SUMMARY OF LAST WEEK

Markets posted their third consecutive weekly decline, with the S&P 500 falling **1.6%,** the Nasdaq **1.26% ,** and the Dow Jones **1.99%,** pushing all major indexes into negative territory in 2026, as the Iran-Contra conflict entered its third week with no end in sight. Defense Secretary Pete Hegseth announced Friday the largest wave of US strikes against Iranian targets, tightening the blockade of the Strait of Hormuz and fueling fears of a prolonged period of stagflation. The week saw extreme volatility in oil markets, with Brent crude closing above $100 a barrel for the second consecutive session on Friday, settling at $103.14 after rising 2.67%, while WTI gained 3.11% to reach $98.71, marking Brent's first close above $100 since August 2022. Over the week, Brent futures climbed approximately 10%, following the previous week's 27.9% surge, the largest weekly gain since the COVID-19 pandemic began in 2020.

The price movement was shaken by conflicting signals: President Trump told CBS News on Monday that "the war is pretty much over," sending oil prices plummeting from nearly $120 intraday, but Iran's new Supreme Leader, Mukhta Khamenei, warned that

The Strait of Hormuz would remain closed as a "tool of pressure," threatening further US attacks with military bases. The IEA of 400 million barrels of against coordinated the release crude oil from emergency reserves, aiming to bolster supplies disrupted by the near-blockade of the Strait of Hormuz, which is depriving global markets of some 15 million barrels of crude and 5 million barrels of other petroleum products per day, although analysts warned that this would only cover 26 days of lost supply. Fears of stagflation intensified as the second estimate of fourth-quarter GDP growth disappointed, coming in at 0.7% quarter-on-quarter, nearly half the rate of the first estimate, while Treasury yields rose, with the 10-year yield reaching 4.26%, its highest level since early February, and the 30-year mortgage rate soaring to 6.11%, the biggest weekly increase since the tariffs on the "Day of the

April's "Liberation." Corporate news was dominated by Adobe CEO Shantanu Narayen's announcement that he would step down after 18 years at the helm, despite the company beating first-quarter estimates with earnings per share of $6.06 versus the expected $5.87 and revenue of $6.4 billion versus

At $6.28 billion, the stock price plummeted 7.6% due to investor concerns about the leadership transition amid growing AI disruption pressures facing the creative software giant. The University of Michigan's consumer confidence index fell to 55.5 from 57.3 in February; survey director Joanne Hsu noted that interviews conducted after the military action in Iran yielded lower readings that completely erased the initial monthly gains, while the VIX surged above 27, reflecting extreme fear as markets struggled to price in the unprecedented combination of energy supply crises and slowing growth.

MACROECONOMIC FLUCTUATIONS AND DATA

KEY DATES OF THE LAST WEEK

March 10
Sales of existing homes
Actual data: 4.09 million vs
to the forecast of 3.88 million

March 11
Month-on-month CPI
Actual 0.3% vs. the survey 0.3%

year-on-year CPI
Actual 2.4% versus forecast of 2.4%

March 12
Trade balance
Real: -$54.5 billion vs.
to the survey: -$66 billion

Housing start (monthly)
Actual -7.2% vs. survey -4.5%

March 13
Orders for durable goods
Actual 0.0% vs. survey 1.1%

quarter-on-quarter annualized GDP – 4th quarter of 2017
Actual 0.7% vs. the survey 1.1%

