

SUMMARY OF LAST WEEK

Last week was characterized by high volatility, driven primarily by geopolitical tensions surrounding President Trump's initiative to acquire Greenland. This triggered a sharp sell-off of US assets midweek, before a rapid recovery ensued. On Tuesday, the S&P 500 plunged 2.06% to 6,796.86 points, and the Dow Jones Industrial Average lost 870 points, its worst session since October, when Trump threatened to raise tariffs on eight European countries, including Denmark, from 10% in February to 25% in June. The sell-off wiped out \$1.2 trillion in market capitalization and pushed US indexes into negative territory for the year. However, markets staged a strong recovery on Wednesday after Trump announced a framework agreement with NATO on Greenland and canceled threatened tariffs, with the S&P 500 gaining 1.16% and returning to positive territory for the year. For the week, the S&P 500 closed down **0.42** %, the Dow Jones down **0.70%** , and the Nasdaq virtually unchanged at **-0.12** %. On the macroeconomic front, US economic data...

The quarterly inflation rate was revised upward to 4.4% SAAR, while the November PCE price index rose a modest 0.2%, reinforcing expectations that the Federal Reserve will keep rates steady at next week's meeting, with markets pricing in two more cuts later in 2026. Initial jobless claims rose to 200,000, although the labor market remains tight. Treasury Secretary Bessent indicated in Davos that the new Fed chair who will succeed Powell in May could be announced soon. The Bank of Japan kept rates unchanged at 0.75%, the highest level since 1995, in an 8-1 vote, while revising its GDP forecasts for fiscal years 2025 and 2026 upward to 0.9% and 1.0%, respectively. Yields on Japanese government bonds fell from multi-decade highs reached earlier in the week, though the yen remained under pressure near 159 against the dollar amid persistent fiscal concerns and the upcoming snap election. Demand for safe havens pushed gold to a record \$4,990.89 an ounce before stabilizing near \$4,900, its best weekly performance since March 2020.

Silver also reached new highs above \$103.36, hitting triple digits for the first time ever. The dollar accelerated its decline to 97.42, nearing a 15-year ascending trendline and on the verge of a major breakout. European total-to-weight ratio (TTF) natural gas rose 30% for the week amid unusually cold weather and depleted storage levels. Oil remained range-bound, with WTI near \$60 a barrel, supported by relatively mild geopolitical supply concerns. On the corporate front, Intel fell 13% after posting disappointing guidance, while attention now turns to mega-cap earnings and next week's Fed meeting.

The US remained favorable. The third-year GDP

MACROECONOMIC FLUCTUATIONS AND DATA

KEY DATES OF THE LAST WEEK

January 22

Quarterly annualized GDP 3QT

Actual 4.4% versus 4.3% in the survey

Personal income

Actual 0.1% versus 0.4% in the survey

Personal expenses

Actual 0.5% vs. survey 0.3%

Year-on-year PCE price index

Actual 2.8% vs. survey 2.8%

January 23

S&P Global US Manufacturing PMI

Actual 51.9 vs. poll 52.0

Confidence index of the

University of Michigan

Actual 56.4 vs. poll 54.0

GLOBAL EQUITY INDICES	Last	5 Days	1 Month YTD
MSCI WORLD	4,505.18	-0.22% \bar{y} 0.71%	1.69%
MSCI EM	1,501.11	1.09% \bar{y} 7.42%	6.89%
MSCI EM LATIN AMERICA	3,086.12	7.57% \bar{y} 13.53%	13.91%
MSCI AC ASIA x JAPAN	968.15	0.28% \bar{y} 6.61%	5.99%
USA			
S&P 500 INDEX	6,915.61	-0.42% \bar{y} -0.21%	1.02%
NASDAQ COMPOSITE	23,501.24	-0.12% \bar{y} -0.39%	1.12%
DOW JONES INDUS. AVG	49,098.71	-0.70% \bar{y} 0.80%	2.15%
RUSSELL 2000 INDEX	2,669.16	-0.20% \bar{y} 5.32%	7.54%
EUROPE			
STXE 600 (EUR) Pr	608.34	-0.98% \bar{y} 3.34%	2.73%
Euro Stoxx 50 Pr	5,948.20	-1.35% \bar{y} 3.51%	2.71%
DAX INDEX	24,900.71	-1.57% \bar{y} 2.30%	1.68%
CAC 40 INDEX	8,143.05	-1.40% \bar{y} 0.49%	-0.08% US RATES
FTSE MIB INDEX	44,831.60	-2.11% \bar{y} 0.50%	-0.25%
IBEX 35 INDEX	17,544.40	-0.94% \bar{y} 2.16%	1.37%
SWISS MARKET INDEX	13,147.13	-1.99% \bar{y} -0.72%	-0.91%
FTSE 100 INDEX	10,143.44	-0.90% \bar{y} 2.76%	2.14%
ASIA			
NIKKEI 225	53,846.87	-0.17% \bar{y} 6.10%	6.97%
HANG SENG INDEX	26,749.51	-0.36% \bar{y} 3.60%	4.37%
CSI 300 INDEX	4,702.50	-0.62% \bar{y} 0.97%	1.57%
SENSEX	81,537.70	-2.43% \bar{y} -4.12%	-4.32%
LATAM			
S&P/BMV IPC	68,195.15	1.57% \bar{y} 3.90%	6.04% EM Local Currency
BRAZIL IBOVESPA INDEX	178,858.54	8.53% \bar{y} 11.16%	11.01%
MSCI COLCAP INDEX	2,482.72	5.85% \bar{y} 19.27%	20.05%
S&P/CLX IPSA (CLP) TR	11,500.10	3.08% \bar{y} 9.70%	9.72%

