

SUMMARY OF LAST WEEK

US stock markets extended their rally, with the S&P 500 posting its eighth consecutive weekly gain—its longest winning streak since December 2013—and closing the week up **0.88%**, while the Dow Jones Industrial Average climbed a solid **2.13%**. For once, the Nasdaq lagged behind, rising **0.45% this week**.

The week began under significant pressure, as the 10-year Treasury yield surged to its highest level in a year, triggering a sell-off in growth-sensitive sectors before stabilizing around 4.56% on Friday. The week's highlight came on Wednesday when Nvidia reported its fiscal 2027 first-quarter results: revenue reached \$81.6 billion, compared to market expectations of \$79.2 billion, and adjusted earnings per share were \$1.87, beating the estimate of \$1.77. Meanwhile, revenue from the data center segment reached \$75.2 billion—a 92% year-over-year increase—and the company forecast revenue for the second segment between \$89 billion and \$93 billion, compared to Wall Street's forecast of \$86 billion, while announcing authorization for

The company repurchased \$80 billion worth of shares and increased its quarterly dividend from \$0.01 to \$0.25 per share, triggering a strong rally on Wednesday, with the Nasdaq rising more than 1.5% and the Dow recovering the 50,000-point mark, while the technology and consumer discretionary sectors each advanced more than 2%. SpaceX grabbed corporate headlines when Elon Musk's aerospace manufacturer filed its S-1 prospectus with the SEC, aiming for a valuation of \$1.75 to \$2.0 trillion and a capital increase of \$75 billion to \$80 billion—potentially the largest IPO in history. Shares are expected to trade on the Nasdaq under the ticker symbol SPCX starting June 12, following a presentation tour planned for the week of June 8. However, the filing revealed that xAI's operations posted losses exceeding \$6 billion in 2025 and consumed an additional \$2.5 billion in the first quarter of 2026, complicating the company's path to profitability despite Starlink's 10 million subscribers and projected revenues of \$15 billion to \$24 billion. 2026.

Policymakers believe further interest rate hikes may still be appropriate if inflation remains persistently above the Fed's 2% target, and markets priced in roughly a 40% probability of a 25-basis-point increase by December, despite newly confirmed Fed Chair Kevin Warsh's stated preference for lower rates. Geopolitical uncertainty persisted as conflicting reports emerged about imminent US-Iran peace deals, with Secretary of State Marco Rubio stating there were "good signs" that an agreement was within reach, while also warning that any deal would be "unworkable" if Iran pursues permanent control of maritime traffic through the Strait of Hormuz. This caused oil prices and Treasury yields to fluctuate intraday with each new development. The week ended on a positive note on Friday, as both nations signaled progress in negotiations, although comments from Tehran regarding uranium stockpiles and disagreements over tolls in the strait continued to cast a shadow over the prospects for a decisive breakthrough, leading investors to celebrate the stock market's longest winning streak in 18 months, while remaining mindful of persistent inflation risks and geopolitical fragility.

Bond markets experienced increased volatility as FOMC minutes released during the week showed that most of the

MACROECONOMIC FLUCTUATIONS AND DATA

KEY DATES OF THE LAST WEEK

May 21

Start of housing construction
Actual data: 1,465,000 versus the forecast of 1,410,000

