

SUMMARY OF LAST WEEK

US stock markets posted a flat weekly performance last week, despite reaching new all-time highs earlier in the week; the S&P 500 closed up **0.13%**, the Nasdaq Composite down **0.08%** and the Dow Jones Industrial down **0.17%**. Investors took profits in technology stocks after recent strong gains, with Intel retreating more than 6%, Advanced Micro Devices and Micron Technology losing 5.7% and 6.6% respectively, and Nvidia falling 4.4%. The week's most significant political event occurred on Wednesday when the Senate voted 54-45 to confirm Kevin Warsh as the next Federal Reserve chairman, in the closest vote ever for a Fed chair . Pennsylvania's lone Democrat, John Fetterman, crossed party lines to support President Trump's nominee. Warsh will succeed Jerome Powell on Friday. Powell, who will remain on the Fed's Board of Governors until 2028, has indicated he will stay on until an investigation into the headquarters renovations is completed in response to what he called "a series of legal attacks on the Fed that threaten our ability to conduct monetary policy without regard for the law."

Political factors." President Trump's two-day summit with Chinese President Xi Jinping concluded Friday with modest results, as Trump announced that China had agreed to buy 200 Boeing aircraft—far short of the 500 planes many analysts had predicted and only slightly above Boeing's own expectation of 150—sending Boeing's stock price plummeting more than 4 percent as investors expressed disappointment at the underwhelming outcome. Meanwhile, there was no progress on the sale of Nvidia's advanced AI chips to China, despite the last-minute addition of CEO Jensen Huang to the delegation. Xi warned that mishandling the Taiwan issue would put the U.S.-China relationship in "great danger," while China's Foreign Ministry issued a strongly worded statement criticizing the U.S.-Israeli war against Iran, saying the conflict "should never have happened" and "has no reason to continue." Macroeconomic data painted a picture of resilient consumer spending, as April retail sales rose 0.5% from March to \$757.1 billion and surged 4.9% year-on-year—the strongest annual reading since August 2015—marking the third consecutive monthly increase, with a 2.8% jump in sales of

Gas stations saw a decline due to the continued rise in fuel prices in the wake of the Iran trade war, while core retail sales, excluding automobiles, gasoline, restaurants, and building materials, advanced 0.5%, directly impacting GDP calculations. However, consumers cut spending on furniture (down 2%), automobiles (down 0.5%), department stores (down 3.2%), and clothing (down 1.5%), as the University of Michigan consumer sentiment index, at a record low, forced Americans to prioritize gasoline spending over discretionary purchases. The Empire State Manufacturing Index surged to 19.6 in May, up from expectations of 7.0—its highest level since April 2022—reinforcing the manufacturing sector's resilience despite energy headwinds. Market anxiety intensified as rising oil prices threatened to fuel inflation and keep interest rates elevated. Investors valued the odds of a Fed rate hike in December at roughly one in three, despite Warsh's stated preference for lower rates, while small-cap stocks suffered their worst day in more than six months, as the Russell 2000 plunged more than 2%.

