

SUMMARY OF LAST WEEK

US stock markets extended their historic winning streak to nine consecutive weeks, the longest since the nine-week run recorded in December 2013. The Dow Jones Industrial Average surpassed 51,000 points for the first time ever, and the S&P 500 and Nasdaq Composite reached new all-time highs at the close, demonstrating remarkable resilience despite the significant impact of inflation recorded midweek. The S&P 500 rose **1.80** %, the Dow Jones gained **1.49%** , and the Nasdaq **climbed 2.58** %. Small-cap stocks surprised even more, rising **2.67** %, anticipating a future decline in yields. The April personal consumption expenditures (PCE) report , released on Thursday, showed that headline PCE inflation rose to 3.8% year-on-year—the highest figure in almost three years—up from 3.5% in March. Core PCE, excluding food and energy, accelerated to 3.3% year-on-year from 3.2% the previous month, reflecting persistent pressure on energy costs stemming from the conflict with Iran. However, the monthly PCE growth of 0.4% and core PCE growth of 0.2% fell slightly short of economists' forecasts of 0.5% and 0.3%, respectively.

This provided modest relief, suggesting that the inflationary momentum might be moderating month-over-month. The spike in inflation coincided with worrying household income data, which revealed that real disposable personal income fell for the third consecutive month, while the personal savings rate plummeted to a four-year low. This indicates that consumers were spending their savings despite the erosion of purchasing power to maintain consumption levels amid soaring energy and housing costs. Markets shrugged off inflation concerns and the surge in Treasury yields on optimism about peace in the Middle East, as President Trump announced on Truth Social that talks between the US and Iran were "going well," while warning, however, that the US would resume offensive military operations if the negotiations failed. Semiconductor stocks led the overall rally, with Micron Technology climbing nearly 19% after UBS initiated coverage, projecting upside potential of over 100%, citing the benefits of long-term DRAM and NAND deals with hyperscalers that are amplifying capital spending on AI infrastructure. Oil prices fell nearly 10% during the week, as

Hopes for an extension of the ceasefire eased supply concerns, with crude falling below \$88 a barrel, while the yield on the 10-year Treasury note dropped roughly 12 basis points to 4.44%. The technology and financial sectors led Friday's rally, as Dell Technologies reported strong quarterly results after the market closed on Thursday, benefiting from robust server demand driven by accelerating AI investment by cloud hyperscalers. The rally underscored that market sentiment prioritizes strong corporate earnings and geopolitical stability over elevated inflation readings, with investors betting that the price surge will remain transitory if the Iran-Contra conflict is resolved and oil supplies normalize, allowing the Federal Reserve to maintain its patient monetary stance under newly confirmed Chairman Kevin Warsh.