Confidence index of the University of Michigan
Actual 55.5 vs. the poll 54.8

GLOBAL EQUITY INDICES	Last	5 Days	1 Month	YTD
MSCI WORLD	4,329.54	**-1.76%**	ÿ -3.96%	-2.28%
MSCI EM	1,469.47	**-2.02%**	ÿ -5.67%	4.64%
MSCI EM LATIN AMERICA	2,936.33	**-1.54%**	ÿ -8.21%	8.38%
MSCI AC ASIA x JAPAN	957.97	**-2.04%**	ÿ -4.84%	4.88%
USA				
S&P 500 INDEX	6,632.19	**-1.60%**	ÿ -2.98%	-3.12%
NASDAQ COMPOSITE	22,105.36	**-1.26%**	ÿ -1.96%	-4.89%
DOW JONES INDUS. AVG	46,558.47	**-1.99%**	ÿ -5.94%	-3.13%
RUSSELL 2000 INDEX	2,480.05	**-1.79%**	ÿ -6.30%	-0.07%
EUROPE				
STXE 600 (EUR) Pr	595.85	**-0.47%**	ÿ -3.67%	0.62%
Euro Stoxx 50 Pr	5,716.61	**-0.06%**	ÿ -4.39%	-1.29%
DAX INDEX	23,447.29	**-0.61%**	ÿ -5.46%	-4.26%
CAC 40 INDEX	7,911.53	**-1.03%**	ÿ -4.87%	-2.92%
FTSE MIB INDEX	44,316.92	**0.37%**	ÿ -2.43%	-1.40%
IBEX 35 INDEX	17,059.30	**-0.09%**	ÿ -4.42%	-1.44%
SWISS MARKET INDEX	12,839.27	**-1.96%**	ÿ -5.98%	-3.23%
FTSE 100 INDEX	10,261.15	**-0.23%**	ÿ -2.03%	3.32%
ASIA				
NIKKEI 225	53,819.61	**-3.24%**	ÿ -5.26%	6.91%
HANG SENG INDEX	25,465.60	**-1.13%**	ÿ -4.64%	-0.64%
CSI 300 INDEX	4,669.14	**0.19%**	ÿ 0.19%	0.85%
SENSEX	74,563.92	**-5.52%**	ÿ -10.46%	-12.50%
LATAM				
S&P/BMV IPC	65,648.91	**-2.47%**	ÿ -7.74%	2.08%
BRAZIL IBOVESPA INDEX	177,653.31	**-0.95%**	ÿ -4.73%	10.26%
MSCI COLCAP INDEX	2,180.75	**0.25%**	ÿ -7.65%	5.45%
S&P/CLX IPSA (CLP) TR	10,466.52	**1.48%**	ÿ -4.08%	-0.14%

EQUITIES SECTORS	Last	5 Days	1 Month	YTD
MSCI WORLD/ENERGY	339.75	**2.76%**	ÿ 7.28%	27.11%
MSCI WORLD/UTILITY	219.28	**0.88%**	ÿ -0.05%	10.03%
MSCI WORLD/CON STPL	317.33	**-0.53%**	ÿ -5.60%	6.76%
MSCI WORLD/INF TECH	911.80	**-0.97%**	ÿ -2.13%	-6.35%
MSCI WRLD/COMM SVC	161.44	**-1.26%**	ÿ -0.90%	-3.13%
MSCI WORLD/HIGH CARE	384.04	**-2.33%**	ÿ -6.52%	-3.86%
MSCI WORLD/MATERIAL	425.17	**-2.44%**	ÿ -6.85%	7.24%
MSCI WORLD/REAL EST	1,098.63	**-2.53%**	ÿ -4.39%	4.25%
MSCI WORLD/INDUSTRIAL	525.02	**-2.87%**	ÿ -6.13%	5.10%
MSCI WORLD/CONS DIS	458.26	**-3.02%**	ÿ -4.85%	-8.87%
MSCI WORLD/FINANCEVAL	172.13	**-3.18%**	ÿ -7.17%	-7.29%
MSCI WORLD BANK INDEX	176.19	**-3.29%**	ÿ -8.94%	-6.08%
PHILA GOLD & SILVER INDX	383.94	**-7.12%**	ÿ -8.54%	12.17%

US RATES	Last	5 Days Close		12M Close	
2 and	3.72	3.56	0.16	3.96	-0.24
5 and	3.86	3.73	0.13	4.03	-0.17
10Y	4.28	4.14	0.14	4.27	**0.01**

BONDS CREDIT SPREAD		5 Days Close		12M Close	
EM Bonds Spread	239.18	238.9	**0.3**	306.78	-67.6
HY Bonds Spread	298.00	281.0	**17.0**	339.00	**-41.0**
BBB 10yr Spread	183.33	175.2	**8.2**	168.84	14.5

FIXED INCOME		5 Days	1 Month	YTD
US High Yield	2,899.50	-0.77%	ÿ -1.24%	-0.51%
EM Bonds USD	1,381.97	-0.83%	ÿ -1.62%	-0.35%
EM Local Currency	150.51	-1.49%	ÿ -4.08%	-1.67%
CoCos USD	148.67	-1.47%	ÿ -3.42%	-1.71%
IG BBB 3-5yr USD	390.32	-1.35%	ÿ -2.11%	-0.97%
IG AA Corp USD	283.10	-1.54%	ÿ -2.21%	-0.79%