MACROECONOMIC FLUCTUATIONS AND DATA

KEY DATES OF THE LAST WEEK

May 11 Sales of existing homes

Actual figures: 4.02 million versus the forecast of 4.05 million

May 12 Month-on-month CPI

Actual 0.6% vs. the survey 0.6%

year-on-year CPI

Actual 3.8% vs. the survey 3.7%

May 13 Inter-monthly final demand PPI

Actual 1.4% vs. the survey 0.5%

May 14 Preliminary retail sales intermonthly

Actual figure: 0.5% vs. survey: 0.6%

May 15 Month-on-month industrial production

Actual figure: 0.7% vs. forecast: 0.3%

GLOBAL EQUITY INDICES	Last	5 Days	1 Month YTD
MSCI WORLD	4,741.61	-0.33% \bar{y} 1.96%	7.02%
MSCI EM	1,668.17	-2.52% \bar{y} 4.45%	18.78%
MSCI EM LATIN AMERICA	3,020.01	-5.77% \bar{y} -9.76%	11.47%
MSCI AC ASIA x JAPAN	1,103.21	-1.99% \bar{y} 7.05%	20.78%
USA			
S&P 500 INDEX	7,408.50	0.13% \bar{y} 3.96%	8.22%
NASDAQ COMPOSITE	26,225.14	-0.08% \bar{y} 7.18%	12.84%
DOW JONES INDUS. AVG	49,526.17	-0.17% \bar{y} 0.16%	3.04%
RUSSELL 2000 INDEX	2,793.30	-2.37% \bar{y} 0.59%	12.55%
EUROPE			
STXE 600 (EUR) Pr	606.92	-0.85% \bar{y} -3.14%	2.49%
Euro Stoxx 50 Pr	5,827.76	-1.42% \bar{y} -3.80%	0.63%
DAX INDEX	23,950.57	-1.59% \bar{y} -3.04%	-2.20%
CAC 40 INDEX	7,952.55	-1.97% \bar{y} -5.61%	-2.42%
FTSE MIB INDEX	49,116.47	-0.35% \bar{y} 0.51%	9.28%
IBEX 35 INDEX	17,622.70	-1.49% \bar{y} -4.66%	1.82%
SWISS MARKET INDEX	13,220.17	0.65% \bar{y} -1.54%	-0.36%
FTSE 100 INDEX	10,195.37	-0.37% \bar{y} -4.43%	2.66%
ASIA			
NIKKEI 225	61,409.29	-2.08% \bar{y} 5.02%	21.99%
HANG SENG INDEX	25,962.73	-1.63% \bar{y} -0.76%	1.30%
CSI 300 INDEX	4,859.59	-0.25% \bar{y} 2.77%	4.96%
SENSEX	75,237.99	-2.70% \bar{y} -4.15%	-11.71%
LATAM			
S&P/BMV IPC	67,976.50	-2.69% \bar{y} -2.65%	5.70%
BRAZIL IBOVESPA INDEX	177,283.83	-3.71% \bar{y} -9.43%	10.03%
MSCI COLCAP INDEX	2,101.08	-1.02% \bar{y} -8.72%	1.60%
S&P/CLX IPSA (CLP) TR	10,421.35	-3.14% \bar{y} -8.82%	-0.57%

EQUITIES SECTORS	Last	5 Days	1 Month YTD
MSCI WORLD/ENERGY	351.16	2.45% \bar{y} 6.46%	31.38%
MSCI WORLD/INF TECH	1,134.90	0.92% \bar{y} 10.93%	16.57%
MSCI WORLD/HIGH CARE	373.86	0.66% \bar{y} -3.94%	-6.41%
MSCI WORLD/CON STPL	316.43	0.65% \bar{y} 1.44%	6.45%
MSCI WORLD/FINANCEVAL	183.22	-0.93% \bar{y} -3.19%	-1.32%
MSCI WRLD/COMM SVC	181.84	-0.97% \bar{y} 3.88%	9.11%
MSCI WORLD/INDUSTRY	547.29	-1.98% \bar{y} -2.25%	9.56%
MSCI WORLD BANK INDEX	189.16	-2.01% \bar{y} -4.46%	0.83%
MSCI WORLD/MATERIAL	442.39	-2.30% \bar{y} -4.12%	11.59%
MSCI WORLD/CONS DIS	488.39	-2.54% \bar{y} -2.25%	-2.87%
MSCI WORLD/UTILITY	208.21	-2.78% \bar{y} -5.02%	4.48%
MSCI WORLD/REAL EST	1,113.39	-2.82% \bar{y} -3.27%	5.65%
PHILA GOLD & SILVER INDX	361.89	-5.93% \bar{y} -11.93%	5.73%
US RATES	Last	5 Days Close	12M Close
2Y	4.07	3.88	0.18 3.96
5Y	4.26	4.00	0.26 4.05
10Y	4.59	4.35	0.24 4.43
BONDS CREDIT SPREAD	5 Days Close	12M Close	
EM Bonds Spread	216.01	216.2	-0.2 303.35
HY Bonds Spread	258.00	259.0	-1.0 306.00
BBB 10yr Spread	149.66	170.6	-20.9 190.64
FIXED INCOME	5 Days	1 Month YTD	
US High Yield	2,940.12	-0.49% \bar{y} -0.58%	0.88%
EM Bonds USD	1,391.32	-0.99% \bar{y} -0.96%	0.32%
EM Local Currency	151.29	-2.06% \bar{y} -2.90%	-1.17%
CoCos USD	150.80	-1.24% \bar{y} -1.33%	-0.31%
IG BBB 3-5yr USD	392.40	-0.91% \bar{y} -1.14%	-1.00%
IG AA Corp USD	283.02	-1.07% \bar{y} -1.85%	-0.26%