MACROECONOMIC FLUCTUATIONS AND DATA

KEY DATES OF THE LAST WEEK

May 26 Consumer confidence index of the Conference Board

Actual figure: 93.1 vs. survey: 92.0

May 28 Year-on-year PCE price index

Actual 3.8% vs. the survey 3.8%

Month-on-month PCE price index

Actual 0.4% vs. the survey 0.5%

Orders for durable goods

Actual 7.9% vs. the survey 3.9%

GDP for the first quarter, annualized, quarter-on-quarter

Actual 1.6% vs. the survey 2.0%

New home sales

Actual data: 622,000 versus the forecast of 660,000

GLOBAL EQUITY INDICES	Last	5 Days	1 Month YTD
MSCI WORLD	4,864.59	1.32% \bar{y} 4.07%	9.80%
MSCI EM	1,752.15	3.92% \bar{y} 9.41%	24.76%
MSCI EM LATIN AMERICA	3,030.55	-0.36% \bar{y} -5.09%	11.86%
MSCI AC ASIA x JAPAN	1,161.25	4.08% \bar{y} 11.03%	27.13%
USA			
S&P 500 INDEX	7,580.06	1.80% \bar{y} 4.84%	10.73%
NASDAQ COMPOSITE	26,972.62	2.58% \bar{y} 7.40%	16.05%
DOW JONES INDUS. AVG	51,032.46	1.49% \bar{y} 3.10%	6.18%
RUSSELL 2000 INDEX	2,919.34	2.67% \bar{y} 3.79%	17.62%
EUROPE			
STXE 600 (EUR) Pr	626.00	0.14% \bar{y} 2.36%	5.71%
Euro Stoxx 50 Pr	6,050.54	0.52% \bar{y} 2.87%	4.47%
DAX INDEX	25,104.70	0.87% \bar{y} 3.34%	2.51%
CAC 40 INDEX	8,183.34	0.83% \bar{y} 0.84%	0.42%
FTSE MIB INDEX	50,036.75	1.06% \bar{y} 3.71%	11.33%
IBEX 35 INDEX	18,362.90	2.10% \bar{y} 3.27%	6.10%
SWISS MARKET INDEX	13,542.66	0.72% \bar{y} 3.09%	2.07%
FTSE 100 INDEX	10,409.28	-0.33% \bar{y} 0.44%	4.81%
ASIA			
NIKKEI 225	66,329.50	4.72% \bar{y} 11.45%	31.76%
HANG SENG INDEX	25,182.39	-0.80% \bar{y} -2.30%	-1.75%
CSI 300 INDEX	4,892.12	0.97% \bar{y} 1.76%	5.66%
SENSEX	74,775.74	-0.54% \bar{y} -2.78%	-12.26%
LATAM			
S&P/BMV IPC	68,587.74	0.37% \bar{y} 1.08%	6.65%
BRAZIL IBOVESPA INDEX	173,787.49	-1.37% \bar{y} -7.22%	7.86%
MSCI COLCAP INDEX	2,176.90	4.49% \bar{y} -0.05%	5.27%
S&P/CLX IPSA (CLP) TR	10,788.19	2.12% \bar{y} -1.10%	2.93%

EQUITIES SECTORS	Last	5 Days	1 Month YTD
MSCI WORLD/INF TECH	1,205.07	4.55% \bar{y} 14.28%	23.77%
PHILA GOLD & SILVER INDX	372.47	4.06% \bar{y} 5.40%	8.82%
MSCI WORLD/MATERIAL	455.71	2.91% \bar{y} 2.98%	14.95%
MSCI WORLD/ENERGY	333.89	2.45% \bar{y} -5.18%	24.92%
MSCI WORLD/CONS DIS	506.65	1.93% \bar{y} 2.75%	0.76%
MSCI WORLD/INDUSTRIAL	555.97	1.05% \bar{y} 0.24%	11.30%
MSCI WORLD BANK INDEX	196.13	0.33% \bar{y} 0.85%	4.55%
MSCI WRLD/COMM SVC	180.15	0.09% \bar{y} -0.04%	8.10%
MSCI WORLD/HIGH CARE	384.46	-0.08% \bar{y} 2.12%	-3.75%
MSCI WORLD/FINANCEVAL	186.56	-0.48% \bar{y} 0.21%	0.48%
MSCI WORLD/REAL EST	1,121.23	-1.00% \bar{y} -2.00%	6.39%
MSCI WORLD/UTILITY	210.56	-1.84% \bar{y} -5.05%	5.65%
MSCI WORLD/CON STPL	308.38	-2.38% \bar{y} -2.49%	3.74%

US RATES	Last	5 Days Close	12M Close
2Y	4.00	4.12	-0.12 3.94
5Y	4.14	4.26	-0.12 4.00
10Y	4.44	4.56	-0.12 4.42

BONDS CREDIT SPREAD	5 Days Close	12M Close
EM Bonds Spread	214.56	220.8
HY Bonds Spread	252.00	256.0
BBB 10yr Spread	158.45	160.2

FIXED INCOME	5 Days	1 Month YTD
US High Yield	2,963.58	0.62% \bar{y} 0.35%
EM Bonds USD	1,407.02	1.09% \bar{y} 0.54%
EM Local Currency	153.27	1.24% \bar{y} 0.26%
CoCos USD	152.49	0.90% \bar{y} 0.30%
IG BBB 3-5yr USD	397.19	0.82% \bar{y} 0.67%
IG AA Corp USD	287.01	0.85% \bar{y} 0.55%