EQUITIES SECTORS	Last	5 Days	1 Month YTD
PHILA GOLD & SILVER INDX	434.46	10.06% \bar{y} 19.62%	26.93%
MSCI WORLD/MATERIAL	437.40	3.28% \bar{y} 8.91%	10.33%
MSCI WORLD/ENERGY	288.84	2.77% \bar{y} 9.19%	8.06%
MSCI WORLD/HIGH CARE	407.81	1.04% \bar{y} 1.34%	2.09%
MSCI WRLD/COMM SVC	168.34	1.02% \bar{y} 0.76%	1.01%
MSCI WORLD/CON STPL	308.87	0.77% \bar{y} 3.51%	3.91%
MSCI WORLD/CONS DIS	510.92	0.10% \bar{y} 0.01%	1.61%
MSCI WORLD/INF TECH	967.22	-0.80% \bar{y} -2.12%	-0.66%
MSCI WORLD BANK INDEX	188.78	-0.99% \bar{y} -0.22%	0.63%
MSCI WORLD/UTILITY	201.79	-0.99% \bar{y} 1.21%	1.26%
MSCI WORLD/INDUSTRIL	530.99	-1.00% \bar{y} 5.38%	6.30%
MSCI WORLD/FINANCEVAL	184.77	-1.60% \bar{y} -1.42%	-0.48%
MSCI WORLD/REAL EST	1,079.57	-1.85% \bar{y} 1.87%	2.44%
	Last	5 Days Close	12M Close
2Y	3.59	3.59	0.01 4.29
5Y	3.82	3.82	0.01 4.45
10Y	4.23	4.22	0.00 4.64
	BONDS CREDIT SPREAD	5 Days Close	12M Close
EM Bonds Spread	224.19	226.4	-2.2 290.33
HY Bonds Spread	239.00	235.0	4.0 263.00
BBB 10yr Spread	162.48	159.7	2.8 140.88
	FIXED INCOME	5 Days	1 Month YTD
US High Yield	2,933.91	0.12% \bar{y} 0.87%	0.67%
EM Bonds USD	1,390.66	0.20% \bar{y} 0.35%	0.28%
CoCos USD	152.11	0.69% \bar{y} 0.51%	0.57%
IG BBB 3-5yr USD	395.09	-0.04% \bar{y} 0.31%	0.30%
IG AA Corp USD	286.74	-0.11% \bar{y} 0.10%	0.43%

COMMODITIES	Last	5 Days	1 Month YTD
CRB INDEX	312.24	3.48% \bar{y} 3.93%	4.50%
WTI	61.07	3.18% \bar{y} 4.61%	6.36%
Brent	68.08	0.70% \bar{y} 7.13%	9.02%
US Natural Gas	5.28	68.64% \bar{y} 19.67%	43.11%
S&P GSCI Precious Metal	6,912.79	7.99% \bar{y} 12.73%	18.80%
Gold	4,987.49	8.52% \bar{y} 11.22%	15.47%
Silver	103.19	14.50% \bar{y} 44.46%	43.99%
Platinum	2,778.60	18.71% \bar{y} 21.34%	34.85%
Palladium	2,017.70	11.89% \bar{y} 8.63%	24.55%
S&P GSCI Industrial Metal Index	584.04	-0.20% \bar{y} 7.67%	5.73%
Aluminum	3,169.00	1.12% \bar{y} 7.83%	5.79%
Copper	13,048.94	1.43% \bar{y} 8.08%	4.78%
Nickel	18,553.31	6.69% \bar{y} 19.17%	12.44%
S&P GSCI Agriculture	349.04	0.96% \bar{y} -2.67%	-0.95%
	CURRENCIES	Last	5 Days
CHF vs. USD	0.7799	2.96% \bar{y} 1.01%	1.63%
JPY vs. USD	155.7000	1.55% \bar{y} 0.34%	0.65%
CAD vs. USD	1.3699	1.57% \bar{y} -0.08%	0.18%
EUR vs. USD	1.1828	1.98% \bar{y} 0.28%	0.70%
GBP vs. USD	1.3643	1.97% \bar{y} 0.92%	1.25%
AUD vs. USD	0.6894	3.16% \bar{y} 2.86%	3.31%
BRL vs. USD	5.2857	1.62% \bar{y} 4.59%	3.58%
MXN vs. USD	17.3627	1.53% \bar{y} 3.10%	3.72%
COP vs. USD	3,645.04	1.42% \bar{y} 3.17%	3.64%
CNY vs. USD	6.9632	0.10% \bar{y} 0.95%	0.36%
EUR vs. CHF	0.9231	0.89% \bar{y} 0.64%	0.83%
DOLLAR INDEX	97.5990	-1.73% \bar{y} -0.35%	-0.74%
BITCOIN	89,466.42	-3.74% \bar{y} 2.09%	2.08%

KEY DATES OF THE NEXT WEEK

January 26

Orders for durable goods

Survey 3.0%

January 27

Consumer confidence of

Conference Board

Survey 90.0

January 28

FOMC Interest Rate Decision

3.75%

January 29

Trade balance

Survey: -\$45 billion

Industrial orders

Survey 0.5%

Orders for durable goods

Survey -

January 30

Producer Price Index

(IPP) Final Monthly Demand

Survey 0.3%

FOURTH QUARTER OF 2025: FINANCIAL RESULTS

	Earnings Growth			
	Positive	Inline	Negative	%
S&P 500	48	1	13	17.65%
Materials	1	0	0	51.51%
Industrials	8	0	3	5.80%
Consumer Staples	2	1	3	-5.90%
Energy	1	0	2	-0.43%
Technology	7	0	0	55.89%
Consumer Discretionary	2	0	3	-27.44%
Communications	1	0	0	40.20%
Financials	23	0	1	17.51%
HealthCare	3	0	0	17.56%
Utilities	0	0	0	0.00%
Real Estate	0	0	1	-4.00%