S&P Global manufacturing PMI in the US

Actual: 55.3 vs. the poll: 53.8

S&P Global US Services PMI

Actual 50.90 versus the poll of 51.0

May 22 University Confidence Index

from Michigan
Actual 44.80 versus the poll of 48.3

GLOBAL EQUITY INDICES	Last	5 Days	1 Month YTD
MSCI WORLD	4,801.11	1.25% \bar{y} 3.63%	8.37%
MSCI EM	1,686.05	1.07% \bar{y} 4.72%	20.06%
MSCI EM LATIN AMERICA	3,041.38	0.71% \bar{y} -5.98%	12.26%
MSCI AC ASIA x JAPAN	1,115.76	1.14% \bar{y} 6.36%	22.15%
USA			
S&P 500 INDEX	7,473.47	0.88% \bar{y} 4.30%	9.17%
NASDAQ COMPOSITE	26,343.97	0.45% \bar{y} 6.07%	13.35%
DOW JONES INDUS. AVG	50,579.70	2.13% \bar{y} 2.74%	5.24%
RUSSELL 2000 INDEX	2,869.23	2.72% \bar{y} 2.95%	15.61%
EUROPE			
STXE 600 (EUR) Pr	625.12	3.00% \bar{y} 2.37%	5.56%
Euro Stoxx 50 Pr	6,019.45	3.29% \bar{y} 2.31%	3.94%
DAX INDEX	24,888.56	3.92% \bar{y} 3.15%	1.63%
CAC 40 INDEX	8,115.75	2.05% \bar{y} -0.52%	-0.41%
FTSE MIB INDEX	49,510.97	0.80% \bar{y} 3.89%	10.16%
IBEX 35 INDEX	17,985.30	2.06% \bar{y} 1.66%	3.91%
SWISS MARKET INDEX	13,503.21	2.14% \bar{y} 2.53%	1.78%
FTSE 100 INDEX	10,466.26	2.66% \bar{y} 0.84%	5.39%
ASIA			
NIKKEI 225	63,339.07	3.14% \bar{y} 6.07%	25.82%
HANG SENG INDEX	25,606.03	-1.37% \bar{y} -1.43%	-0.10%
CSI 300 INDEX	4,845.10	-0.30% \bar{y} 1.59%	4.65%
SENSEX	75,415.35	0.24% \bar{y} -1.63%	-11.51%
LATAM			
S&P/BMV IPC	68,333.47	0.53% \bar{y} -1.30%	6.26%
BRAZIL IBOVESPA INDEX	176,209.61	-0.61% \bar{y} -7.62%	9.36%
MSCI COLCAP INDEX	2,083.39	-1.82% \bar{y} -6.70%	0.74%
S&P/CLX IPSA (CLP) TR	10,563.88	0.78% \bar{y} -5.46%	0.79%

EQUITIES SECTORS	Last	5 Days	1 Month YTD
MSCI WORLD BANK INDEX	195.48	3.34% \bar{y} 2.56%	4.20%
MSCI WORLD/UTILITY	214.51	3.02% \bar{y} -2.37%	7.64%
MSCI WORLD/HIGH CARE	384.78	2.92% \bar{y} 2.83%	-3.67%
MSCI WORLD/ENERGY	351.00	2.45% \bar{y} 3.17%	31.32%
MSCI WORLD/FINANCEVAL	187.46	2.32% \bar{y} 1.85%	0.97%
MSCI WORLD/CONS DIS	497.07	1.78% \bar{y} 1.06%	-1.15%
MSCI WORLD/REAL EST	1,132.58	1.72% \bar{y} -0.14%	7.47%
MSCI WORLD/INF TECH	1,152.59	1.56% \bar{y} 9.49%	18.38%
MSCI WORLD/INDUSTR L	550.21	0.53% \bar{y} -0.11%	10.15%
MSCI WORLD/MATERIAL	442.82	0.10% \bar{y} -1.82%	11.69%
MSCI WORLD/CON STPL	315.90	-0.17% \bar{y} 0.82%	6.27%
MSCI WRLD/COMM SVC	179.99	-1.02% \bar{y} 3.50%	8.00%
PHILA GOLD & SILVER INDX	353.77	-2.24% \bar{y} -7.55%	3.36%

US RATES	Last	5 Days Close	12M Close
2Y	4.12	4.07	0.05 3.99
5Y	4.26	4.26	0.00 4.09
10Y	4.56	4.59	-0.04 4.53

BONDS CREDIT SPREAD	5 Days Close	12M Close
EM Bonds Spread	220.81	216.0
HY Bonds Spread	256.00	258.0
BBB 10yr Spread	160.22	149.7

FIXED INCOME	5 Days	1 Month YTD
US High Yield	2,947.35	0.25% \bar{y} -0.15%
EM Bonds USD	1,391.79	0.03% \bar{y} -0.66%
EM Local Currency	151.40	0.08% \bar{y} -1.53%
CoCos USD	151.13	0.22% \bar{y} -0.49%
IG BBB 3-5yr USD	393.95	0.39% \bar{y} -0.53%
IG AA Corp USD	284.59	0.56% \bar{y} -0.92%