COMMODITIES	Last	5 Days	1 Month YTD
CRB INDEX	380.45	-3.04% \bar{y} -3.29%	27.33%
WTI	87.36	-9.33% \bar{y} -18.26%	52.14%
Brent	93.37	-12.90% \bar{y} -24.32%	49.52%
US Natural Gas	3.29	9.01% \bar{y} 24.29%	-10.74%
S&P GSCI Precious Metal	6,167.38	0.18% \bar{y} -1.06%	5.99%
Gold	4,540.26	0.68% \bar{y} -0.17%	5.11%
Silver	75.30	-0.32% \bar{y} 5.62%	5.07%
Platinum	1,920.19	-0.39% \bar{y} 2.10%	-6.81%
Palladium	1,360.64	0.60% \bar{y} -6.75%	-16.01%
S&P GSCI Industrial Metal Index	632.92	0.97% \bar{y} 4.13%	14.58%
Aluminum	3,666.50	0.81% \bar{y} 5.10%	22.40%
Copper	13,599.71	1.07% \bar{y} 5.23%	9.20%
Nickel	18,867.15	1.79% \bar{y} -1.10%	14.34%
S&P GSCI Agriculture	364.77	-3.22% \bar{y} -5.02%	3.51%

CURRENCIES	Last	5 Days	1 Month YTD
CHF vs USD	0.7810	0.49% \bar{y} 1.31%	1.49%
JPY vs USD	159.2700	-0.06% \bar{y} 0.72%	-1.61%
CAD vs USD	1.3793	0.18% \bar{y} -0.78%	-0.50%
EUR vs USD	1.1659	0.48% \bar{y} -0.15%	-0.74%
GBP vs USD	1.3456	0.17% \bar{y} -0.14%	-0.14%
AUD vs USD	0.7185	0.81% \bar{y} 0.97%	7.67%
BRL vs USD	5.0358	0.02% \bar{y} -0.78%	8.72%
MXN vs USD	17.3552	-0.10% \bar{y} 1.05%	3.76%
COP vs USD	3,688.00	-0.77% \bar{y} -1.76%	2.43%
CNY vs USD	6.7663	0.44% \bar{y} 1.10%	3.28%
EUR vs CHF	0.9105	0.03% \bar{y} 1.52%	2.23%
DOLLAR INDEX	98.9420	-0.32% \bar{y} -0.02%	0.63%
BITCOIN	73,450.21	-4.87% \bar{y} -3.94%	-16.20%

KEY DATES OF THE NEXT WEEK

June 1st S&P Global US Manufacturing PMI

Survey: 55.3

ISM Manufacturing Index

Survey 53.0

June 3 S&P Global US Services PMI

Survey 50.9

S&P Global US Composite PMI

Survey 51.7

Industrial orders

Survey 4.5%

ISM Services Index

Survey 53.9

Orders for durable goods

Survey 7.9%

June 5 Employment variation non-agricultural

Survey 89,000

Unemployment rate

Survey 4.3%

VISION OF IN ON CAPITAL SA

Asset Class	U	N	O
Renta Fija		■	
Renta Variable		■	
Alternativos		■	
Regions (Equity)			
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 ninth consecutive week of gains (9) and has risen an impressive 19.7%th since March 30th . This represents the longest weekly winning streak since December 2023, amidst a contentious geopolitical environment and higher interest rates. Despite prices now being at their highest level of the year and analysts' earnings per share (EPS) forecasts 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 should be viewed with caution. Expectations for earnings per share growth are based on exceptional first-quarter results, but these were 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 believe this euphoria has the potential to turn into disappointment.

