SUMMARY OF LAST WEEK

Markets weathered a pivotal week dominated by the Federal Reserve's first monetary policy meeting of 2026, in which the FOMC kept interest rates between 3.5% and 3.75%, as expected on Wednesday. However, two dissenting votes—Governors Stephen Miran and Christopher Waller advocated for a 25-basis-point cut—revealed divisions within the committee amid high inflation and weak labor market conditions. Chairman Jerome Powell strongly defended the central bank's independence, calling it "an institutional arrangement that has served the people well" amid unprecedented political pressure. He described the current federal funds rate as "slightly neutral" and acknowledged that the economy appeared "solid," with stronger growth prospects than the previous year. Markets closed the week flat to negative, with the S&P 500 up 0.34%, the Nasdaq down **0.17% ,** and the Dow Jones **down 0.42** %. Small-cap stocks finished the week sharply lower, with a negative return of **-2.08** %. The most dramatic catalyst of the week came on Friday.

When President Trump nominated Kevin Warsh as the next Federal Reserve chairman to succeed Jerome Powell in May, it triggered a spectacular collapse in precious metals, with silver plummeting 31.4% to $78.53 (the worst single-day drop since March 1980) and gold falling 11.4% to $4,745.10. Investors interpreted Warsh, the former Fed governor during the 2008 financial crisis, as someone who would alleviate concerns about the devaluation of the US dollar and the erosion of central bank independence, although his confirmation faces hurdles in the Senate, as Republican Senator Thom Tillis has vowed to oppose it until the Justice Department's investigation into Powell is resolved. Despite midweek volatility surrounding Fed policy and disappointing gains from Big Tech, driven by concerns about massive spending on artificial intelligence infrastructure, the major indexes posted modest monthly gains at the close of January: the S&P 500 rose 1.2%, the Dow advanced 1.7%, and the Nasdaq gained 0.97%. Earnings season reached its peak on Wednesday, as the tech giants reported their results.

Large-cap tech companies Microsoft, Meta and Tesla released their results simultaneously after the market closed.

Microsoft beat expectations with revenue of $81.27 billion (up 17% year-over-year), driven by 39% growth in Azure cloud, but fell more than 5% in after-hours trading as capital expenditures reached a record $37.5 billion (exceeding estimates of $36.2 billion). Meanwhile, Meta posted solid fourth-quarter revenue of $59.9 billion (up 24% year-over-year) and earnings per share of $8.88, but surprised investors by announcing capital expenditures through 2026 of between $115 billion and $135 billion for AI data center expansion. Tesla surprised with adjusted earnings per share of $0.50, beating estimates after a string of disappointing quarterly results, though the stock remained under pressure due to margin concerns.

Source: Sentosa; Co

MACROECONOMIC FLUCTUATIONS AND DATA

KEY DATES OF THE LAST WEEK

January 26

Orders for durable goods

Actual 5.3% vs. the poll 3.0%

January 27

Consumer confidence of Conference Board

Actual 84.50 versus the survey 90.0

January 28

Decision on interest rates of the FOMC

Actual 3.75% vs. survey 3.75%

January 29

Trade balance

Real: -$56.8 billion vs. to the survey: -$44 billion

Industrial orders

Actual 2.7% vs. survey 1.6%

Orders for durable goods

Real 5.3%

January 30

Producer Price Index (IPP) Final Monthly Demand

Actual 0.3% vs. survey 0.2%

GLOBAL EQUITY INDICES	Last	5 Days	1 Month	YTD
MSCI WORLD	4,527.59	**0.50%**	ÿ 1.85%	2.19%
MSCI EM	1,528.09	**1.80%**	ÿ 6.90%	8.81%
MSCI EM LATIN AMERICA	3,120.95	**1.13%**	ÿ 14.73%	15.19%
MSCI AC ASIA x JAPAN	987.94	**2.04%**	ÿ 6.03%	8.16%
USA				
S&P 500 INDEX	6,939.03	**0.34%**	ÿ 1.17%	1.37%
NASDAQ COMPOSITE	23,461.82	**-0.17%**	ÿ 0.97%	0.95%
DOW JONES INDUS. AVG	48,892.47	**-0.42%**	ÿ 1.05%	1.73%
RUSSELL 2000 INDEX	2,613.74	**-2.08%**	ÿ 4.21%	5.31%
EUROPE				
STXE 600 (EUR) Pr	611.00	**0.44%**	ÿ 2.49%	3.18%
Euro Stoxx 50 Pr	5,947.81	**-0.01%**	ÿ 1.67%	2.70%
DAX INDEX	24,538.81	**-1.45%**	ÿ 0.00%	0.20%
CAC 40 INDEX	8,126.53	**-0.20%**	ÿ -0.84%	-0.28%
FTSE MIB INDEX	45,527.42	**1.55%**	ÿ 0.34%	1.30%
IBEX 35 INDEX	17,880.90	**1.92%**	ÿ 2.22%	3.31%
SWISS MARKET INDEX	13,188.26	**0.31%**	ÿ -0.60%	-0.60%
FTSE 100 INDEX	10,223.54	**0.79%**	ÿ 2.74%	2.94%
ASIA				
NIKKEI 225	53,322.85	**-0.97%**	ÿ 5.93%	5.93%
HANG SENG INDEX	27,387.11	**2.38%**	ÿ 3.98%	6.85%
CSI 300 INDEX	4,706.34	**0.08%**	ÿ 1.65%	1.65%
SENSEX	82,269.78	**-0.05%**	ÿ -3.43%	-3.46%
LATAM				
S&P/BMV IPC	67,598.95	**-0.87%**	ÿ 5.02%	5.12%
BRAZIL IBOVESPA INDEX	181,363.90	**1.40%**	ÿ 12.97%	12.56%
MSCI COLCAP INDEX	2,474.76	**-0.32%**	ÿ 19.61%	19.67%
S&P/CLX IPSA (CLP) TR	11,420.07	**-0.70%**	ÿ 9.51%	8.96%