COMMODITIES	Last	5 Days	1 Month YTD
CRB INDEX	392.67	-1.66% \bar{y} 3.59%	31.42%
WTI	96.60	-8.37% \bar{y} 3.92%	68.23%
Brent	107.20	-4.41% \bar{y} -4.10%	71.66%
US Natural Gas	2.91	-1.79% \bar{y} 6.80%	-21.13%
S&P GSCI Precious Metal	6,127.10	-0.96% \bar{y} -3.55%	5.30%
Gold	4,509.40	-0.68% \bar{y} -4.86%	4.40%
Silver	75.54	-0.59% \bar{y} -2.79%	5.41%
Platinum	1,927.67	-2.76% \bar{y} -7.30%	-6.45%
Palladium	1,352.51	-4.43% \bar{y} -12.74%	-16.51%
S&P GSCI Industrial Metal Index	631.88	1.61% \bar{y} 1.83%	14.39%
Aluminum	3,649.50	2.43% \bar{y} 1.00%	21.83%
Copper	13,614.84	0.83% \bar{y} 1.80%	9.33%
Nickel	18,718.63	2.26% \bar{y} 2.52%	13.44%
S&P GSCI Agriculture	376.31	0.72% \bar{y} 0.93%	6.79%

CURRENCIES	Last	5 Days	1 Month YTD
CHF vs. USD	0.7848	0.27% \bar{y} -0.01%	0.99%
JPY vs. USD	159.1800	-0.28% \bar{y} 0.19%	-1.55%
CAD vs. USD	1.3818	-0.49% \bar{y} -1.06%	-0.68%
EUR vs. USD	1.1603	-0.19% \bar{y} -0.87%	-1.22%
GBP vs. USD	1.3433	0.80% \bar{y} -0.51%	-0.31%
AUD vs. USD	0.7127	-0.32% \bar{y} -0.46%	6.80%
BRL vs. USD	5.0367	0.38% \bar{y} -1.46%	8.70%
COP vs. USD	17.3381	0.00% \bar{y} -0.02%	3.86%
COP vs. USD	3,659.67	3.86% \bar{y} -2.69%	3.22%
CNY vs. USD	6.7963	0.24% \bar{y} 0.48%	2.82%
EUR vs. CHF	0.9107	0.44% \bar{y} 0.84%	2.20%
DOLLAR INDEX	99.2390	-0.05% \bar{y} 0.66%	0.93%
BITCOIN	75,392.68	-1.90% \bar{y} -3.23%	-13.98%

KEY DATES OF THE NEXT WEEK

May 26: Confidence Index of Conference Council Consumer confidence index of the Conference Board Survey 92.0

May 28 Year-on-year PCE price index Survey 3.8%

Month-on-month PCE price index Survey 0.5%

Orders for durable goods Survey 3.9%

GDP for the first quarter, annualized interquarter Survey 2.0%

New home sales Survey 660,000

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 market has just recorded its eighth consecutive week of gains and has risen an impressive 19% since March 31. This represents the longest weekly winning streak since December 2023, in a geopolitically turbulent environment with higher interest rates. Although prices are now at their highest level of the year and analysts' earnings per share (EPS) forecasts are reaching astronomical levels for 2026, we recommend caution at current levels, as the market is perfectly valued.

The economic situation remains fragile, and the current recovery rally should be viewed with caution. Expectations for earnings per share growth are based on exceptional first-quarter results, but these are heavily concentrated in a few technology companies. The economy was already weakening before the conflict with Iran, and tensions surrounding the Strait of Hormuz have added another layer of economic pressure. We see this euphoria as potentially leading to disappointment.