	Earnings Surprise			
	Positive	Inline	Negative	%
S&P 500	50	4	8	8.11%
Materials	1	0	0	63.48%
Industrials	9	1	1	5.16%
Consumer Staples	5	0	1	2.87%
Energy	3	0	0	9.81%
Technology	7	0	0	21.98%
Consumer Discretionary	3	0	2	12.95%
Communications	1	0	0	2.56%
Financials	20	1	3	6.49%
HealthCare	1	1	1	0.80%
Utilities	0	0	0	0.00%
Real Estate	0	1	0	0.27%

	Sales Growth			
	Positive	Inline	Negative	%
S&P 500	52	0	10	7.73%
Materials	0	0	1	-1.52%
Industrials	9	0	2	7.25%
Consumer Staples	3	0	3	-1.22%
Energy	3	0	0	5.45%
Technology	6	0	1	13.67%
Consumer Discretionary	3	0	2	-1.62%
Communications	1	0	0	17.61%
Financials	23	0	1	9.15%
HealthCare	3	0	0	8.30%
Utilities	0	0	0	0.00%
Real Estate	1	0	0	2.35%

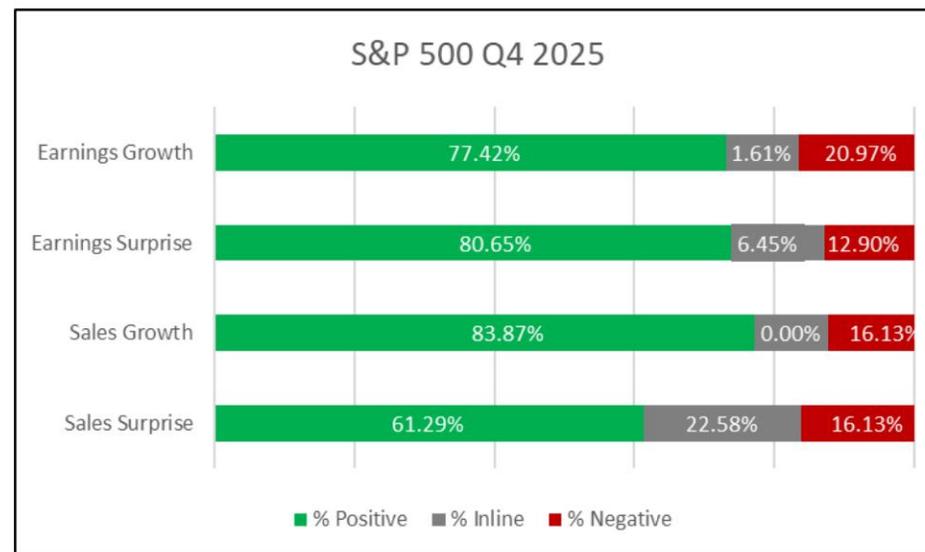
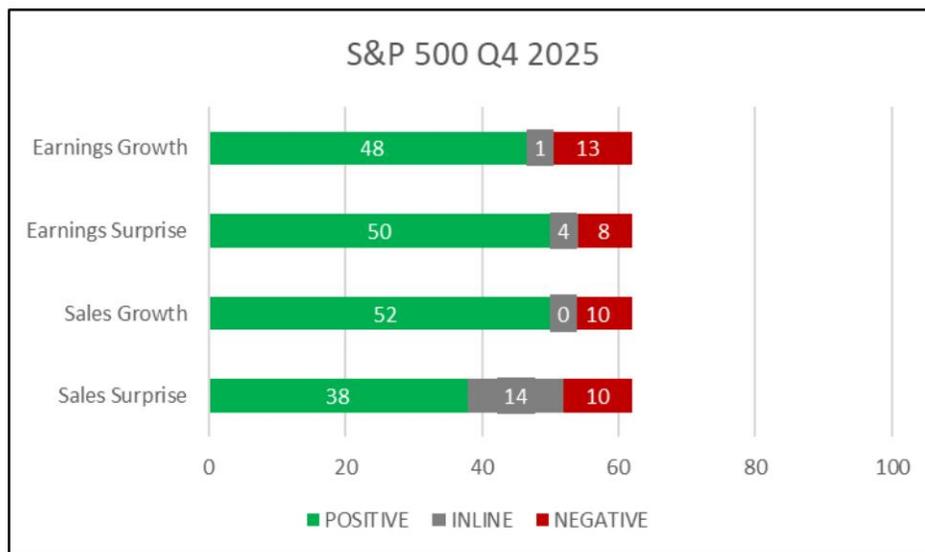
	Sales Surprise			
	Positive	Inline	Negative	%
S&P 500	38	14	10	0.99%
Materials	1	0	0	6.37%
Industrials	4	6	1	1.60%
Consumer Staples	3	2	1	0.15%
Energy	3	0	0	3.12%
Technology	6	0	1	1.82%
Consumer Discretionary	4	0	1	1.78%
Communications	1	0	0	0.71%
Financials	13	6	5	0.30%
HealthCare	2	0	1	0.47%
Utilities	0	0	0	0.00%
Real Estate	1	0	0	0.85%

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THIRD QUARTER OF 2025: FINANCIAL RESULTS