EQUITIES SECTORS	Last	5 Days	1 Month	YTD
MSCI WORLD/ENERGY	300.92	**4.18%**	ÿ 10.55%	12.58%
MSCI WRLD/COMM SVC	174.39	**3.60%**	ÿ 4.94%	4.64%
MSCI WORLD BANK INDEX	193.69	**2.60%**	ÿ 2.04%	3.24%
MSCI WORLD/UTILITY	206.79	**2.48%**	ÿ 2.45%	3.76%
MSCI WORLD/FINANCEVAL	187.95	**1.72%**	ÿ 0.68%	1.23%
MSCI WORLD/CON STPL	312.69	**1.24%**	ÿ 5.35%	5.19%
MSCI WORLD/REAL EST	1,091.32	**1.09%**	ÿ 3.54%	3.55%
MSCI WORLD/INDUSTRL	535.02	**0.76%**	ÿ 5.52%	7.10%
MSCI WORLD/INF TECH	962.27	**-0.51%**	ÿ -1.32%	-1.17%
MSCI WORLD/HIGH CARE	403.50	**-1.06%**	ÿ 0.73%	1.02%
MSCI WORLD/MATERIAL	431.70	**-1.30%**	ÿ 8.11%	8.89%
MSCI WORLD/CONS DIS	503.67	**-1.42%**	ÿ 0.92%	0.16%
PHILA GOLD & SILVER INDX	382.33	**-12.00%**	ÿ 11.60%	11.70%

US RATES	Last	5 Days Close		12M Close	
2 and	3.52	3.59	-0.07	4.21	-0.68
5 and	3.79	3.82	-0.04	4.32	-0.53
10Y	4.24	4.23	0.01	4.52	-0.28

BONDS CREDIT SPREAD		5 Days Close		12M Close	
EM Bonds Spread	222.61	224.2	-1.6	291.48	-68.9
HY Bonds Spread	234.00	239.0	-5.0	265.00	**-31.0**
BBB 10yr Spread	159.45	162.5	-3.0	146.35	13.1

FIXED INCOME		5 Days	1 Month	YTD
US High Yield	2,929.32	-0.16%	ÿ 0.51%	0.51%
EM Bonds USD	1,391.86	0.09%	ÿ 0.41%	0.36%
EM Local Currency	155.46	0.80%	ÿ 1.42%	1.56%
CoCos USD	153.33	0.80%	ÿ 1.39%	1.37%
IG BBB 3-5yr USD	395.07	-0.11%	ÿ 0.52%	0.09%
IG AA Corp USD	286.14	-0.34%	ÿ 0.25%	0.42%

COMMODITIES	Last	5 Days	1 Month	YTD
CRB INDEX	320.09	2.51%	ÿ 7.48%	7.13%
WTI	65.21	6.78%	ÿ 12.53%	13.57%
Brent	72.72	6.82%	ÿ 16.50%	16.45%
US Natural Gas	4.35	-17.46%	ÿ 9.62%	18.12%
S&P GSCI Precious Metal	**6,372.99**	**-7.81%**	**ÿ 9.71%**	**9.52%**
Gold	4,894.23	-1.87%	ÿ 12.78%	13.31%
Silver	85.20	-17.44%	ÿ 11.67%	18.89%
Platinum	2,195.31	-20.99%	ÿ 0.68%	6.54%
Palladium	1,712.50	-15.13%	ÿ 5.44%	5.71%
S&P GSCI Industrial Metal Index	**582.40**	**-0.28%**	**ÿ 4.94%**	**5.44%**
Aluminum	3,144.00	-0.79%	ÿ 5.50%	4.96%
Copper	13,067.62	0.14%	ÿ 3.72%	4.93%
Nickel	17,732.91	-4.42%	ÿ 6.34%	7.47%
S&P GSCI Agriculture	**345.84**	**-0.92%**	**ÿ -1.51%**	**-1.86%**

CURRENCIES	Last	5 Days	1 Month	YTD
CHF vs USD	0.7730	0.89%	ÿ 2.42%	2.54%
JPY vs. USD	154.7800	0.59%	ÿ 1.05%	1.25%
CAD vs. USD	1.3613	0.63%	ÿ 0.62%	0.82%
EUR vs. USD	1.1851	0.19%	ÿ 0.88%	0.89%
GBP vs. USD	1.3686	0.32%	ÿ 1.62%	1.57%
AUD vs. USD	0.6964	1.02%	ÿ 4.02%	4.36%
BRL vs. USD	5.2634	0.42%	ÿ 4.02%	4.02%
MXN vs. USD	17.4606	-0.56%	ÿ 3.06%	3.14%
COP vs. USD	3,696.89	-1.40%	ÿ 2.18%	2.18%
CNY vs. USD	6.9569	0.09%	ÿ 0.56%	0.45%
EUR vs. CHF	0.9163	0.74%	ÿ 1.56%	1.57%
DOLLAR INDEX	96.9910	-0.62%	ÿ -1.27%	-1.35%
BITCOIN	83,846.54	-4.69%	ÿ -4.34%	-4.34%

KEY DATES OF THE NEXT WEEK

February 2

S&P Global US Manufacturing PMI

Previous 51.9

ISM manufacturing

48.3

February 4

S&P Global Services PMI in the U.S.

Previous 52.50

S&P Global Composite PMI in the U.S.