COMMODITIES	Last	5 Days	1 Month YTD
CRB INDEX	399.29	2.53% \bar{y} 10.06%	33.64%
WTI	105.42	10.48% \bar{y} 15.48%	83.59%
Brent	112.15	6.87% \bar{y} -3.93%	79.59%
US Natural Gas	2.96	7.36% \bar{y} 13.41%	-19.70%
S&P GSCI Precious Metal	6,186.30	-3.27% \bar{y} -5.83%	6.31%
Gold	4,540.08	-3.72% \bar{y} -5.24%	5.11%
Silver	75.99	-5.41% \bar{y} -3.76%	6.04%
Platinum	1,982.36	-3.71% \bar{y} -6.22%	-3.79%
Palladium	1,415.22	-5.06% \bar{y} -9.77%	-12.64%
S&P GSCI Industrial Metal Index	621.87	0.51% \bar{y} 1.00%	12.58%
Aluminum	3,563.00	1.71% \bar{y} -1.62%	18.95%
Copper	13,503.11	-0.09% \bar{y} 2.38%	8.43%
Nickel	18,304.43	-2.07% \bar{y} 2.19%	10.93%
S&P GSCI Agriculture	373.61	-1.55% \bar{y} 2.01%	6.02%
CURRENCIES	Last	5 Days	1 Month YTD
CHF vs. USD	0.7869	-1.31% \bar{y} -0.62%	0.72%
JPY vs. USD	158.7400	-1.30% \bar{y} 0.16%	-1.28%
CAD vs. USD	1.3750	-0.53% \bar{y} -0.07%	-0.19%
EUR vs. USD	1.1625	-1.37% \bar{y} -1.47%	-1.03%
GBP vs. USD	1.3326	-2.24% \bar{y} -1.73%	-1.11%
AUD vs. USD	0.7150	-1.32% \bar{y} -0.28%	7.15%
BRL vs. USD	5.0556	-3.30% \bar{y} -1.22%	8.29%
MXN vs. USD	17.3389	-0.94% \bar{y} -0.49%	3.86%
COP vs. USD	3,800.78	-1.68% \bar{y} -5.08%	-0.61%
CNY vs. USD	6.8127	-0.18% \bar{y} 0.09%	2.57%
EUR vs. CHF	0.9147	0.01% \bar{y} 0.89%	1.75%
DOLLAR INDEX	99.2840	1.41% \bar{y} 1.25%	0.98%
BITCOIN	78,980.26	-3.45% \bar{y} 4.97%	-9.89%

KEY DATES OF NEXT WEEK

May 21
Start of housing construction
Survey: 1,410,000

S&P Global Manufacturing PMI in the U.S.
Survey 53.7

S&P Global US Services PMI
Survey 51.0

May 22
University of Michigan Confidence Index
Survey 48.3

CIO'S VISION

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	■		

April 2026 was the strongest month since 2020, and the first weeks of May propelled the market higher for seven consecutive weeks of gains, with a total return of +17%, marking the longest bull run since 2024. Markets are now at their highest level of the year in positive territory, and the consensus is very favorable regarding ESP growth, making valuations more attractive than a few months ago. However, the situation remains fragile, and the current recovery rally should be approached with caution.

We remain cautious, as markets are still overvalued in the long term, with high expectations based on exceptional first-quarter results, but with a heavy concentration 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. The market is perfectly valued, with high expectations. We see this euphoria as potentially leading to disappointment.

THE TOPIC OF THE WEEK

First quarter results: The AI investment boom is spreading to the real economy

With 427 S&P 500 companies reporting results as of May 7, first-quarter 2026 earnings beat consensus expectations by approximately 19% overall—nearly four times the typical 5% upside surprise seen over the past five years (Chart 1). Results broadly exceeded forecasts, with all sectors posting positive surprises, led by **Communication Services (+55%)**, **Consumer Discretionary (+46%)**, **Energy (+20%)**, and **Industrials (+20%)** (Chart 2). As we noted in our reports last week, this outcome is particularly striking given that the consensus 2026 earnings per share (EPS) forecast had already been revised upward prior to the release, despite escalating tensions in the Middle East at the end of the first quarter.