LAST WEEK'S RESULTS SEASON

DATE	COMPANY	Value yourself		CURRENT		DIFFERENCE	
		EPS	REV	EPS	REV	EPS	REV
01/20/2026 (AM) 3M CO		\$1.80	\$6.02 B	\$1.83	\$6.00 B	1.9%	-0.4%
01/20/2026 (AM) US BANCORP		\$1.19	\$7.32 B	\$1.26	\$7.37 B	6.1%	0.6%
01/20/2026 (PM) NETFLIX INC		\$0.55	\$11.97 B	\$0.56	\$12.05 B	2.6%	0.7%
01/21/2026 (AM) JOHNSON&JOHNSON		\$2.47	\$24.15 B	\$2.46	\$24.56 B	-0.4%	1.7%
01/21/2026 (AM) SCHWAB (CHARLES)		\$1.39	\$6.37 B	\$1.39	\$6.34 B	-0.2%	-0.6%
01/22/2026 (AM) GENERAL ELECTRIC		\$1.43	\$11.21 B	\$1.57	\$11.87 B	9.5%	5.8%
01/22/2026 (AM) PROCTER & GAMBLE		\$1.86	\$22.32 B	\$1.88	\$22.21 B	1.1%	-0.5%
01/22/2026 (AM) ABBOTT LABS		\$1.50	\$11.80 B	\$1.50	\$11.46 B	0.3%	-2.9%
01/22/2026 (PM) INTEL CORP		\$0.09	\$13.43 B	\$0.15	\$2.87 B	72.4%	1.8%
01/22/2026 (PM) INTUITIVE SURGIC		\$2.26	\$2.75 B	\$2.53	\$15.58 B	11.8%	4.2%
01/22/2026 (PM) CAPITAL ONE FINA		\$4.15	\$15.51 B	\$3.86		-7.0%	0.5%

NEXT WEEK'S RESULTS SEASON

		Value yourself		CURRENT		DIFFERENCE	
DATE	COMPANY	EPS	REV	EPS	REV	EPS	REV
01/27/2026	BOEING CO/THE	(\$0.45)	\$22.46 B				
01/27/2026	RTX CORP	\$1.47	\$22.63 B				
01/27/2026	TEXAS INSTRUMENT	\$1.30	\$4.44 B				
01/27/2026	UNION PAC CORP	\$2.87	\$6.12 B				
01/27/2026	UNITEDHEALTH GRP	\$2.10	\$113.87 B				
01/27/2026	GENERAL MOTORS C	\$2.27	\$45.41 B				
01/27/2026	NEXTERA ENERGY	\$0.53	\$7.27 B				
01/27/2026	UNITED PARCEL-B	\$2.21	\$23.99 B				
01/28/2026	IBM	\$4.28	\$19.21 B				
01/28/2026	AT&T INC	\$0.47	\$32.83 B				
01/28/2026	MICROSOFT CORP	\$3.92	\$80.30 B				
01/28/2026	SERVICE NOW INC	\$0.89	\$3.53 B				
01/28/2026	DANAHER CORP	\$2.16	\$6.79 B				
01/28/2026	META PLATFORMS-A	\$8.16	\$58.37 B				
01/28/2026	GENERAL DYNAMICS	\$4.11	\$13.81 B				
01/28/2026	STARBUCKS CORP	\$0.59	\$9.64 B				
01/28/2026	TESLA INC	\$0.45	\$25.10 B				
01/29/2026	CATERPILLAR INC	\$4.68	\$17.26 B				
01/29/2026	ALTRIA GROUP INC	\$1.31	\$5.04 B				
01/29/2026	THERMO FISHER	\$6.45	\$11.95 B				
01/29/2026	APPLE INC	\$2.68	\$138.36 B				
01/29/2026	COMCAST CORP-A	\$0.75	\$32.37 B				
01/29/2026	MASTERCARD INC-A	\$4.25	\$8.78 B				
01/29/2026	VISA INC-CLASS A	\$3.13	\$10.68 B				
01/29/2026	HONEYWELL INTL	\$2.54	\$10.02 B				
01/29/2026	LOCKHEED MARTIN	\$5.93	\$19.85 B				
01/30/2026	AMERICAN EXPRESS	\$3.56	\$18.92 B				
01/30/2026	VERIZON COMMUNIC	\$1.06	\$36.10 B				
01/30/2026	CHEVRON CORP	\$1.39	\$45.44 B				
01/30/2026	EXXON MOBIL CORP	\$1.70	\$81.35 B				
01/30/2026	COLGATE-PALMOLIV	\$0.91	\$5.13 B				

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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			

Financial markets enter 2026 on a solid footing after three years of a remarkable upward trend. However, the landscape is shifting. Valuations are historically high: the equity risk premium has almost disappeared, indicating that markets have already priced in much of the good news. The 2024-2025 “AI hype” era and the MAG 7 outperformance phase appear to be cooling. From an economic perspective, the United States is now experiencing a sharp slowdown in non-farm payrolls, which has a high likelihood of impacting the economy.

However, some market segments remain attractive. The excellent performance of precious metals last year is gradually giving way to industrial metals, which should experience a bull market in 2026. Oil prices are at very low levels and should bottom out soon before recovering to \$70. The current structural bull market in commodities will have a significant impact on emerging markets, particularly in Latin America. We have upgraded our outlook on emerging markets from neutral to overweight.

THE TOPIC OF THE WEEK

Emerging markets: another year of outperformance

Emerging markets are starting 2026 with exceptional momentum, having posted their strongest outperformance relative to developed markets since 2017. **Last year, emerging markets led the pack, with growth of 46.2% in Latin America and 29.7% in Asia** (Chart 1). Two structural forces are converging to sustain this trajectory: a favorable commodity cycle benefiting resource-rich economies, particularly in Latin America, and the persistent weakness of the US dollar, which eases financing conditions across the developing world.

Having delivered a return of +34.3% in 2025, emerging markets have not only significantly outperformed the MSCI World by +12.6%, but prices have also broken through a key resistance level that had held since 2007 (Chart 2). Since 2008, emerging markets have underperformed developed markets... **the relative trend is now changing, and emerging markets are at the beginning of a new relative bull market** (Chart 2). In this report, we provide the fundamental reasons for the upcoming outperformance so that investors can capitalize on this outlook.