Previous 52.80

ISM Services Index

Survey 53.50

February 6

Variation in payrolls non-agricultural

Survey 78,000

Unemployment rate

Survey 4.4%

Confidence index of the University of Michigan

Survey 55.5

Source: Sentosa; Co

FOURTH QUARTER OF 2025: FINANCIAL RESULTS

Earnings Growth	Positive	Inline	Negative	%
S&P 500	**120**	**2**	**42**	**15.31%**
Materials	5	0	5	-5.41%
Industrials	27	0	10	48.65%
Consumer Staples	7	1	3	-1.99%
Energy	4	0	3	1.77%
Technology	18	0	1	25.25%
Consumer Discretionary	6	0	8	-13.13%
Communications	3	0	3	5.39%
Financials	40	1	2	16.91%
HealthCare	9	0	3	-10.68%
Utilities	1	0	0	3.19%
Real Estate	0	0	4	-11.35%

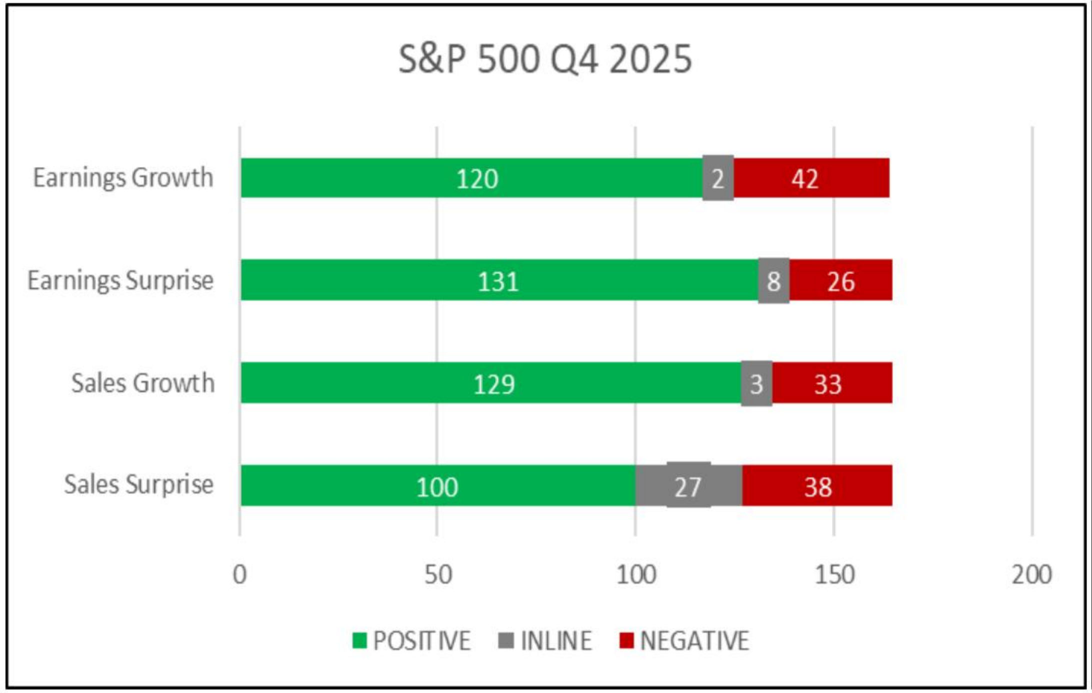
Earnings Surprise	Positive	Inline	Negative	%
S&P 500	**131**	**8**	**26**	**9.35%**
Materials	5	0	5	0.31%
Industrials	28	3	6	31.01%
Consumer Staples	9	0	2	2.43%
Energy	7	0	0	6.24%
Technology	19	0	1	8.56%
Consumer Discretionary	8	1	5	8.39%
Communications	6	0	0	7.92%
Financials	37	2	4	6.83%
HealthCare	9	1	2	2.14%
Utilities	1	0	0	1.21%
Real Estate	2	1	1	1.46%

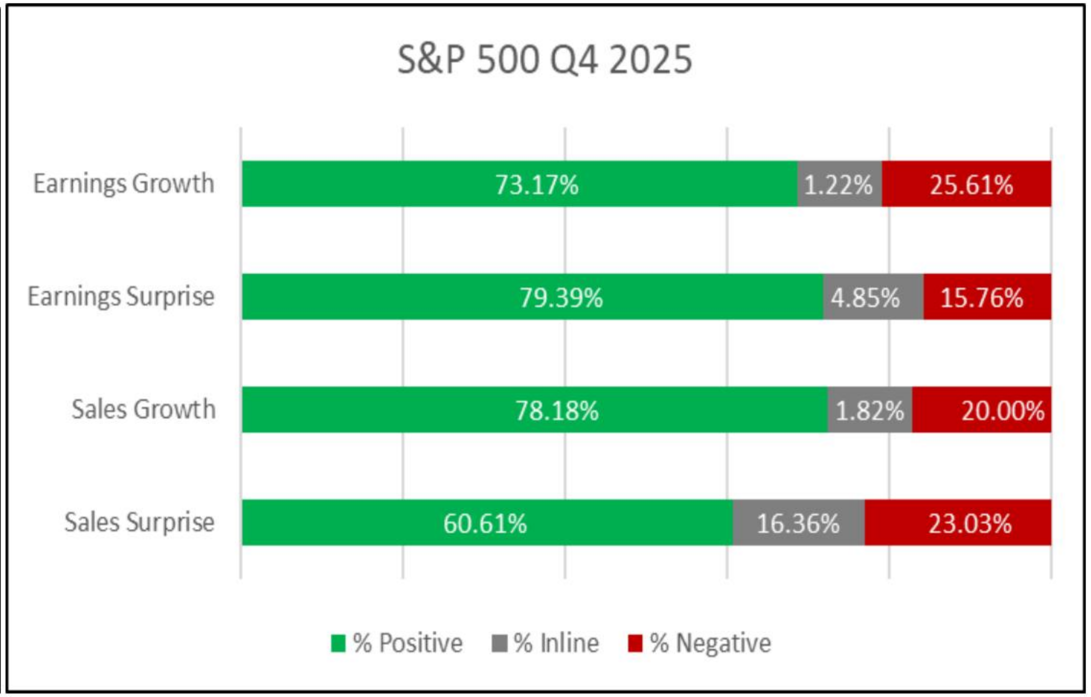
Sales Growth	Positive	Inline	Negative	%
S&P 500	**129**	**3**	**33**	**7.43%**
Materials	7	0	3	0.02%
Industrials	27	1	9	8.97%
Consumer Staples	6	0	5	-0.49%
Energy	3	1	3	-3.01%
Technology	18	0	2	14.86%
Consumer Discretionary	8	0	6	-1.60%
Communications	5	0	1	8.84%
Financials	40	1	2	9.53%
HealthCare	12	0	0	10.00%
Utilities	1	0	0	20.71%
Real Estate	2	0	2	-2.36%

