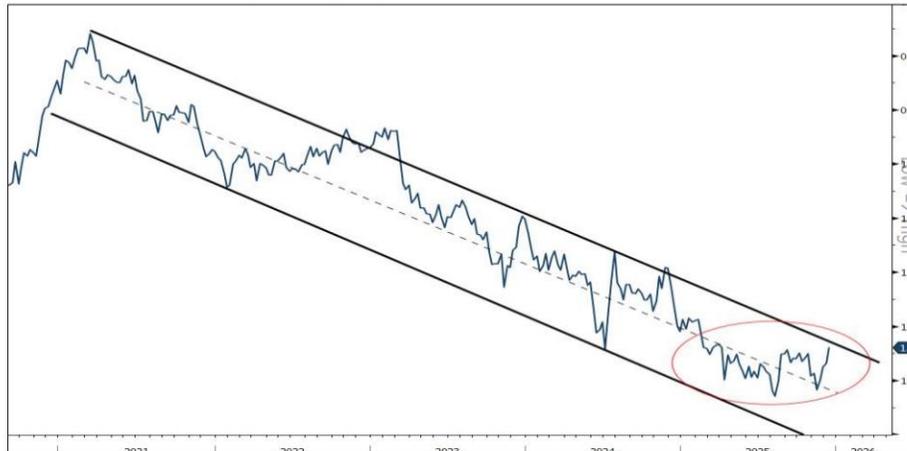


Chart 15: Emerging Markets/MSCI World Ratio



THE TOPIC OF THE WEEK

CONCLUSION

The economy, and more specifically the labor market, is experiencing a clear slowdown. At the same time, the US government shutdown has generated confusion and a lack of visibility regarding the economy, indirectly preventing the Fed from having a clear view of its monetary policy. We believe this situation will lead to a deeper market correction during the first quarter, prompting investors to anticipate further rate cuts.

However, the renewal of quantitative easing and the fact that the Fed will have no choice but to cut rates more than twice next year suggest that the market should bottom out after the next correction. The global market has little upside potential for next year, but many market angles and segments are currently attractive. The fact that cyclical segments or regions such as small-caps, materials, and emerging markets are beginning to outperform leads us to believe that there are still no real signs of a long-term bear market.

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 no other purpose. It is not intended for distribution to, or use by, any individuals or entities that are nationals of a country, or is subject to the jurisdiction of any 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 given. This content is intended only for recipients who understand and are able to assume the risks involved. Before making any transaction, recipients should determine whether the product or investment mentioned in the content is appropriate for their particular circumstances and should ensure they evaluate independently (with their professional advisors) the specific risks and legal, tax, and accounting consequences and eligibility requirements for any purchase, holding, or sale 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 securities and investment products mentioned. Historical performance data for securities and investment products or underlying assets. In On Capital is not an 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, securities, and/or investment products 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 regulations of those jurisdictions. 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.