Chart 1: Index performance in 2025

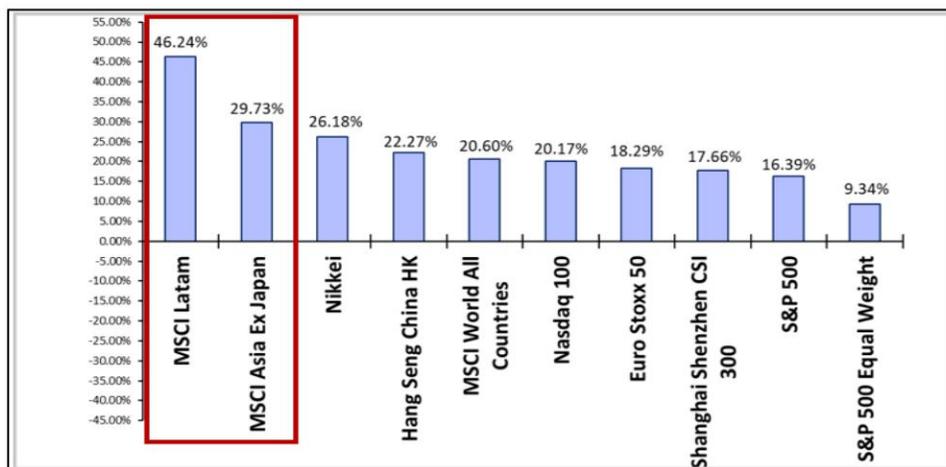
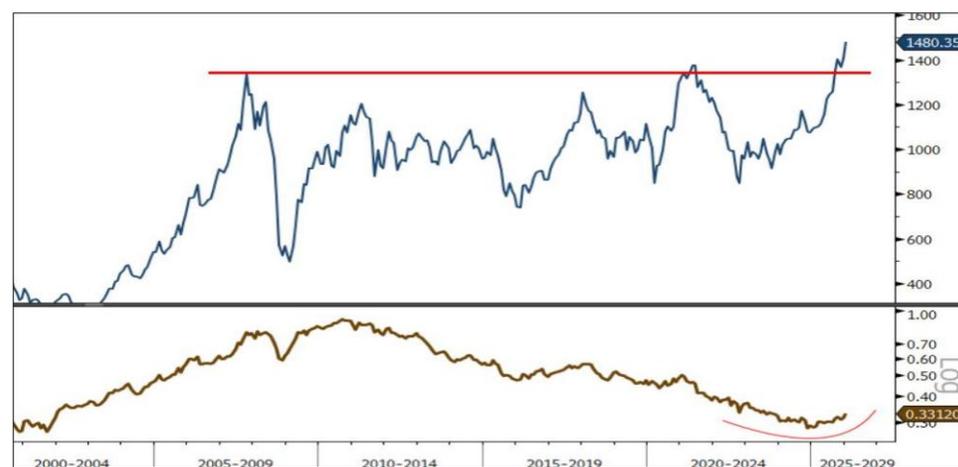


Chart 2: MSCI Emerging Markets (1480.35); MSCI EM/MSCI World ratio



THE TOPIC OF THE WEEK

The Commodity Supercycle: A Structural Boost for Emerging Markets. The global commodity complex is undergoing a fundamental revaluation driven by three interconnected forces. First, the construction of AI infrastructure is generating unprecedented demand for strategic metals and energy. **The five largest hyperscale companies (Amazon, Google, Meta, Microsoft, and Oracle) have committed to investing more than \$3 trillion in data centers through 2030, of which only about 20% has been invested to date** (Chart 3). This wave of capital spending is creating sustained demand for copper, lithium, rare earth elements, and conventional energy sources that will persist for years. If AI maintains its breakneck pace of development and growth, its increased adoption is likely to bring material constraints. The most obvious of these will be electricity. **If the hyperscalers' investment plans are fully implemented, analysts predict that AI energy demand in the United States will increase by 50% by 2030, even taking into account an estimated 30% efficiency gain thanks to the technology** (Chart 4).

Second, the energy transition continues to accelerate globally, requiring massive quantities of industrial metals whose production is dominated by emerging market economies. Latin America is the primary beneficiary of this commodity dynamic. The region holds approximately 60% of the world's lithium reserves, significant copper deposits concentrated in Chile and Peru, and diversified agricultural export bases. Brazil's position as a major producer of iron ore and soybeans, along with its growing offshore oil production, creates multiple channels through which commodity strength flows into the broader economy. As we have mentioned on numerous occasions, solar panels, wind power, and electric vehicles have a clear impact on the demand for metals.