Sales Surprise	Positive	Inline	Negative	%
S&P 500	**100**	**27**	**38**	**1.43%**
Materials	6	1	3	0.63%
Industrials	18	8	11	2.37%
Consumer Staples	5	5	1	0.24%
Energy	7	0	0	3.40%
Technology	17	1	2	2.58%
Consumer Discretionary	9	2	3	1.02%
Communications	4	1	1	1.24%
Financials	24	9	10	0.52%
HealthCare	7	0	5	-0.27%
Utilities	0	0	1	-9.43%
Real Estate	3	0	1	0.37%

Source: Sentosa; Co

THIRD QUARTER OF 2025: FINANCIAL RESULTS





Source: Sentosa; Co

LAST WEEK'S RESULTS SEASON

		Value yourself		CURRENT		DIFFERENCE	
DATE	COMPANY	EPS	REV	EPS	REV	EPS	REV
01/27/2026 (AM)	BOEING CO/THE	($0.46)	$22.58 B	$9.92	$23.95 B	NA	6.1%
01/27/2026 (AM)	RTX CORP	$1.47	$22.63 B	$1.55	$24.24 B	5.7%	7.1%
01/27/2026 (AM)	UNION PAC CORP	$2.87	$6.12 B	$2.86	$6.09 B	-0.3%	-0.5%
01/27/2026 (AM)	UNITEDHEALTH GRP	$2.10	$113.87 B	$2.11	$113.22 B 0.4%	$45.29 B 10.2%	-0.6%
01/27/2026 (AM)	GENERAL MOTORS C	$2.28	$45.37 B	$2.51			-0.2%
01/27/2026 (AM)	NEXTERA ENERGY	$0.53	$7.18 B	$0.54	$6.50 B	1.1%	-9.4%
01/27/2026 (AM)	UNITED PARCEL-B	$2.21	$23.99 B	$2.38	$24.50 B	7.8%	2.1%
01/27/2026 (PM)	TEXAS INSTRUMENT	$1.30	$4.43 B	$1.27	$4.42 B	-2.1%	-0.2%
01/28/2026 (AM)	AT&T INC	$0.46	$32.83 B	$0.52	$33.47 B 12.3%	$6.84 B $14.38	1.9%
01/28/2026 (AM)	DANAHER CORP	$2.16	$6.79 B	$2.23	B $9.92 B	3.3%	0.7%
01/28/2026 (AM)	GENERAL DYNAMICS	$4.11	$13.81 B	$4.17	$19.69 B	1.4%	4.2%
01/28/2026 (AM)	STARBUCKS CORP	$0.59	$9.65 B	$0.56	$81.27 B	-4.4%	2.8%
01/28/2026 (PM)	IBM	$4.28	$19.21 B	$4.52	$3.57 B	5.6%	2.5%
01/28/2026 (PM)	MICROSOFT CORP	$3.92	$80.31 B	$4.14	$59.89 B 8.5%	5.6%	1.2%
01/28/2026 (PM)	SERVICENOW INC	$0.89	$3.53 B	$0.92	$24.90 B	3.5%	1.0%
01/28/2026 (PM)	META PLATFORMS-A	$8.19	$58.42 B	$8.88	11.9% $18.20 B	10.1% $5.08	2.5%
01/28/2026 (PM)	TESLA INC	$0.45	$25.11 B	$0.50	B $12.22 B $32.31	B $8.81 B	-0.8%
01/29/2026 (AM)	CATERPILLAR INC	$4.69	$17.26 B	$5.16	$9.76 B $20.32 B	$143.76 B	5.4%
01/29/2026 (AM)	ALTRIA GROUP INC	$1.31	$5.05 B	$1.30	6.0% $	-1.1%	0.6%
01/29/2026 (AM)	THERMO FISHER	$6.45	$11.95 B	$6.57	10.90 B 1.1%	1.9%	2.2%
01/29/2026 (AM)	COMCAST CORP-A	$0.75	$32.36 B	$0.84	$18.98 B	11.6%	-0.2%
01/29/2026 (AM)	MASTERCARD INC-A	$4.25	$8.78 B	$4.76	$36.38 B	11.9%	0.3%
01/29/2026 (AM)	HONEYWELL INTL	$2.54	$10.01 B	$2.59	$46.87 B	2.1%	-2.5%
01/29/2026 (AM)	LOCKHEED MARTIN	$5.87	$19.85 B	$5.80	10.1% $82.31	-1.2%	2.4%
01/29/2026 (PM)	APPLE INC	$2.68	$138.40 B	$2.84	B $5.23 B		3.9%
01/29/2026 (PM)	VISA INC-CLASS A	$3.14	$10.68 B	$3.17			2.0%
01/30/2026 (AM)	AMERICAN EXPRESS	$3.56	$18.92 B	$3.53		-0.9%	0.3%
01/30/2026 (AM)	VERIZON COMMUNIC	$1.06	$36.10 B	$1.09		3.3%	0.8%
01/30/2026 (AM)	CHEVRON CORP	$1.38	$44.16 B	$1.52			6.1%
01/30/2026 (AM)	EXXON MOBIL CORP	$1.69	$81.34 B	$1.71		1.2%	1.2%
01/30/2026 (AM)	COLGATE-PALMOLIV	$0.91	$5.13 B	$0.95		4.3%	1.9%