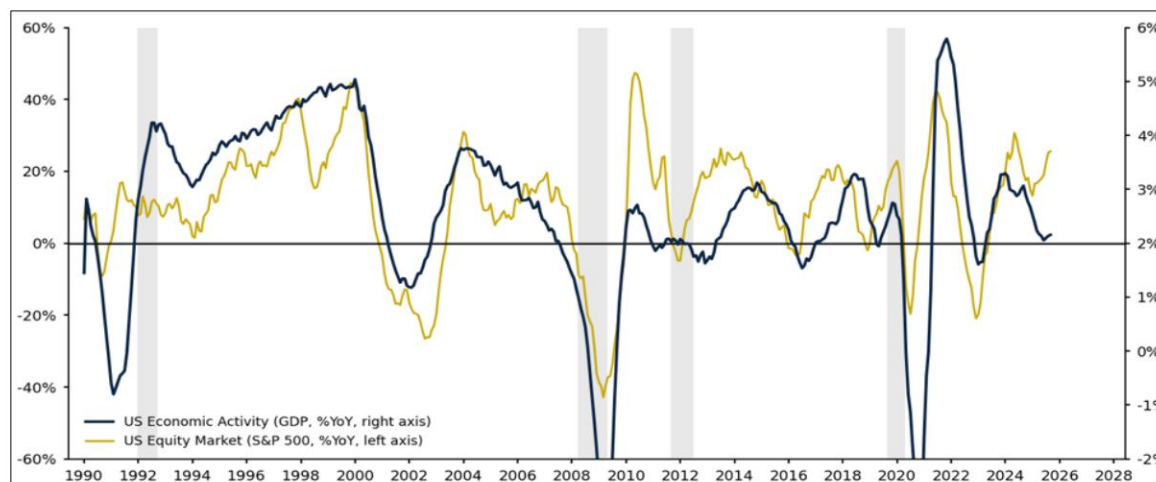
THE TOPIC OF THE WEEK

Options strategies are disconnecting the market from the economy.

The economic cycle in the United States and the euro area remains the subject of intense debate. One side argues that the two largest developed economies are emerging from their recent slump and entering a recovery phase. Another maintains that the slowdown is, in fact, still underway, albeit more difficult to interpret. **A third group argues that the artificial intelligence revolution has completely reshaped the cycle, rendering conventional macroeconomic analysis largely irrelevant** (Chart 1). What is striking is that none of these uncertainties seem to be affecting equity markets, which continue to rise with unsettling composure. The question worth asking is simple: what sedative is keeping prices so detached from reality?

In the United States, overall growth is solid. Annual GDP currently stands at 2.7 percent, comfortably above the 15-year median of 2.4 percent, and momentum has remained close to 2 percent for the past four quarters. **Economists' debate largely revolves around leading indicators—the ISM Composite Index, the Atlanta Fed's Trend Indicator—whose readings remain reassuring** (Chart 2) and point to further acceleration in the current quarter. In the euro area, by contrast, pessimism is becoming the prevailing consensus. **Annual GDP growth has slowed from 1.6 percent to 0.8 percent, and leading indicators are unequivocally declining. The most striking example is the European Commission's Economic Sentiment Indicator** (Chart 3).

Chart 1: US GDP year-on-year (2.6%); US stock market year-on-year (30%)



THE TOPIC OF THE WEEK

Chart 2: US GDP % year-over-year; Atlanta Fed GDP Forecast Indicator % year-over-year

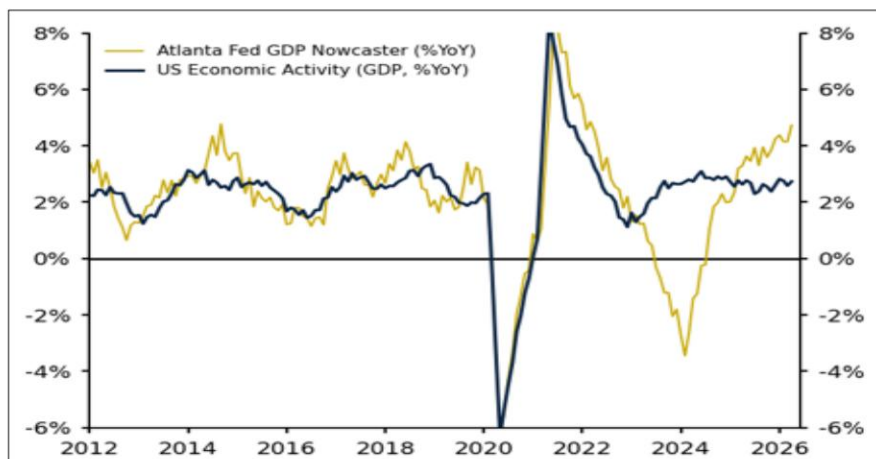
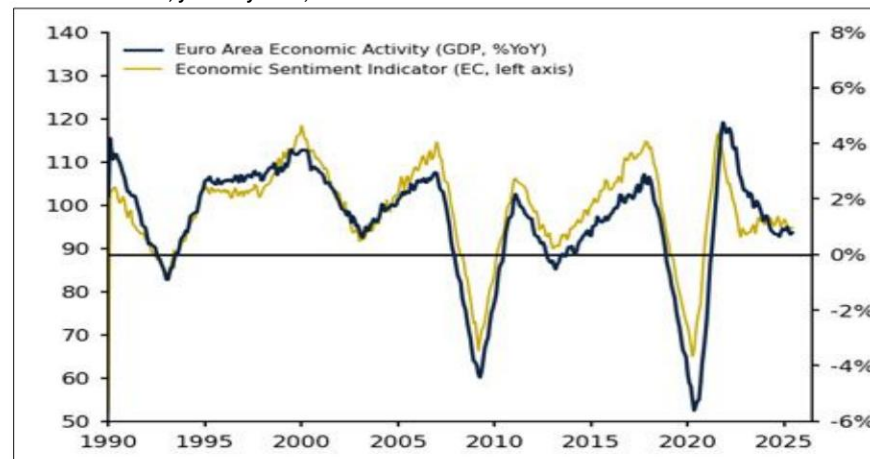