COMMODITIES	Last	5 Days	1 Month	YTD
CRB INDEX	365.79	3.88%	ÿ 19.33%	22.43%
WTI	98.71	8.59%	ÿ 56.96%	71.91%
Brent	103.57	9.82%	ÿ 47.71%	65.85%
US Natural Gas	3.13	-1.73%	ÿ -3.45%	-15.06%
S&P GSCI Precious Metal	**6,819.13**	**-1.57%**	ÿ **1.32%**	**17.19%**
Gold	5,019.49	-2.94%	ÿ -0.45%	16.21%
Silver	80.59	-4.67%	ÿ 4.11%	12.46%
Platinum	2,028.32	-5.73%	ÿ -1.86%	-1.56%
Palladium	1,553.90	-4.44%	ÿ -8.17%	-4.08%
S&P GSCI Industrial Metal Index	**590.29**	**-0.67%**	ÿ **3.73%**	**6.86%**
Aluminum	3,439.50	-0.19%	ÿ 11.76%	14.82%
Copper	12,677.80	-1.09%	ÿ -0.76%	1.80%
Nickel	17,056.78	-1.24%	ÿ 1.68%	3.37%
S&P GSCI Agriculture	**369.69**	**0.94%**	ÿ **5.86%**	**4.91%**

CURRENCIES	Last	5 Days	1 Month	YTD
CHF vs USD	0.7911	-1.91%	ÿ -2.93%	0.19%
JPY vs. USD	159.7300	-1.22%	ÿ -4.40%	-1.89%
CAD vs. USD	1.3718	-1.09%	ÿ -0.74%	0.04%
EUR vs. USD	1.1417	-1.73%	ÿ -3.80%	-2.80%
GBP vs. USD	1.3230	-1.36%	ÿ -3.08%	-1.82%
AUD vs. USD	0.6981	-0.70%	ÿ -1.30%	4.62%
BRL vs. USD	5.3237	-1.61%	ÿ -1.89%	2.84%
MXN vs. USD	17.9460	-0.81%	ÿ -4.32%	0.35%
COP vs. USD	3,698.30	2.08%	ÿ -1.17%	2.14%
CNY vs. USD	6.9037	0.01%	ÿ 0.02%	1.22%
EUR vs. CHF	0.9034	-0.20%	ÿ 0.92%	3.03%
DOLLAR INDEX	100.3620	1.39%	ÿ 3.56%	2.07%
BITCOIN	70,903.70	2.79%	ÿ 1.45%	-19.10%

KEY DATES OF THE NEXT WEEK

March 16
Empire Manufacturing Index
Survey: 3.9

Month-on-month industrial production
Survey 0.1%

March 18
Inter-monthly final demand PPI
Survey 0.3%

PPI of final demand year-on-year
Survey 3.0%

FOMC Decision on interest rates
Survey 3.75%

March 19
New home sales
Survey: 720,000

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			

Markets are facing an unusual confluence of risks, as concerns about stagflation intensify following the unexpected loss of 92,000 jobs in February, coupled with a sharp rise in oil prices to nearly $100 a barrel, fueled by the conflict with Iran and the blockade of the Strait of Hormuz. The Fed faces a complex monetary policy dilemma: weak labor markets call for rate cuts, while energy-driven inflation demands restraint. We believe the Fed will prioritize economic stability over inflation risk, given that inflation is supply-driven.

Tensions in private lending have come to the forefront with BlackRock's decision to limit withdrawals from its $26 billion HPS fund, confirming warnings about liquidity mismatches amplified by fears of AI-induced disruption. With all major indices in negative territory year-to-date and geopolitical tensions showing no signs of abating, the market correction we anticipated earlier this year has now begun. A defensive stance is now preferred until the market stabilizes. We maintain a strategically positive outlook on the healthcare sector and commodity-related producers.

Source: Sentosa; Co

THE TOPIC OF THE WEEK

What can we expect from the next Fed president?

When President Donald Trump announced on January 30, 2026, that he was nominating Kevin Warsh to succeed Jerome Powell as chairman of the Federal Reserve, the reaction in financial markets was immediate and telling. Gold futures plunged more than 6%, Treasury yields steepened, and stocks faltered. Markets had positioned themselves for a distinctly dovish turn; Warsh, at least on reputation, offered something more complex. His nomination does not simply represent a personnel change at the world's most powerful central bank. It signals a fundamental philosophical shift in how U.S. monetary policy will be conducted over the next decade.