Bottom-up analysts now expect S&P 500 earnings per share (EPS) of approximately \$335 for 2026, up from roughly \$310 at the beginning of the year (an 8% increase), and around \$380 for 2027. This implies still solid earnings growth, albeit at a significant slowdown from this year's breakneck pace (Chart 3). The technology sector continues to lead the upward revision cycle, with EPS forecasts for 2026 and 2027 steadily rising throughout the quarter. In fact, first-quarter results have prompted analysts to raise their full-year guidance by 21.3%, the highest level in a decade excluding COVID-19-related outliers (Chart 4).

Chart 1: S&P 500 earnings per share (EPS) surprise in the first quarter

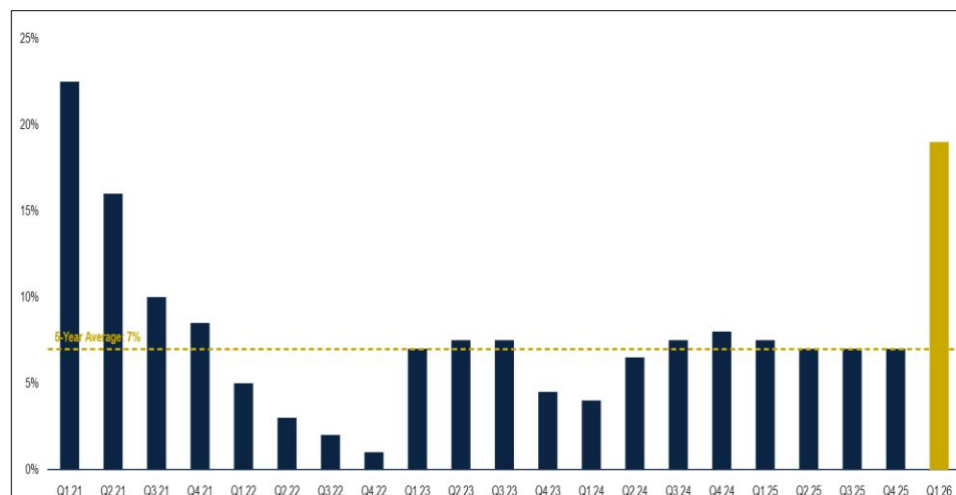
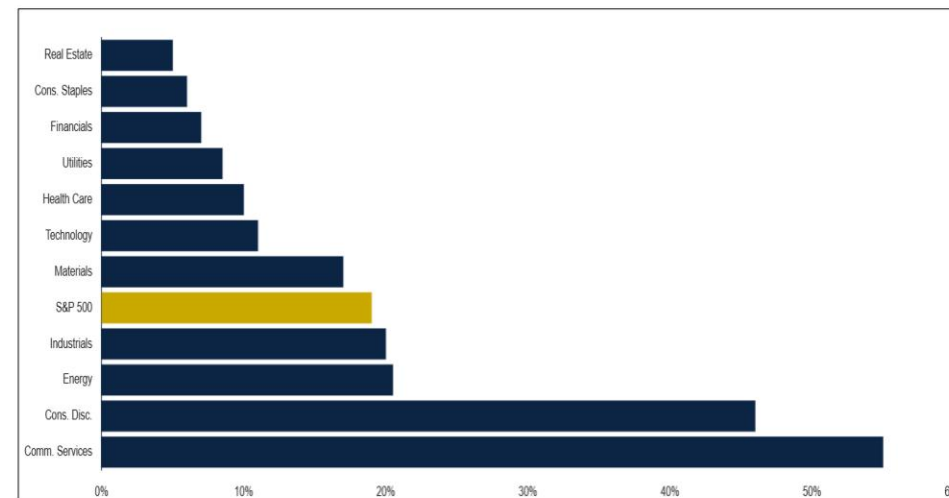


Chart 2: Earnings per share (EPS) surprise of S&P 500 sectors in the first quarter