Chart 3: Capital investment announcements from the Big 5 for 2024-2027

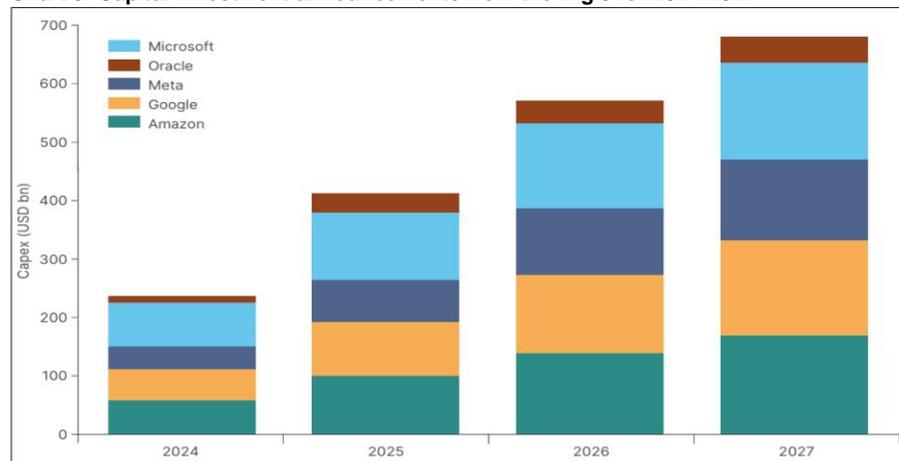
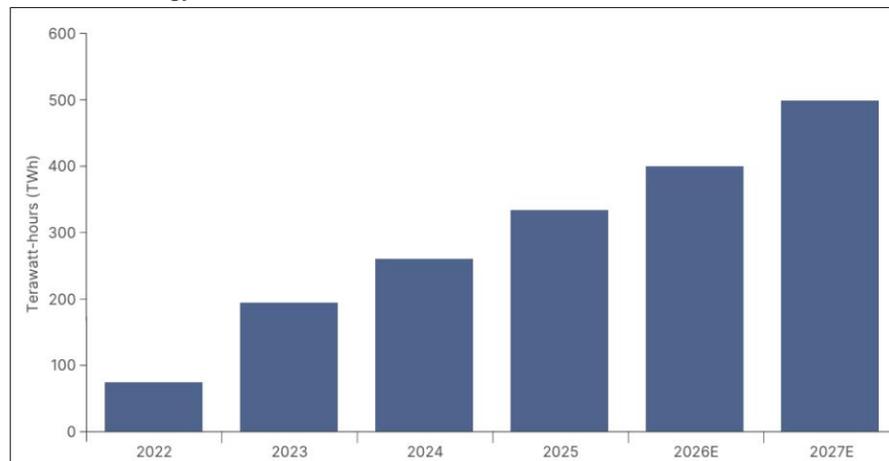


Chart 4: Energy demand forecast



THE TOPIC OF THE WEEK

Copper, lithium, silver, and **rare earth elements** are the metals most difficult to reduce in terms of total demand through substitution and efficiency improvements, and to offset primary demand through recycling. **Copper** is used in all technologies and is difficult to replace because it is valued for its high electrical conductivity. **Silver** is used in 95% of photovoltaic panels, and although the industry is continuously improving its material efficiency, it is not currently recycled and is technologically challenging to do so. **Aluminum** is also very important, as it is used in all technologies, as are **cobalt** and **nickel**, which are used in the main chemical compositions of **lithium-ion** batteries. The main raw materials required for wind turbine manufacturing are bulk commodities: **steel, copper**, and **aluminum**. **Steel** structural components account for approximately 80% of the total weight of the wind turbine (Figure 5).

Chart 5: Importance of metals in renewable energies

			
	Importance to renewable energy	Materials efficiency or substitution	Current recyclability
Aluminium	 High – used for wind, PV & batteries	 With some loss of performance (steel, plastic)	 ~70-80% recycled
Cadmium	 Low – CdTe small share of PV market	 Efficiency increasing, can shift to other PV types	 ~77% recycled
Cobalt	 Medium – Li-ion dominant battery technology	 Efficiency increasing, can shift with loss of performance (LFP)	 90% recycled
Copper	 High – used for wind, PV & batteries	 Difficult to substitute in most applications	 ~34-95% recycled
Dysprosium	 High – used for wind & batteries	 Can shift to other magnet or motor types, or non-PMG wind	 Not currently recycled
Gallium	 Low – CIGS small share of PV market	 Efficiency increasing, can shift to other PV types	 Not currently recycled
Indium	 Low – CIGS small share of PV market	 Efficiency increasing, can shift to other PV types except flexible	 Not currently recycled
Lithium	 Medium – Li-ion dominant battery technology	 Efficiency increasing, but used for all Li-ion and Li-S	 ~10% recycled
Manganese	 Medium – Li-ion dominant battery technology	 Efficiency increasing, can shift to other battery types (LFP, NCA)	 Very limited recycling
Neodymium	 High – used for wind & batteries	 Can shift to other magnet or motor types, or non-PMG wind	 Not currently recycled
Nickel	 Medium – Li-ion dominant battery technology	 Efficiency increasing, can shift with loss of performance (LFP)	 90% recycled
Silver	 Medium – cSi large share of PV market	 Efficiency increasing, copper possible but not commercialised	 Not currently recycled
Selenium	 Low – CIGS small share of PV market	 Efficiency increasing, can shift to other PV types	 Not currently recycled
Tellurium	 Low – CdTe small share of PV market	 Efficiency increasing, can shift to other PV types	 ~77% recycled