THE TOPIC OF THE WEEK

Performance curve: the long part is closer to the ceiling than to the floor

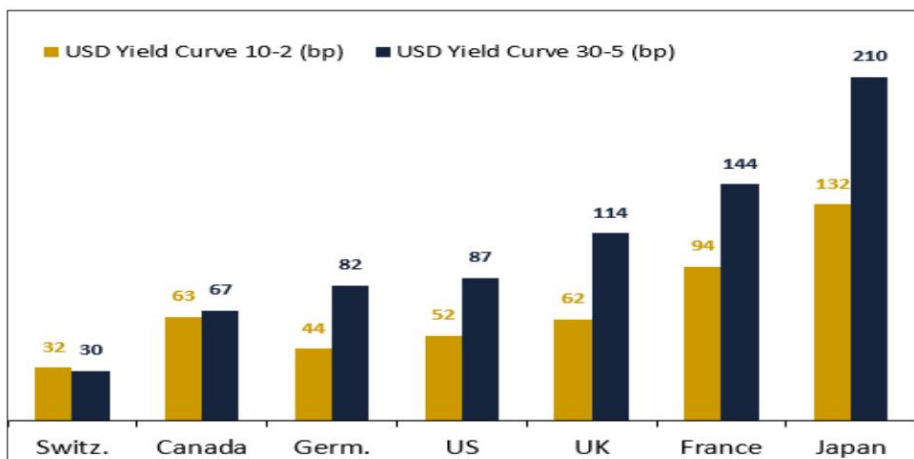
The US yield curve is sending an unusual message. **The spread between 30-year and 5-year yields is nearly double the spread between 30-year and 5-year yields. 10 and 2 years: approximately 85 versus 48 basis points** (Chart 1). Historically, these two parts of the curve have closely tracked each other and converged rapidly. that separate. Today it has not been so. The long end has been responsible for almost all the increase in slope, while the middle segment remains stubbornly flat. It's helpful to remember what each segment measures. The 10-2 spread is the classic cyclical barometer: it reflects what the market expects the Fed to do. then, increasing its slope when investors anticipate cuts and flattening when they discount a tightening.

The 30s5s spread is something very different: it's the price the market pays to lend to the Treasury for a generation, and it reflects the term premium, the deficit, the burden of Refinancing of existing debt and the appetite for duration from pensions, insurers, and foreign buyers. When the 30s5s rises on its own, the signal is not It means "the Fed is about to loosen monetary policy." It means that "investors want to hold onto the very long end longer." It's not purely a story. American. Fiscal anxiety has pushed up term premiums across the developed world; in most major markets, the slope of the 30s5s spread is It now sits above 10.2%. The German Bund shows the same shape, the Japanese curve is even steeper, and only the Swiss curve—anchored by an official interest rate—is different. close to zero— remains comparatively flat.

Chart 1: 30- and 5-year yield differentials in the US (84.73); Differentials 10 and 2 year yields in the US (48.10)



Chart 2: Performance differentials by country



THE TOPIC OF THE WEEK

Why are long-term interest rates remaining so high?

The yield on 30-year Treasury bonds has reached its highest level since 2007, standing at 5.20% (Chart 3), while the yield on 10-year bonds it reached 4.60% last week (Chart 4). Before presenting our forecasts, it is important to understand the reason for this situation. Three factors have driven the Long-term yields are at their highest levels in almost two decades. **The first factor is supply.** With public debt now exceeding the size of the economy for the first time. For the first time since World War II, and with net interest costs exceeding one trillion dollars annually—more than the entire defense budget—the Treasury must Place a huge and growing volume of bonds. Investors are demanding compensation for absorbing it.

The second is the monetary policy regime. Kevin Warsh's arrival at the Fed was expected to be unequivocally dovish: a smaller balance sheet, lower interest rates. low prices and deliberately less forward guidance. The market initially favored that "bet on Warsh." But less guidance also implies a wider term premium: when the central bank communicates less, investors must assume more uncertainty and they pay for it at the long end.

The third, and most immediate, factor is inflation. The conflict in the Middle East and the pressure on the Strait of Hormuz drove the overall CPI from 2.4% in February to 3.8% in April. its highest reading in almost three years. The market responded by completely removing rate cuts from the curve; futures are now flirting with the possibility of a rise before any easing. The 30-year yield has risen from 4.5% to 5.20%, and a widely cited survey of fund managers shows that the The majority now expects 6%.