THE TOPIC OF THE WEEK

Chart 3: Earnings per share forecasts for 2026 and 2027

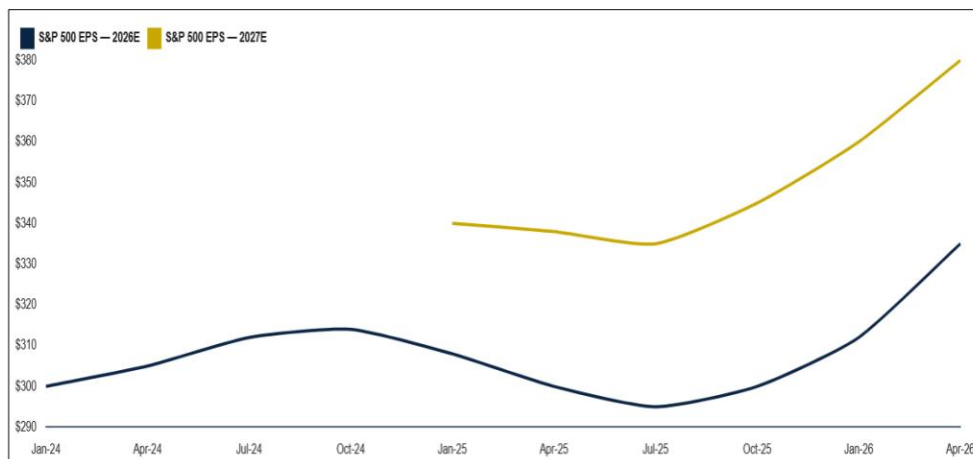
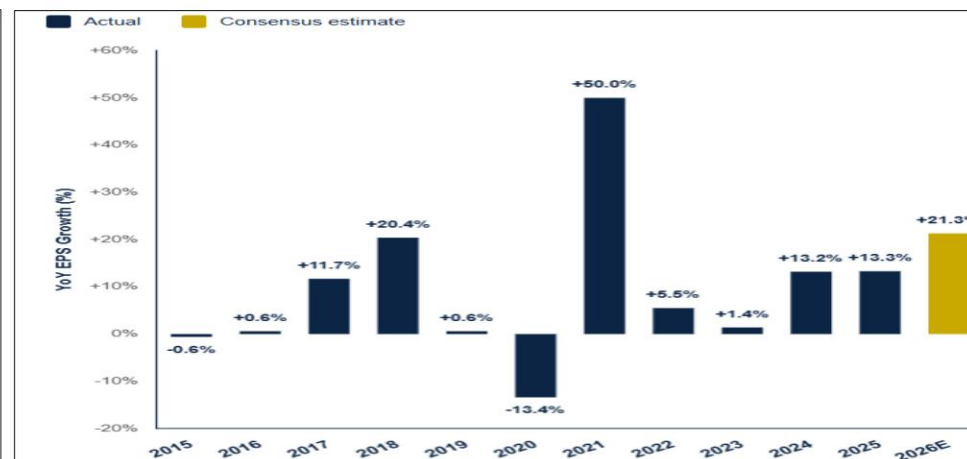


Chart 4: S&P 500 — Consensus Annual Earnings Per Share (EPS) Growth (Year-over-Year %)



Margins Reach New All-Time High and AI Is Clearly Integrating. S&P 500 net margins surged to 13.9% in the first quarter of 2026, an all-time high and 130 basis points above prior-year levels (Chart 5). Nine of the eleven sectors expanded their margins year-over-year, with the largest gains in Technology and Materials. Consumer staples were the notable exception, with margins virtually flat under pressure from input costs and weak consumption at the lower end. Consensus expects further margin expansion in both 2026 and 2027 across most sectors; this, combined with strong revenue growth and improved forward visibility, validates the current high pace of capital investment and offsets concerns about excess capacity. The most important takeaway from this earnings season is that demand for AI has fully moved beyond mere narrative to translate into revenue. **Hyperscalers continue to invest aggressively to keep pace with orders** (Chart 6); infrastructure providers report an acceleration in order intake; and storage, networking, and data companies now describe AI as a structural—rather than cyclical—growth driver.

Microsoft revealed that its AI business surpassed \$37 billion in annual recurring revenue (ARR), with year-over-year growth of 123%, and explicitly stated that customer demand continues to outpace supply, with capacity expected to remain constrained at least through 2026. Alphabet echoed this message, describing itself as constrained in near-term computing capacity and noting that cloud revenue would have been higher had supply been able to meet demand. Combined cloud revenue from Microsoft, Alphabet, and Amazon reached approximately \$115 billion in the first quarter of 2026, with Google Cloud's order backlog nearly doubling sequentially to \$462 billion at the end of the quarter.