Chart 3: EU GDP, year-on-year %; economic confidence indicator



The origin of this transatlantic divergence becomes clearer once growth is broken down into its two underlying drivers: job creation and productivity gains. The former—generally the more powerful—is stable and self-sustaining. Businesses rarely hire only to lay off employees a few months later, and the wages they pay go directly into consumption, which in turn supports new investment and further hiring; the virtuous cycle is self-sustaining. Productivity, however, lacks that memory and can stall at the slightest disruption. Streamlining a production line or adopting a new technology may yield substantial one-off gains, but there is no guarantee that those gains will be repeated or that they will be able to finance the next increase.

When an expansion relies on this more capricious component, its trajectory becomes more irregular, even if its average pace remains the same.

In both economies, growth now relies almost entirely on productivity and only slightly on employment. **As AI is being deployed more rapidly and effectively on the US side of the Atlantic, US growth is running higher** (Chart 4). **In Europe, lacking the productivity boom needed to mask a slowing labor market, the momentum is simply fading** (Chart 5). None of this, it must be said, makes the US expansion more sustainable, only faster for now. So much for the context: a stagnant Europe and a US economy now propelled by a propeller rather than a jet engine. You might expect such a scenario to sharpen investors' risk sense. It hasn't. Even as the macroeconomic outlook becomes more volatile, equities remain calm. **The S&P 500's benchmark, the VIX, is trading at the lower end of its historical range** (Chart 6). **Since the explanation is clearly not fundamental, it must lie elsewhere—namely, in flows. In short, options volumes have grown enough to suppress volatility completely** (chart 6).

THE TOPIC OF THE WEEK

Chart 4: US GDP (year-on-year); US employment; US productivity

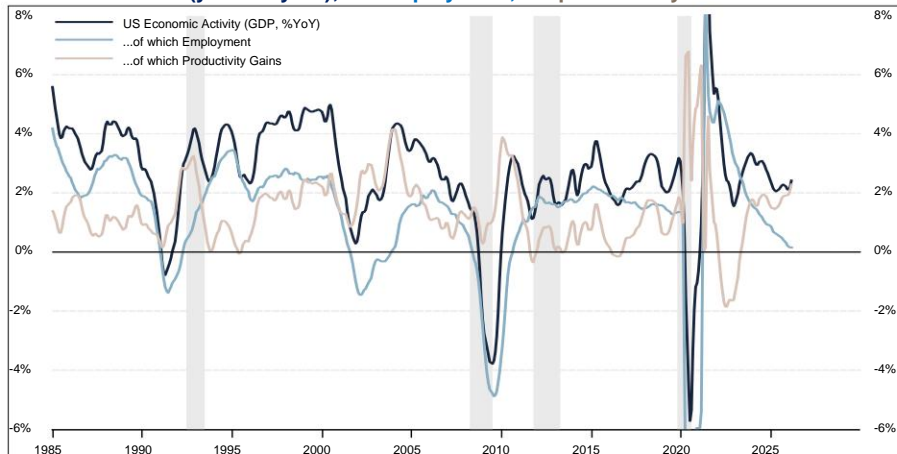
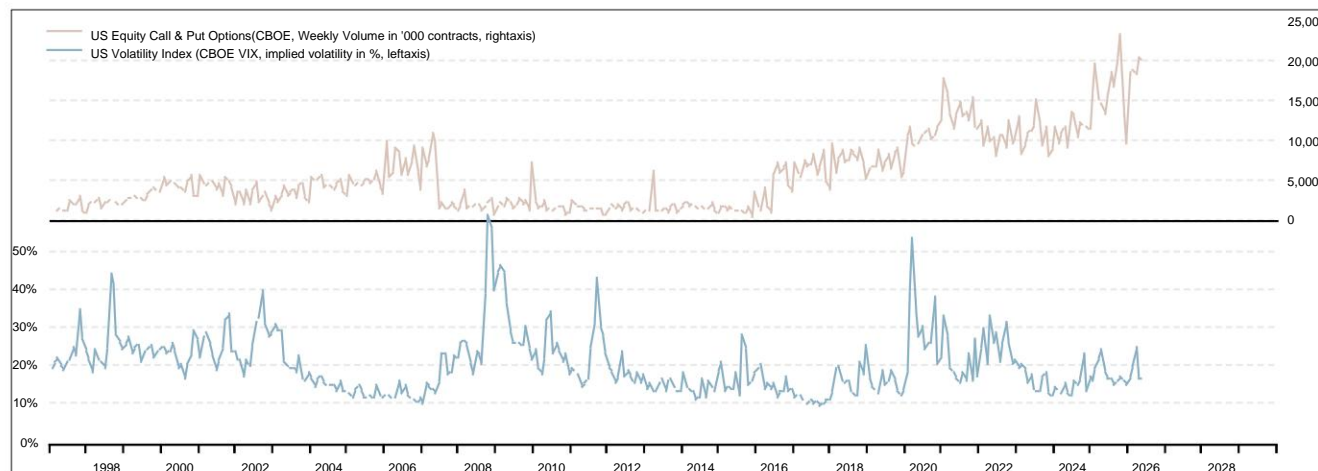