Chart 3: Yield on 30-year US Treasury bonds (5.06%)

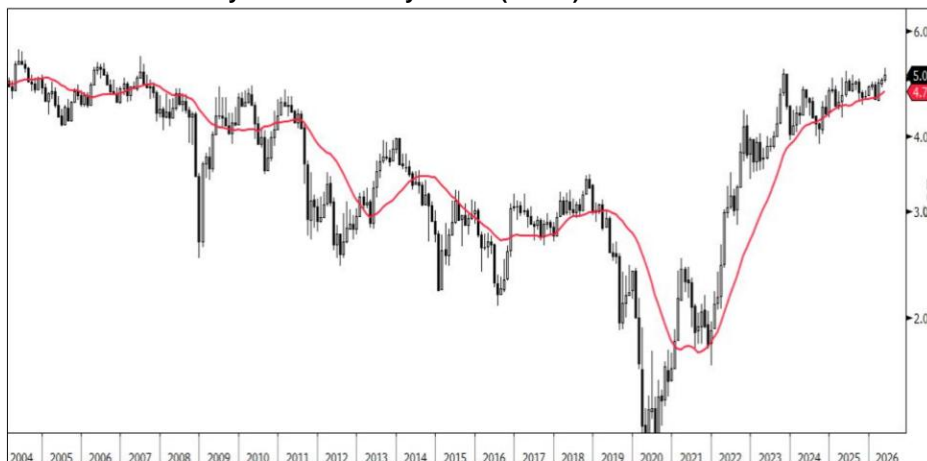


Chart 4: Yield on 10-year US Treasury bonds (4.55%)



THE TOPIC OF THE WEEK

Long-term returns are closer to a ceiling than a floor.

We respect the movement, but we don't chase it. From a strategic perspective, we believe that long-term returns are closer to a ceiling than a floor, mainly for four specific reasons:

First, the inflationary crisis is a supply-side phenomenon, not a demand-side one. The acceleration in April was almost entirely due to energy: that component was... close to 18% year-on-year, while core inflation remained close to 2.8% (Chart 5). This divergence is the hallmark of a supply disruption, not from an overheating economy, and supply crises fade away. The Dallas Fed's own model on a one-quarter closure of the Strait of Hormuz It points to a transitory profile, with the overall momentum dissipating as base effects change. Once oil normalizes, the year-on-year arithmetic will clearly point in the opposite direction.

Secondly, public finances cannot sustain high interest rates for long. Interest payments already absorb more than 3% of GDP, and an ever-increasing share of federal revenues (Chart 6). Every additional 50 basis points that the Treasury pays in refinancing adds directly to the deficit it is trying to finance—a counterproductive spiral that policymakers have every reason to avoid—. A government so heavily indebted cannot, in our opinion, tolerate a real cost of permanently higher capital; structural pressure tends to keep long-term real rates contained, either through a mix of issuances, the trajectory of monetary policy, or both.

Chart 5: Impact of energy on the US CPI

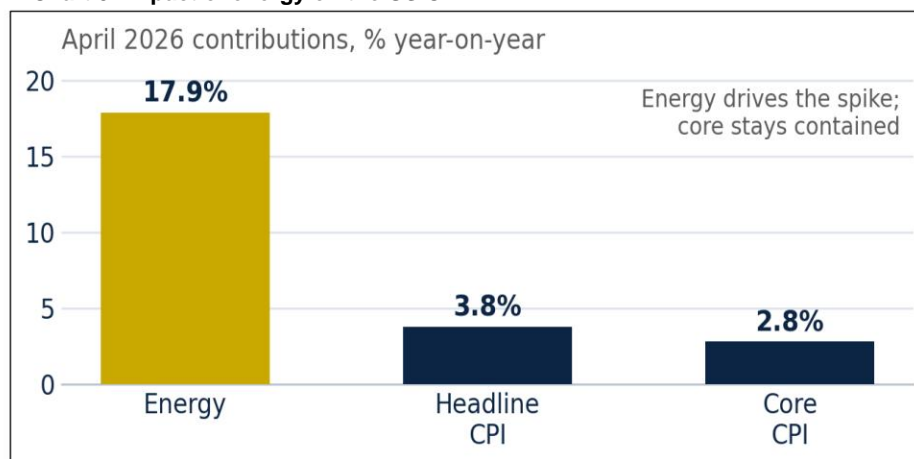
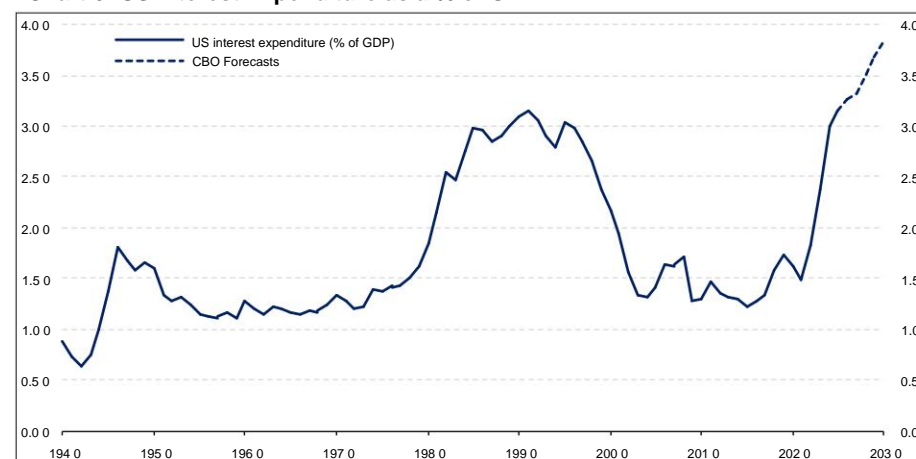