Source: Sentosa; Co

NEXT WEEK'S RESULTS SEASON

		VALUE YOURSELF		CURRENT		DIFFERENCE	
DATE	COMPANY	EPS	REV	EPS	REV	EPS	REV
02/02/2026 WALT DISNEY CO/T		$1.56	$25.69 B				
02/02/2026 PALANTIR TECHN-A		$0.23	$1.33 B				
02/02/2026 SIMON PROPERTY		$3.48	$1.64 B				
03/02/2026 MONDELEZ INTER-A 03/02/2026		$0.69	$10.31 B				
MERCK & CO 03/02/2026 PFIZER		$2.00	$16.17 B				
INC 03/02/2026 ADV MICRO		$0.57	$16.94 B				
DEVICE 02/03/2026 AMGEN INC		$1.32	$9.65 B				
02/03/2026 EMERSON ELEC		$4.71	$9.46 B				
CO 02/03/2026 PAYPAL HOLDINGS		$1.42	$4.35 B				
02/03/2026 PEPSICO INC 02/04/2026		$1.28	$8.79 B				
ALPHABET INC-A 02/04/2026		$2.23	$28.95 B				
UBER TECHNOLOGIE 02/04/2026		$2.65	$95.12 B				
METLIFE INC 04/02/2026 ABBVIE INC		$0.79	$14.29 B				
04/02/2026 QUALCOMM INC		$2.34	$26.45 B				
04/02/2026 ELI LILLY & CO		$2.65	$16.42 B				
05/02/2026 CONOCOPHILLIPS		$3.40	$12.20 B				
05/02/2026 AMAZON.COM INC		$6.76	$18.01 B				
05/02/2026 LINDE PLC 05/02/2026		$1.06	$13.76 B				
BRISTOL-MYER SQB 02/06/2026 PHILIP		$1.95	$211.49 B				
MORRIS IN		$4.18	$8.65 B				
		$1.10	$12.27 B				
		$1.68	$10.44 B				

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			

Despite a historic one-day drop, precious metals managed to finish January in positive territory, with gold and silver posting gains of 12.8% and 11.7%, respectively. This sharp correction could present a buying opportunity for investors. Overall, the indexes closed the month higher, with small-cap companies significantly outperforming the rest of the indexes, closing up 4.2% compared to the S&P 500's 1.2% gain. This indirectly reflects a constructive sentiment among investors regarding the economy.

In any case, despite the strong start to the year, the outlook is changing. Valuations are historically overvalued: the risk premium on equities has almost disappeared, indicating that markets have already priced in much of the good news. The era of the 2024-2025 "AI boom" and the MAG 7 outperformance phase appear to be cooling off. From an economic perspective, the United States is now experiencing a sharp slowdown in non-farm payrolls.

Source: Sentosa; Co

Germany: the giant that awakens

The German stock market has experienced a remarkable turnaround in the last five years. **Between 2021 and 2023, the DAX consistently underperformed. as well as the Euro Stoxx 50** (chart 1), weighed down by Germany's heavy exposure to energy-intensive industries and car manufacturers amid the crisis The energy crisis caused by the conflict between Russia and Ukraine, along with supply chain disruptions and increased input costs, put additional pressure on the economy. Regarding the export-driven economy, the German economy is primarily exposed to energy costs, as its industrial base accounts for 27% of its total energy production. GDP, compared to 15% for the euro area in general.

The conflict between Russia and Ukraine and the resulting cutoff of cheap Russian gas disproportionately affected Germany. Energy-intensive sectors—chemicals, Metals, glass, paper—faced a structural disadvantage in terms of costs, which indirectly had a negative impact on the economy, as the giants German industrialists and family businesses account for 60% of jobs. **For this reason, while the eurozone, excluding Germany, recovered Following a rapid recovery from the COVID period, Germany's GDP stagnated from 2022 onwards** (Chart 2). However, we have good reasons to believe that Germany will once again become the Europe's main engine and that the DAX will now outperform other eurozone markets in the next 18-24 months. **In fact, if we look at the 2024 results and By 2025, investors have already begun to anticipate the profound transformation that the country is undergoing** (Chart 1).

Chart 1: Total annual return of the Dax versus the Euro Stoxx 50

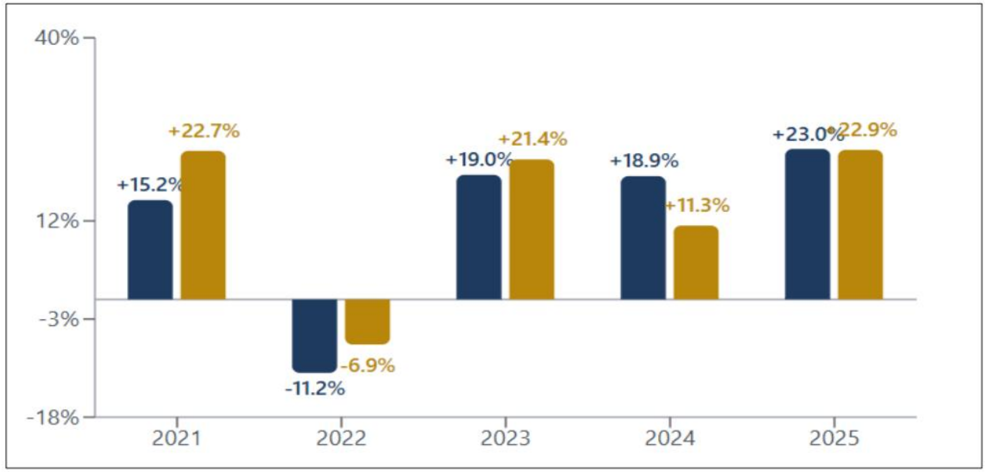
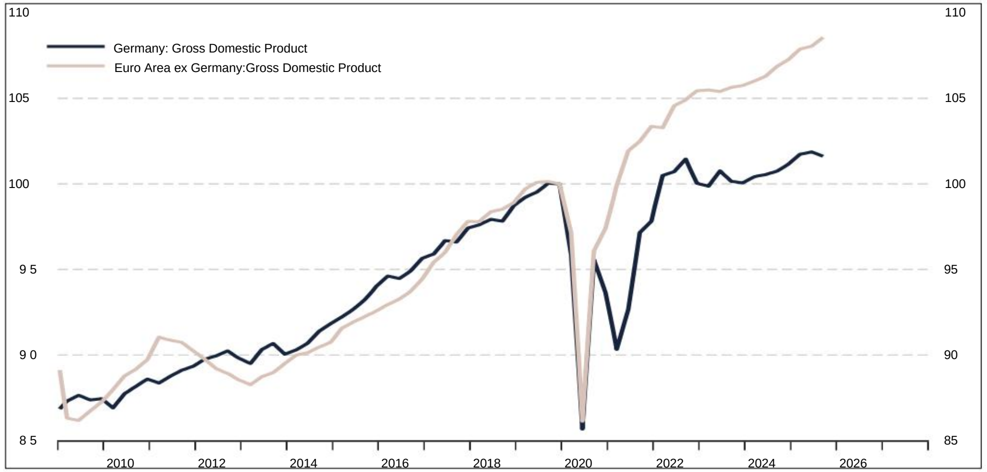