THE TOPIC OF THE WEEK

Chart 5: S&P 500 Net Margin (%)

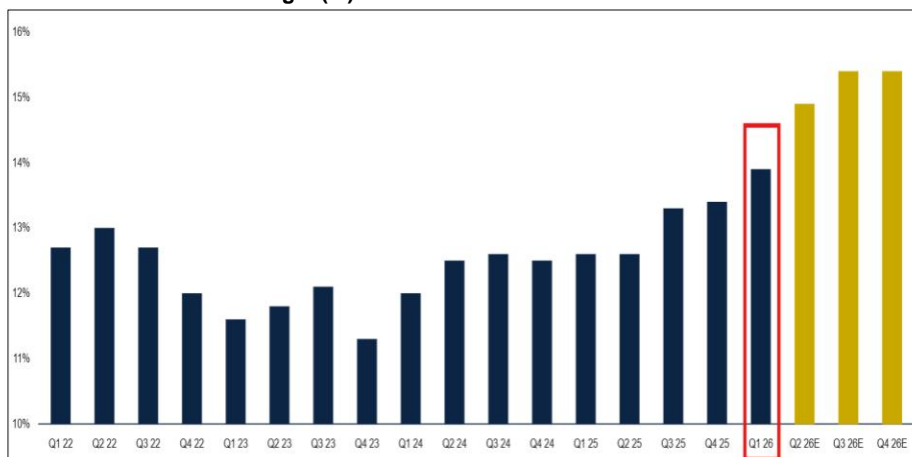
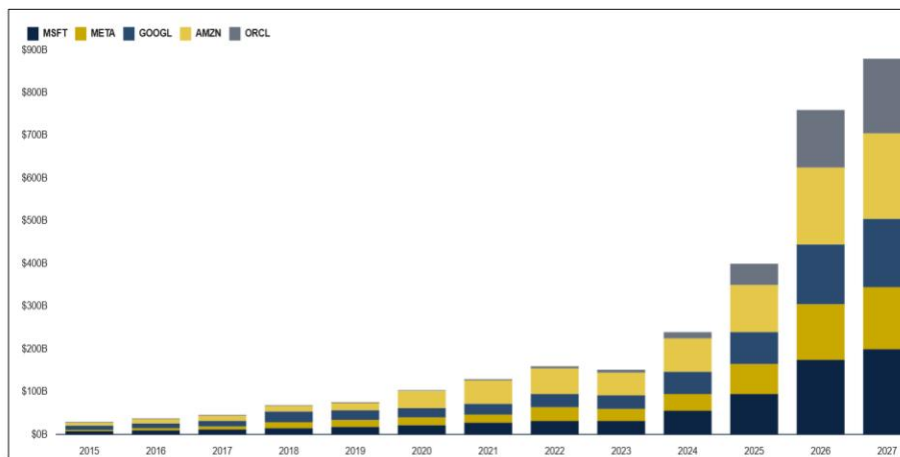


Chart 6: Hyperscalers' Capital Investment Spending (billions of dollars)