Chart 6: US Interest Expenditure as a % of GDP



THE TOPIC OF THE WEEK

Third, a détente around the Strait of Hormuz reopens the door to moderation. The catalyst is already in motion: oil tankers have begun transiting the strait again, and talks toward an agreement are progressing, with oil prices and yields retreating in response. If supply normalizes, the inflation that paralyzed the Fed will dissipate, and the debate will shift from prices to growth. The economy has absorbed the energy crisis "so far," but that caveat carries significant weight.

The longer there are obstructions in the Strait of Hormuz, the greater the negative impact on the economy and the more dovish the Fed will become in the future.

Fourth, the Fed's new leadership leans toward easing. New Fed Chair Kevin Warsh's preference for less forward guidance has contributed to widening the term premium, but that's only half the story. As for the official interest rate itself, Warsh has openly favored cuts, even stating he would vote for one, and views a smaller balance sheet not as a tightening measure, but rather as paving the way for lower rates. Even more telling, he has made reducing long-term yields an explicit objective, criticizing the previous regime for failing to do so.

Add to this his conviction that the AI-driven productivity boom is structurally disinflationary, and his instinct to look beyond supply-side price shocks rather than tighten policy in response, and the reaction function points in only one direction: once the oil rally subsides, a Warsh-led Fed will have both the inclination and the room to return to a neutral rate near 3%. The market has spent the last three months pricing in those cuts. We believe it will spend the next twelve months pricing them in again, with the short-term segment moving down first, followed eventually by the long-term segment.

How to position yourself?

None of this points to an immediate collapse in yields. The short end remains hostage to the Fed's reaction function, and as long as the labor market holds and inflation remains high, the two-year yield will not fall enough to pull the cycle down. The most accurate description is a curve moving at two speeds: the long end has already priced in supply and default risks, while the short end has not yet discounted the easing that the cycle will eventually require.

That determines our positioning. We would increase the duration at current peaks and target a duration of around 7 years, which is above the benchmark index. **Oil is at the heart of it all, and Brent has already made a complete turnaround—from around \$70 a barrel before the conflict to a peak near \$118, and back down to around \$105 as tankers resume transiting the Strait of Hormuz—while both the futures curve and Goldman Sachs' forecasts are back near \$70 by the end of this year** (Chart 7). Since all the fear of inflation can be traced back to that single supply shock, the price of crude is the clearest indicator of its half-life: a normalization of oil drags down headline inflation, expectations of rate cuts, and the term premium. That is precisely our idea behind taking advantage of the current high level of rates and using this window of opportunity to lock in better performance over a longer period.

THE TOPIC OF THE WEEK

Chart 7: Brent crude oil price evolution and forecasts



CONCLUSION

The supply crisis has a limited lifespan; public finances cannot sustain a high cost of capital for long; and the first cracks are appearing in the neckline. The bottlenecks in Hormuz are already driving down the price of oil, which, in turn, will indirectly push yields down. Therefore, we believe that the peaks Long-term yields present opportunities to increase duration and mitigate reinvestment risk. We advise investors to invest in long-term bonds. duration with an average duration of 7 years. The curve still has to get steeper, but the decisive stage, as in any relay, is the one that still remains to be covered by short-term move, as the Fed will undoubtedly adopt a more dovish tone in the coming months... transforming the current “steep bearish” into a “steep bullish.”

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