Chart 5: Europe's GDP (year-on-year %); employment in Europe; productivity in Europe



Chart 6: Volume of call and put options on US stocks (in thousands of contracts); CBOE VIX index



THE TOPIC OF THE WEEK

Options strategies have experienced a boom in the last two years. In the current market environment, we have observed significant growth in options strategies among investors over the past two years. Investors primarily use put option selling strategies (structured product coupons) to obtain attractive premiums and a certain level of protection or an attractive level of stock accumulation. In effect, they are volatility sellers. The structured products market has gone from a niche allocation to one of the fastest-growing segments of the investment landscape. **In the United States, annual notional issuance has increased from approximately \$94 billion in 2022 to a record \$149.4 billion in 2024, a 46% year-over-year increase, before reaching a new peak in 2025, with issuance exceeding \$195 billion and self-calling structures alone representing more than 43% of the market** (Chart 7). The trend is global, rather than purely American: the worldwide market has more than doubled since 2020, with over half a million products expected to be issued in 2024, generating an estimated \$1.4 trillion in sales, representing a 37% year-over-year increase. Option-backed ETFs are an additional driver of lower volatility. These funds were virtually unknown before 2020 and are now experiencing exponential growth. Option-backed ETFs are exchange-traded funds whose returns come not only from holding underlying assets but also from the systematic sale of options in addition to those holdings. Option overlay is the core of the strategy, not an afterthought. **Their global assets under management have grown from approximately \$10 billion at that time to \$100 billion in 2024, \$160 billion in 2025, and \$270 billion in April 2026—an increase of more than twentyfold in six years** (Chart 8). This massive and continuous use of options has a direct effect on market makers. **They are in a long gamma position** (Chart 9), which mathematically compels them to act against the market trend to hedge their own risks. They buy when stock prices fall and sell when they rise. These back-and-forth movements act as a kind of automatic stabilizer for the stock market, tempering investor behavior and reducing volatility.

Chart 7: Issuance of structured products in the US (in billions of USD)