Chart 2: Germany's GDP; Eurozone GDP



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Source: Sentosa & Co, Altitude IS

THE TOPIC OF THE WEEK

The 2025 twin fiscal package: infrastructure and defense

In March 2025, the German Bundestag approved a €500 billion infrastructure fund, the largest public investment program in the country's history. country since the post-war period. Implementation will take place over 10-12 years, which translates into an annual expenditure of between 40 and 50 billion euros. approximately 1% of annual GDP. The fund focuses on four priority areas. **Transport infrastructure** receives the largest share, intended to address the more than 4,000 bridges with structural deficiencies in Germany, modernize the Deutsche Bahn railway network (affected by chronic delays and lack of investment) and expand the capacity of the Highways. Investments **in the energy transition** are focused on expanding the grid to connect wind power generation in the north with industrial demand in the south, the Hydrogen infrastructure and renewable energy storage. **Digital infrastructure** aims to close Germany's broadband gap, with targets universal fiber optic and 5G coverage by 2030. **Municipal investments** provide federal support to local governments to renovate schools, hospitals, and buildings public.

The second pillar exempts all defense spending exceeding 1% of GDP from the debt brake restrictions, which in practice amounts to an authorization Unlimited access to military spending. **This allows Germany to increase spending beyond NATO's 2% target without constitutional limits** (Chart 3). The Government He indicated that defense budgets will increase from approximately €52 billion (2024) to between €80 billion and €100 billion annually in 2027. **The priority areas These include ammunition stockpiles (greatly depleted after donations to Ukraine), air defense systems (IRIS-T, Patriot, Arrow 3), armored vehicles, and the artillery, troop training, and workforce expansion** (Figure 4). Taken together, these measures could inject between €800 billion and €1 trillion into the economy. German during the next decade.

Chart 3: Defense spending in Europe

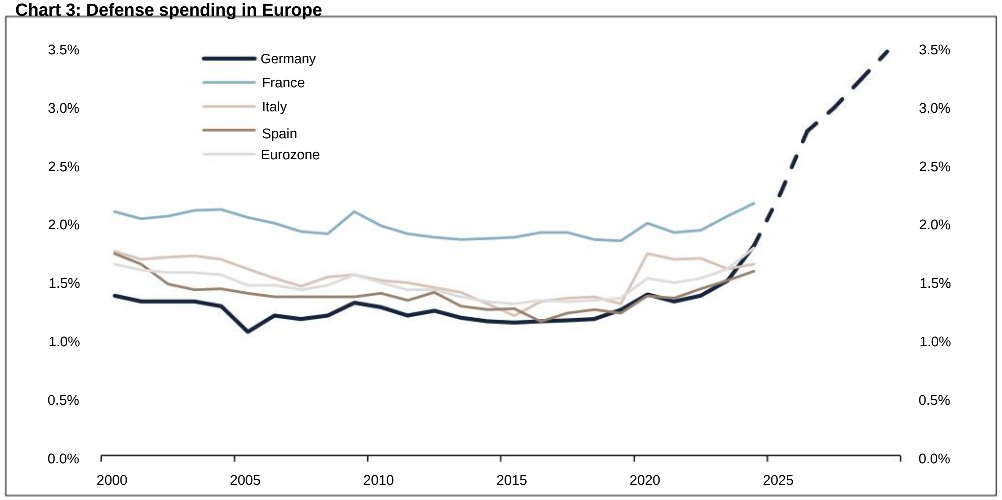
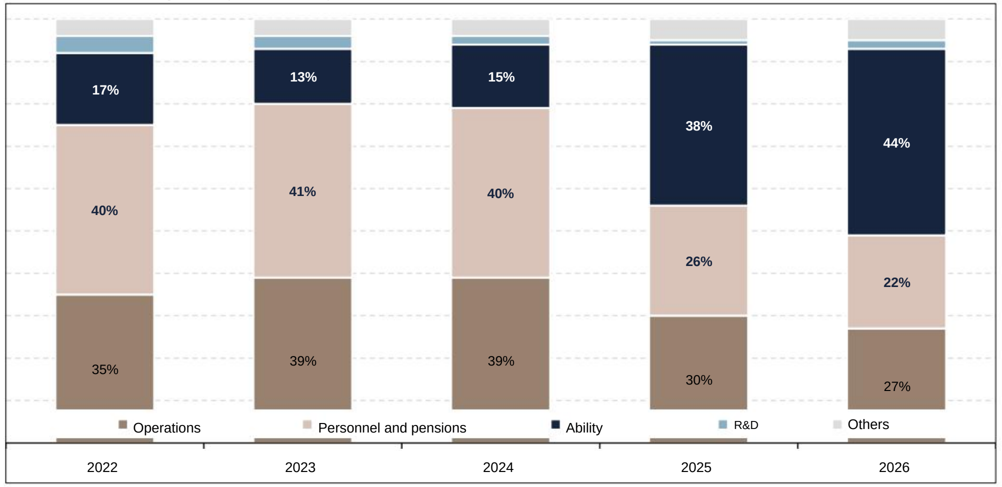