His former position as a member of the Federal Reserve Board, at just 35 years old, from 2006 to 2011, placed him at the epicenter of the 2008 global financial crisis. During those years, Warsh acted as the Fed's primary liaison with Wall Street, working alongside Ben Bernanke as the financial system teetered. Since leaving the Fed in 2011, Warsh has become increasingly critical of the post-crisis monetary consensus. While he supported the emergency measures of 2008 as necessary innovations in times of crisis, he became highly critical of the Fed's failure to normalize policy once the crisis had passed. In his view, the Fed's prolonged reliance on near-zero interest rates and quantitative easing not only distorted asset prices but also fundamentally blurred the boundary between monetary and fiscal policy, entrenching what he calls "mission deviation."

Kevin Warsh (next Fed chairman)

Source: Sentosa & Co, Altitutde IS

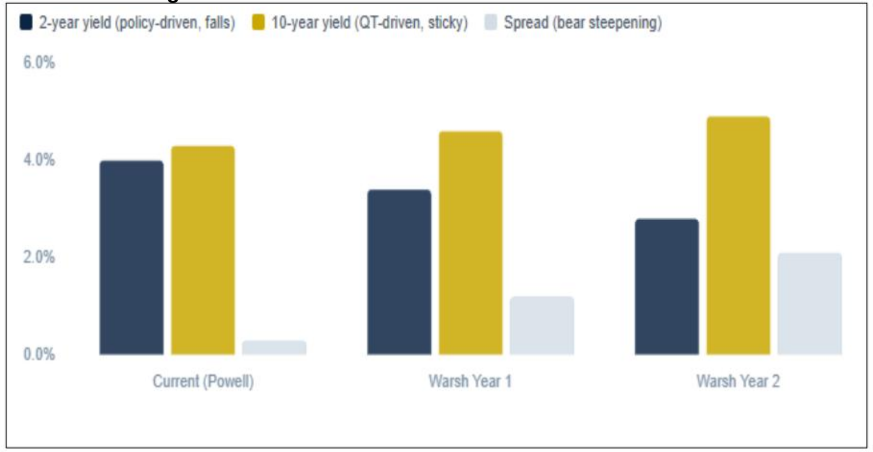
THE TOPIC OF THE WEEK

Warsh has emphasized that prolonged reliance on low interest rates risks distorting asset prices, encouraging leverage, and weakening incentives for financial institutions. In a 2025 speech to the G30, he declared that “monetary dominance—in which the central bank becomes the ultimate arbiter of fiscal policy—is the clearest and most present danger” to the U.S. economy. **He has consistently argued that the Fed’s $6.6 trillion balance sheet represents structural interference in the allocation of credit that should be going to the private sector** (Chart 1). The policy framework that Warsh brings to the Fed is best described by the phrase now circulating on Wall Street: “QT for rate cuts.” The logic is this: The Fed’s bloated balance sheet—inflated with Treasury bonds and mortgage-backed securities accumulated over years of quantitative easing—has suppressed long-term yields and crowded out private credit formation. By aggressively reducing that balance sheet, the Fed can normalize its presence in the bond market and restore market-based pricing , while lowering the short-term federal funds rate to support households, small businesses, and productive investment.

<u>Warsh's proposed optimal policy framework is likely a combination of lower official interest rates, offset by a smaller balance sheet, a higher threshold for future interventions, and policy independence. This combination—a tighter balance sheet and lower official interest rates— admittedly</u> lacks a clear historical precedent and carries internal tensions. The reduced balance sheet puts upward pressure on long-term yields, even as the Fed cuts short-term rates, a dynamic that could compress economic activity through higher mortgage rates and increased borrowing costs for businesses. For the new Fed chair, the deflationary trend of artificial intelligence and its productivity gains will offset the impact of higher long-term rates. **For fixed-income investors, the implications are structural: a downward bias and steepening of the yield curve, with short-term rates potentially easing while long-term rates remain under upward pressure due to the Fed's tapering of Treasury purchases and MBS** (Chart 2).

Chart 1: Total assets on the Fed's balance sheet

Chart 2: Short-term interest rates fall (rate cuts), while long-term interest rates remain high