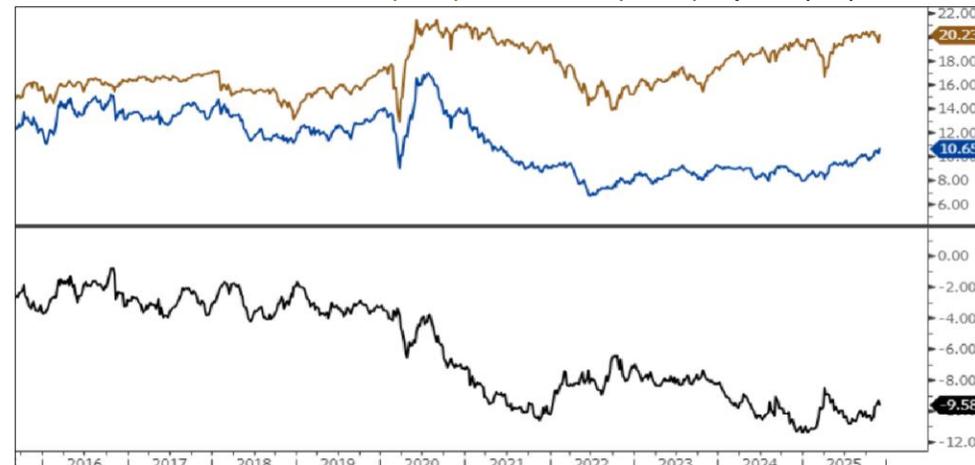
THE TOPIC OF THE WEEK

Latin America: From Political Transition to Economic Renaissance. The region is undergoing a remarkable political realignment that is increasing its attractiveness for investment. The transition from left-wing to market-friendly governments in major economies is reducing political uncertainty and improving the investment climate. Chile, Ecuador, Panama, Bolivia, and Argentina are Latin American countries that have shifted their political orientation from left to right. Mexico, Colombia, and Brazil are the main countries that still have left-wing governments. The upcoming elections in Colombia and Brazil point to a return to center-right government, which would undoubtedly provide an additional boost. The MSCI LatAm has delivered an impressive 55.7% return through 2025 (total return). **Technically speaking, we are just at the beginning of a long-term bull market, as prices have just broken a descending trendline corresponding to a 20-year bear market (Chart 6). Despite delivering exceptional returns in 2025, with Colombia rising 116.25%, Chile 73.60%, Peru 76.80%, Mexico 57.50%, and Brazil 50.90% (in total USD return), Latin American equities remain attractively valued and continue to trade at a significant discount compared to developed countries (Chart 7).** The MSCI Latin America Index trades at approximately 10.5 times forward earnings, representing a discount of almost 50% to the S&P 500, which trades at 20 times. This valuation disparity, combined with an average dividend yield of 5% across the region compared to 1.2% for US equities, offers both upside potential and downside protection. Mexico's outlook is particularly positive following the expected approval of the revised USMCA trade agreement, which should reignite investor interest and boost nearshoring. Brazil, while facing fiscal policy challenges, benefits from a significant income tax cut that will support consumption. Both markets are very well positioned: **Mexico is reaching all-time highs after breaking through significant resistance, and Brazil has just emerged from a 19-year bear market** (charts 8 and 9).

Chart 6: MSCI EM Latin America Index (3045.60)



Chart 7: Future P/E: MSCI World (20.2x); MSCI LatAm (10.65x) / Spread (-9.5)



THE TOPIC OF THE WEEK

Chart 8: MSCI Mexico (8139.0)

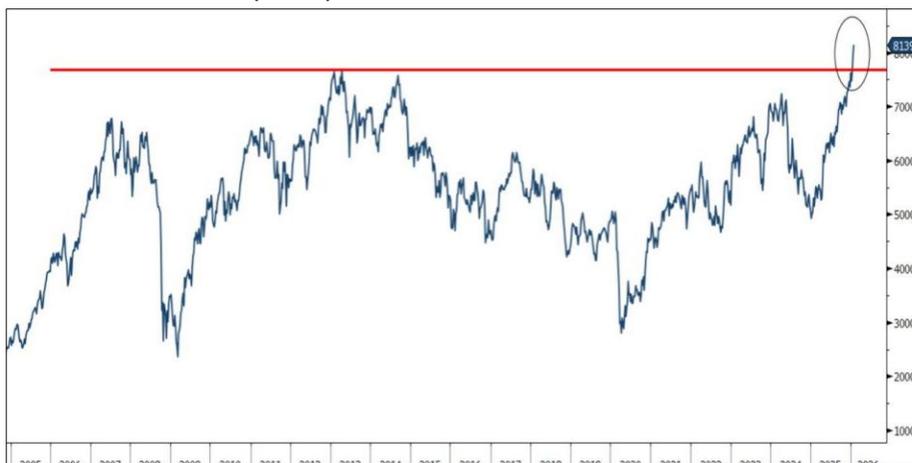


Chart 9: MSCI Brazil (1848.96)



Dollar Weakness: The Catalyst for Outperforming Emerging Markets. The trajectory of the US dollar is perhaps the most critical variable for emerging market asset performance. The structural forces pointing to continued dollar weakness through 2026 are compelling. US fiscal consolidation, with the primary deficit shrinking from 3.8% in 2024 to 2.7% by the end of 2025, combined with slower growth and the Federal Reserve's continued easing cycle, creates a fundamentally bearish environment for the dollar.

Furthermore, the market is only pricing in two rate cuts this year, which seems overly conservative given the significant deterioration in job creation and the strong push from the Trump administration for a more dovish stance. Currently, prices are not reflecting more aggressive rate cuts, which should push the dollar lower.

As we mentioned in our report last week, the dollar retreated 9.4% in 2025 after reaching record highs the previous year. **However, even after this correction, the currency remains substantially overvalued, trading approximately 14% above its equilibrium level against a trade-weighted basket of the currencies of the United States' trading partners** (Chart 10). Technically, having broken through the important support zone of 101, prices are now near the 97 level, considered significant support. **Any break below this long-term ascending trendline could definitively catalyze an acceleration of dollar selling and signal the end of the dollar's 15-year bull market** (Chart 11). A weaker dollar benefits emerging economies through multiple channels. It reduces the local currency cost of servicing dollar-denominated debt, eases imported inflationary pressures, and creates room for national central banks to lower policy interest rates. With real interest rates in emerging markets at their highest levels in two decades, there is considerable scope for rate normalization that could stimulate credit growth and domestic demand.