Chart 4: Defense spending in Germany



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Market and Opportunities: **Over the past two years, the DAX 40 has performed very well, outperforming the European index by 15% between July 2024 and July 2025. However, since then, the German index has stalled, giving up two-thirds of its superior performance** (Chart 5). This slowdown is primarily due to concerns about the strength of global demand, the appreciation of the euro, which is hindering competitiveness, the impact of US tariffs on selling prices, and rising interest rates, which are making financing more expensive for companies. For all these reasons, the valuation of the DAX has declined and is currently attractive. In fact, the DAX's forward P/E ratio is now at a slight discount, at 15.x compared to 16.2x for the Euro Stoxx 50 (Chart 6). This discount on the future P/E ratio is also influenced by the fact that analysts expect growth for the Dax index to be +13.25% next year, compared to +11.0% for the Euro Stoxx 50, which is 20% higher.

Growth forecasts for Germany in 2026 remain low due to the lack of momentum in the global economy, but they are underestimated and are therefore regularly revised upwards. GDP is expected to grow between 0.5% and 1% in 2026, while inflation is projected to fall back below the 2% threshold. Resilient household consumption should allow domestic demand to contribute to growth as much as the trade balance. Although we are “neutral” regarding the industrial sector in general, Germany presents a special case for the sector. The €500 billion infrastructure fund and unlimited defense spending represent the biggest boost to demand for German industry in decades. Unlike previous stimulus cycles, which relied on exports or monetary policy, this is direct domestic demand: orders for bridges, railway systems, network infrastructure, and military equipment are going directly to German manufacturers.

Given that the industrial sector represents 32% of the DAX, the index has a good chance of outperforming other European indices in 2026 (Chart 7).

Chart 5: Total return of the Dax index and the Euro Stoxx 50 index; difference (%)

Chart 6: Future P/E ratio of the DAX (15.5x) and the Euro Stoxx 50 (16.19x)

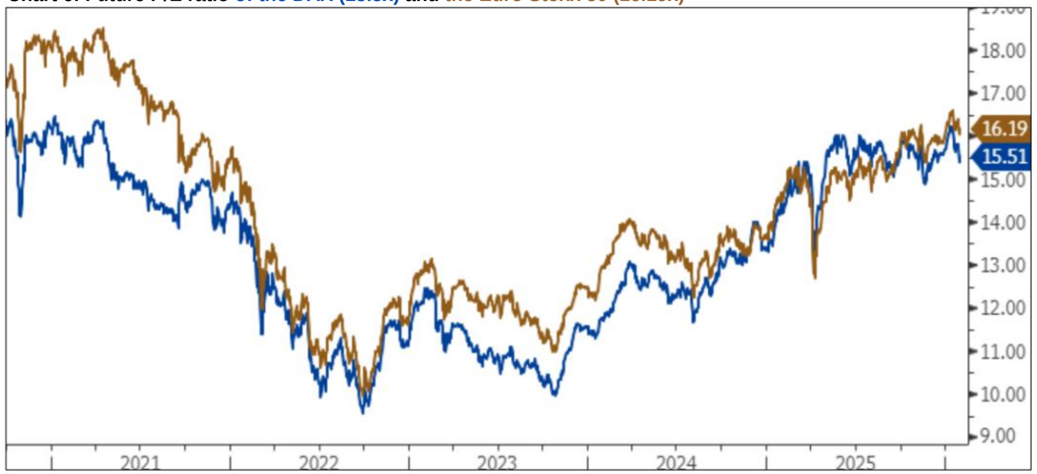

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Chart 7: DAX 40 – Sector allocation