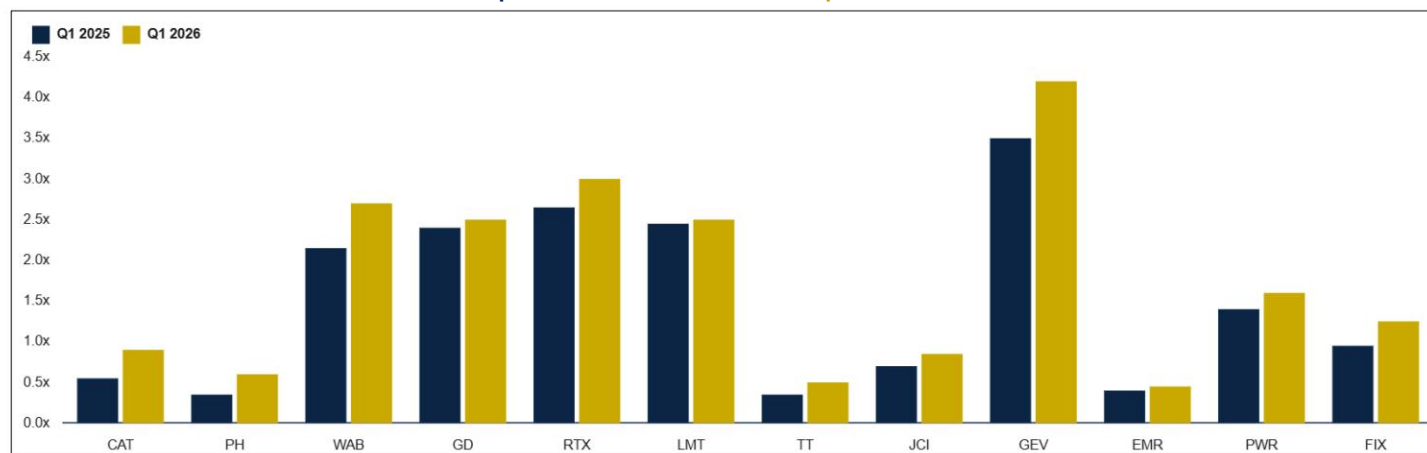


The expansion of AI is no longer solely a technology sector issue. It is now visibly driving growth in the industrial, electrical equipment, materials, and construction and engineering sectors. The physical footprint required to scale AI infrastructure—power generation and transmission, heating and cooling, fiber optics, switching equipment, advanced ceramics, and optical components—is transforming order books in the traditional economy. Cummins reported an 84% increase in power generation equipment sales due to accelerating demand from data centers. GE Vernova reported approximately \$2.4 billion in data center orders in the first quarter alone, exceeding its forecast for the entire year 2025. Corning's optical communications segment grew 36% year-over-year on demand related to general AI, and 3M is doubling its capacity in ceramics, silicon photonics, and on-chip optical connectors. The correlation between the growth in sales of S&P 500 industrial companies and orders for basic durable goods (0.69) has been reaffirmed, and the parallel pattern in future earnings per share growth (correlation of 0.47) suggests that this phase of the cycle has not yet been fully priced in.

Order books and backlogs confirm strength, as the order-to-revenue ratio is a forward-looking indicator of revenue and reflects the robustness of the AI infrastructure investment cycle. **Order-to-revenue ratios in the machinery, aerospace and defense, building products, electrical equipment, and construction and engineering sectors increased in Q1 2026 compared to Q1 2025, with GE Vernova's electrical equipment order-to-revenue ratio exceeding 4.0x** (Chart 7). Backlog growth was particularly strong at Parker Hannifin (+56% year-over-year), General Dynamics (+48%), Trane Technologies (+30%), and Raytheon (+30%). Management comments point to multi-year visibility: Western Digital cites agreements extending into 2028 and 2029, Seagate notes that nearline capacity is almost fully allocated until 2027, and Vertiv describes a long order backlog that provides visibility into 2027.

THE TOPIC OF THE WEEK

Chart 7: Orders to revenue ratio for the first quarter of 2025 versus the first quarter of 2026



CONCLUSION: The pressures are materializing, but in a moderate way...

The outbreak of conflict with Iran at the end of the first quarter pushed Brent crude into the \$90-\$100 range, raised Treasury yields, and triggered a brief sell-off in equities before a strong recovery. However, the corporate signal points to a contained, non-systemic impact. US labor market indicators have strengthened, business optimism remains high, and markets are somewhat reassured by US signals toward détente, although the path is far from linear. Cost pressures are concentrated in consumer staples and some transportation segments. Outside these sectors, however, the impact appears to have been largely absorbed: index-level margins continued to advance in the first quarter, and the consensus remains focused on modest further margin expansion through 2027.

The results for the first quarter of 2026 were unequivocally strong: an aggregate upside surprise of around 19%, record net margins of 13.9%, better-than-expected results across a broad range of sectors, and a rapid expansion of the industrial order book, confirming that the AI investment momentum has extended far beyond technology. However, we caution against overly simplistic extrapolation of the first quarter's strength. The conflict with Iran erupted at the end of the quarter, and the disruption in the Strait of Hormuz was not felt until mid- to late March. Therefore, the first quarter financial results reflect, at best, two to three weeks of crisis pricing in full force: the earnings impact of sustained Brent crude near \$100, increased freight rates, and petrochemical inflation will only fully materialize in the second and third quarter results. However, the consensus has made an aggressive extrapolation: earnings per share (EPS) for the full year 2026 were revised from about \$310 to about \$335, almost entirely based on the first-quarter results. The bar has been raised, oil-related headwinds continue to blow, and for the first time in several quarters, there is real room for disappointment. Strength in the numbers, but vigilance is needed going forward.

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