Source: Sentosa & Co, Altitutde IS

THE TOPIC OF THE WEEK

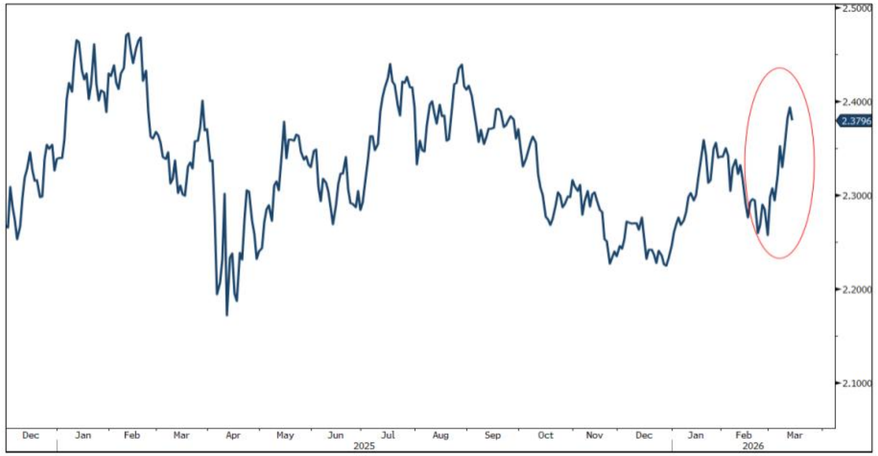
Where are we now?

Events unfold at a breakneck pace in early 2026: overinvestment in artificial intelligence, the elimination of tariffs, the private credit crisis, and the war in Iran. The global economy is reeling from a series of crises that will impact employment dynamics, productivity gains, and inflationary pressures. The bond market is already reacting to all these factors, with more pronounced fluctuations than usual. The yield on US Treasury bonds, considered by investors worldwide to be a risk-free asset, is a perfect example. **The yield on 10-year Treasury bonds fell from 4.30% in February to 3.93% in early March, before rebounding sharply to 4.28% in the last two weeks** (Chart 3). The yield on these bonds, which moves inversely to interest rates, thus went from significantly positive to zero.

The market consensus continues to believe that central banks could keep interest rates high for longer than initially expected or even raise them to counter inflation, as expectations surged during March (Chart 4). As we mentioned in our last report, we do not believe the Fed will act in response to inflation triggered by a supply shock, which typically only lasts for a limited time. Moreover, if the Fed had to choose between combating an inflation threat or mitigating an economic risk, we believe it would opt for the latter. On the other hand, the incoming Fed chair believes that the productivity boom linked to artificial intelligence (AI) should have a disinflationary effect. This technological shock is a powerful and lasting force, allowing for a sharp decline in benchmark interest rates without the risk of a renewed surge in inflation. Therefore, rates are likely to remain low, or even decrease, to encourage businesses and households to borrow for investment and consumption. It is clear that if central banks were to surprise us in the coming months, it would be by lowering interest rates more than expected.

Chart 3: 10-year yields in the US (4.28%)

Chart 4: Expected annual inflation over 10 years



Source: Sentosa & Co, Altitutde IS

US debt remains a problem

It's no secret that US debt has skyrocketed, perhaps too much (Chart 3). The ideal way to reduce it would be to stop increasing it, but reducing deficits is Politically complicated. The other solution would be to make it small relative to US wealth, but making nominal GDP grow faster than debt is not. It's that simple. The ultimate solution, therefore, is to lower interest rates to reduce interest expenses and make repayment easier. Economic history has shown this. It has been repeatedly stated that humanity always ends up following this path. Unfortunately, interest rates do not fall naturally, as investors perceive the risk of default and demand an ever-increasing premium to buy debt. Therefore, it is necessary to use artificial means to lower interest rates to an "unnatural" level, because below the nominal growth rate of the economy or even below the inflation rate.

There are many different tricks that can be used, like with fireworks. One option is debt monetization, meaning the central bank finances the debt, but Kevin Warsh's intentions seem more geared towards deleveraging the Fed's balance sheet than the opposite. It could also imply financial repression, forcing legally instruct financial institutions to buy more sovereign bonds, as Scott Bessent could do. In a rather subtle way, Kevin Warsh plans to encourage these same institutions. Financial institutions to buy government debt. This would involve using the carrot instead of the stick to carry out this financial repression, but the objective is the same: to reduce interest rates and alleviate the debt burden. Now, how could Kevin Warsh, considered a "hawk," a defender of orthodox monetary policy, a defender of the central bank independence and opposition to quantitative easing in 2010… encouraging banks, insurance companies, pension funds and other investment funds to maintain more US public debt?