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Chart 10: Real effective exchange rate of the dollar

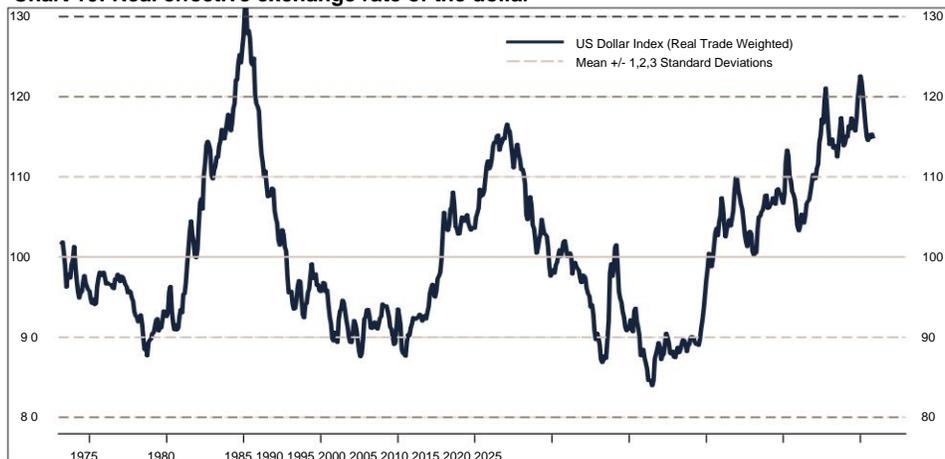


Chart 11: Dollar Index (99.28)



Latin American local currency fixed-income bonds: attractive returns in a low-interest-rate environment

Fixed-income opportunities in Latin American markets deserve special attention. **Local currency bonds offer very attractive returns in compared to those of the United States and Europe** (Chart 11). The fact that the ECB and, in particular, the Fed are in a dovish process provides more Latin American central banks have room to maneuver with their monetary policy if necessary, but the difference between Latin American interest rates and those of other countries is significant. Developed economies will remain important in any case. The fundamental improvement in Latin American countries, supported by a weaker dollar and a Higher commodity prices make local bonds particularly attractive.

In fact, last year, Latin American local currency sovereign bonds achieved an impressive total return of +31% (Chart 12). With the The anticipated fall of the dollar, the strengthening of Latin American economies due to rising commodity prices, and increased economic support due to Despite political changes, local currency bonds should continue to offer double-digit returns over the next year.

THE TOPIC OF THE WEEK

Chart 11: Emerging markets versus developed markets. Official interest rate

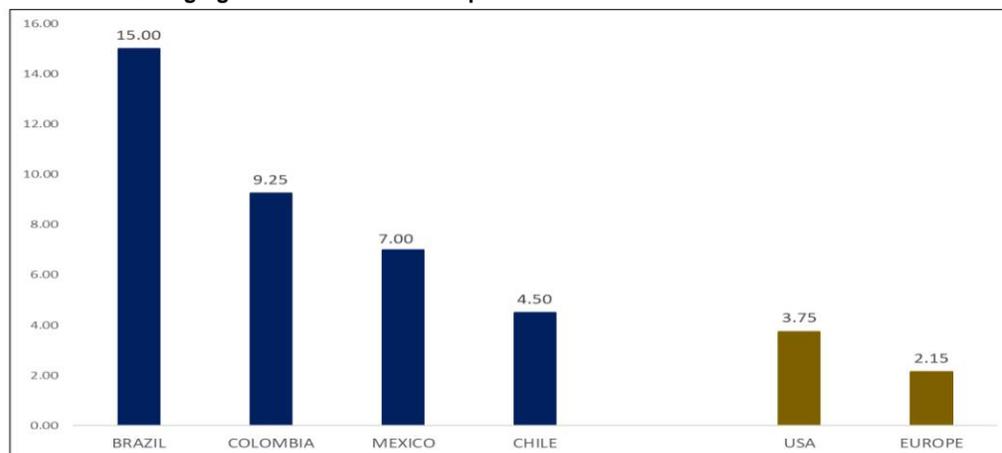
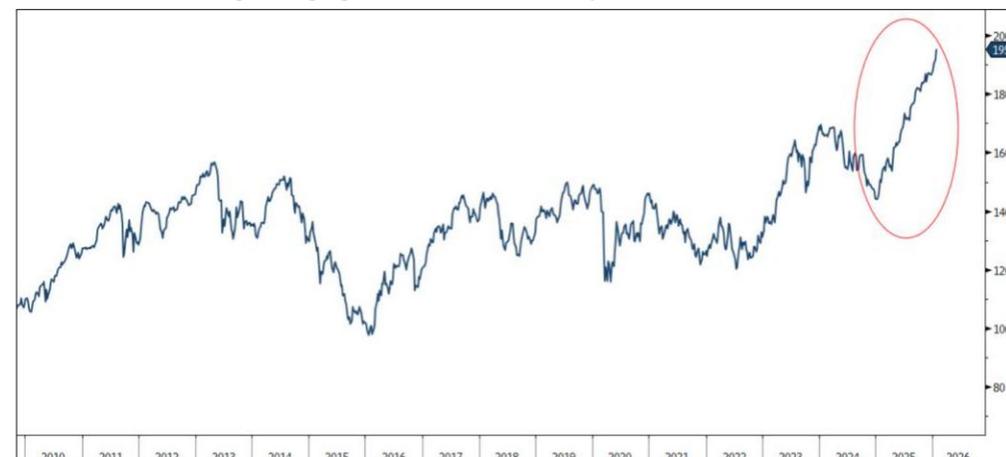


Chart 12: Bloomberg Emerging Markets Local Currency Americas



CONCLUSION

The convergence of favorable commodity winds, political normalization in Latin America, and the structural weakness of the dollar creates an unusually favorable environment for emerging market assets in 2026. Investors who continue to underweight this asset class face a significant cost of opportunity. This presents an opportunity as these structural forces develop. The combination of attractive valuations, improving fundamentals, and accelerating growth... Favorable technical benefits and flows suggest that emerging markets are in a position to extend their streak of outperformance until 2026.

We recommend an overweight position in emerging market equities, with particular emphasis on Latin American exposures that benefit from both the strength of commodities as well as the political transition. Local currency bonds offer attractive risk-reward characteristics, with potential for double-digit returns driven by converging interest rates and currency appreciation. The case for investing in emerging markets has rarely been so solid.

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