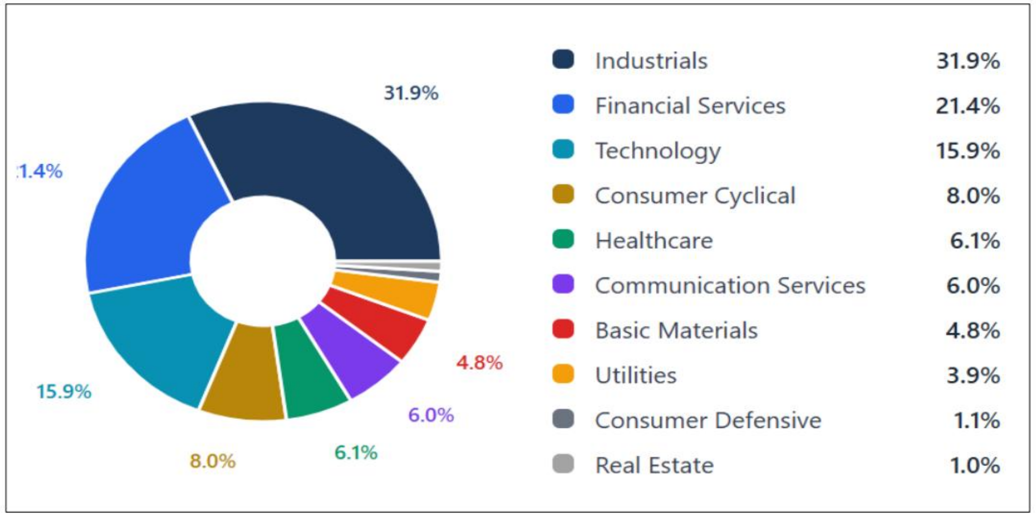
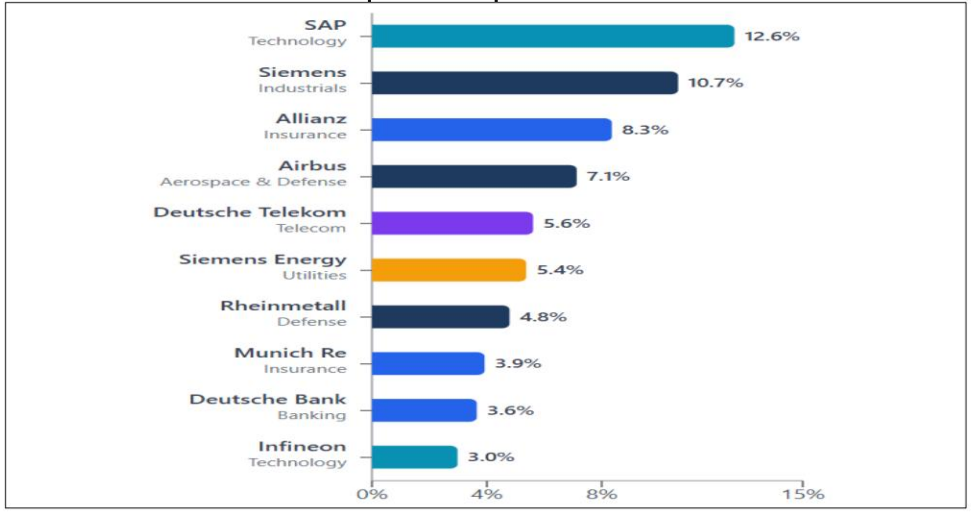


Chart 8: DAX 40 – The 10 most important components



Defense spending is undoubtedly a favorable factor that will remain for several years and should continue to benefit companies like Rheinmetall, despite the impressive 154% increase projected for 2025. Every €1 billion increase in German defense spending translates into revenues of between €300 and €400 million for Rheinmetall. Airbus SE has underperformed in its 2025 projection, but it is also a contender. Although headquartered in the Netherlands, the company maintains significant operations in Germany and is a European leader in the aerospace sector, encompassing commercial aviation, defense, and space systems.

Undoubtedly, the main beneficiaries of the new tax package are industrial companies related to **infrastructure.** Siemens AG is emerging as the quintessential infrastructure stimulus company, with a diversified portfolio encompassing rail systems, network automation, construction technology, and digital industries. The company's Mobility division supplies ICE high-speed trains, signaling systems, and rail automation technology to Deutsche Bahn, which requires a modernization investment of €90 billion or more by 2030. Siemens Energy AG addresses the most critical bottleneck in German infrastructure: the electricity grid. Germany's energy transition requires an investment of €30 billion or more in the grid to connect wind power generation in the north with industrial demand in the south, and Siemens Energy is a leader in high-voltage direct current (HVDC) technology, essential for long-distance power transmission. The company also supplies increasingly hydrogen-ready gas turbines, positioning it for the emerging hydrogen economy. Deutsche Post DHL Group indirectly benefits from infrastructure stimulus thanks to increased logistics demand. The company's dominant position in parcel delivery in Germany and global freight transport gives it an advantage in the economic growth resulting from the stimulus measures. While less direct than the primary beneficiaries of infrastructure stimulus, DHL offers defensive characteristics and dividend stability, in addition to exposure to the stimulus.

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The construction and building materials subsector is also clearly part of this infrastructure spending. **The construction of physical infrastructure** (bridges, highways, railway lines, and buildings) requires large quantities of construction materials. Companies that produce cement, aggregates, and concrete benefit directly from the recovery in volume in a market that has suffered from prolonged weakness in construction. Heidelberg Materials AG represents the most direct investment in physical infrastructure construction. As the world's second-largest building materials company, Heidelberg produces cement, aggregates, and ready-mix concrete, essential for all the bridges, highways, and railway lines in the infrastructure fund. The more than 4,000 structurally deficient bridges in Germany that need to be replaced translate directly into demand for concrete, while railway modernization and highway expansion further increase business volume. The more than 4,000 structurally deficient bridges in Germany that need replacing translate directly into a demand for concrete, while railway modernization and highway expansion increase business volume. Hochtief AG, although majority-owned by the Spanish construction group ACS, is Germany's largest construction contractor, with expertise in tunnels, bridges, airports, and railway infrastructure.

Finally, grid modernization and the integration of renewable energy require massive capital investment, which benefits both grid operators and equipment suppliers. Germany's **energy transition** has been constrained by inadequate grid infrastructure, and the stimulus package directly addresses this bottleneck. RWE AG has transformed from a coal-heavy utility into one of Europe's leading renewable energy companies, with a strong position in offshore wind, solar, and battery storage. Expanding the grid removes the main constraint on connecting new renewable capacity, reducing the risk to RWE's project pipeline and accelerating project timelines. E.ON SE operates as Europe's largest energy network company, directly owning and operating electricity and gas distribution infrastructure that requires modernization. As a regulated utility, E.ON earns predictable returns on grid investment, and the stimulus-driven capital expenditure translates directly into tariff base growth. The company's regulated utility business model offers lower volatility than commercial energy producers, giving it defensive characteristics along with exposure to stimulus through grid investment.

CONCLUSION

Germany is at a turning point after years of economic stagnation caused by the energy crisis and structural obstacles. The historic €500 billion infrastructure fund, combined with unlimited defense spending, represents the largest fiscal stimulus in postwar German history, injecting up to €1 trillion over the next decade. With industries accounting for 32% of the DAX, attractive valuations at a discount to the Euro Stoxx 50, and higher earnings growth expectations of 13.25% compared to 11% for its European counterparts, the German stock market has a good chance of outperforming the rest of the European markets in the coming years.

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