Chart 3: US Public Debt as a % of GDP

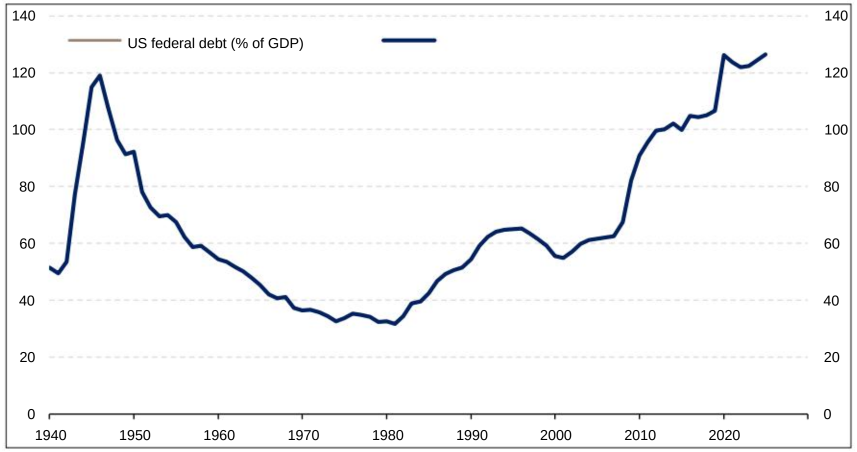
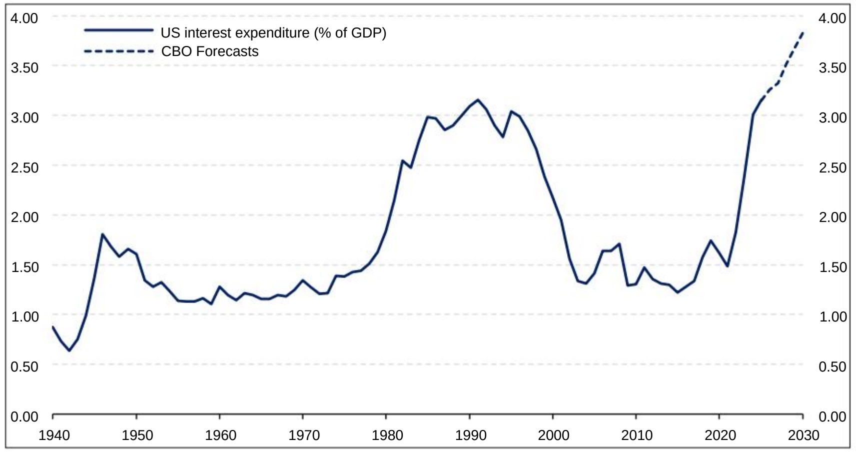


Chart 4: US Interest Expenditure



Source: Sentosa & Co, Altitutde IS

THE TOPIC OF THE WEEK

The simplest option available would be to increase the term premium. By widening the spread between long-term and short-term interest rates (see Fig. 6), it would encourage bond investors to buy more long-term bonds. Aware that the interest burden paid by the United States is already very high, it will try to achieve this by drastically reducing short-term rates rather than allowing long-term rates to rise. This argument must have appealed to Donald Trump, who has often criticized Jerome Powell for not lowering the Fed's benchmark interest rates enough.

The other option would be to relax capital requirements, particularly the Basel Supplementary Leverage Ratio (SLR). By easing balance sheet restrictions on financial institutions, they would find a natural economic incentive to favor US government bonds. Their newfound capacity to absorb large volumes of debt would allow the Treasury to issue more, but it would also allow the Fed to sell (QT) without triggering a runaway increase in yields.

CONCLUSION Contrary

to popular belief, Kevin Warsh seems much more of a dove than a hawk. His arrival at the helm of the Federal Reserve in May increases the likelihood that interest rates will fall by 2026, both short-term and, to a lesser extent, long-term. This steeper slope, combined with a downward shift in the yield curve, aims to make the US Treasury's job easier and reduce Uncle Sam's interest expenses. Warsh's appointment has concrete implications that go far beyond the trajectory of interest rates by 2026. The era of the "Fed Put"—the widespread expectation that the central bank would always use its balance sheet to stem market downturns—is likely coming to an end. Warsh brings a doctrine he himself calls "orthodox," which seeks to reduce the central bank's footprint while betting on an AI-driven productivity boom that will, at the same time, keep inflation in check.

The “Warsh era” will not be easy to manage. The stagflationary pressures building into early 2026—rising oil prices due to conflict in the Middle East, cost-push inflation driven by tariffs, and a slowing labor market—present precisely the kind of policy dilemma for which its framework was designed, and precisely the kind of environment in which its internal tensions will be most exposed. Whether its “QT to rate cuts” doctrine will prove durable or crumble under the weight of economic reality remains to be seen. What is certain is that the Federal Reserve under Kevin Warsh will speak and act differently than markets have become accustomed to.

Source: Sentosa & Co, Altitutde IS

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