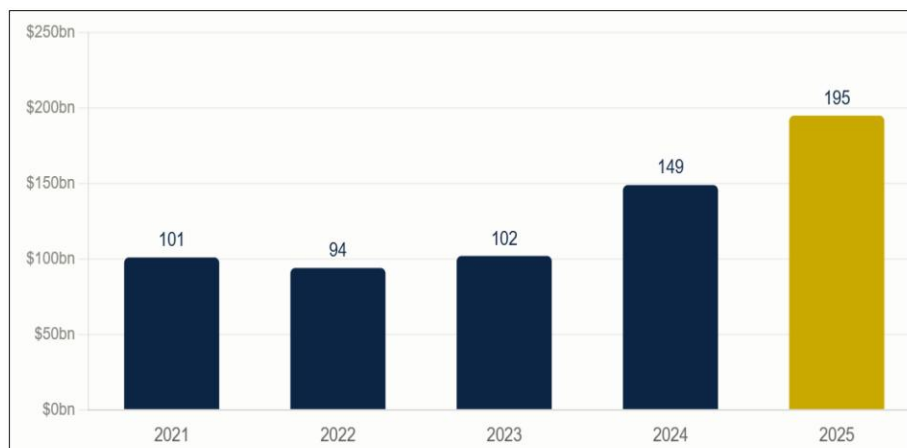
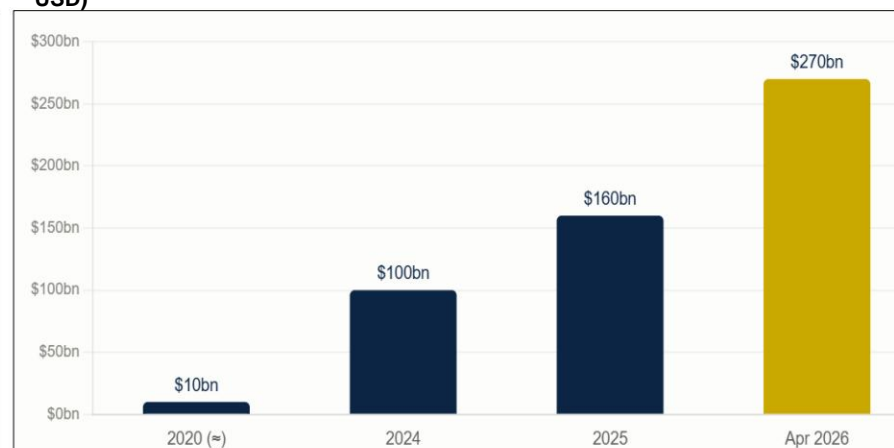


Chart 8: Option-backed ETFs — global assets under management (in billions of USD)



THE TOPIC OF THE WEEK

The Distortion of Economic Signals Due to Options Strategies: When income/covered call

ETFs and their investors sell call options en masse, someone has to be on the other side. That someone is the trading community: the market makers. Thus, the funds' massive and continuous selling of options leaves traders with a large portfolio of long options. Long options—whether call or put—imply a long gamma. Delta is how much the value of an option changes for every \$1 change in the underlying asset; it's the hedge ratio. Gamma is the rate at which that delta changes as the underlying asset moves. A trader managing a balanced portfolio doesn't want directional exposure, so they continuously trade the underlying asset to keep their net delta at zero ("delta hedge"). Gamma is what turns that hedge into a moving target: every price move changes the delta, so the trader must retrade to remain neutral.

A trader holds a long gamma position when they own options—which, in general, occurs when investors are net sellers of options (the trader is a net buyer of options) in the market, as happens with covered options and income ETFs. With a long gamma portfolio, the delta moves in the trader's favor: it rises when the market rises and falls when it falls. To remain neutral, the trader must therefore counteract this movement: selling shares as prices rise and buying as they fall.

A trader holds a short position in gamma in the opposite situation, when investors are net buyers of options (the trader is a seller of options), typically protective puts bought during a period of fear. In this case, delta moves against the trader, and recouping forces them to trade in the direction of the movement: buying when prices rise and selling when they fall.

These mechanisms extend to two distinct market regimes. **When the trading community holds a structurally long gamma position, its hedging acts as a buffer: every rally is met with selling by traders, and every decline with buying by traders** (Chart 9). The result is compressed volatility, shallow and quickly absorbed pullbacks, and the quiet, orderly rally that has characterized much of the recent market. Prices tend to gravitate toward the higher option strike prices, and realized volatility remains well below what the macroeconomic context alone would warrant.

When positioning shifts to short gamma—typically after a major shock, when protective hedging predominates—the same mechanism works in reverse and becomes an accelerator. Traders are then forced to sell on weak notes and buy on strong notes, widening intraday ranges and producing cascading sell-offs and equally violent rebounds that seem to appear out of nowhere (Chart 10). The critical point is that the transition is abrupt: the market doesn't drift from one regime to another, but rather shifts suddenly upon reaching a threshold. Repressed volatility is therefore not the same as low risk; it is risk that has been postponed and concentrated at the point where the regime changes.

THE TOPIC OF THE WEEK

Chart 9: The stabilizer (long range)

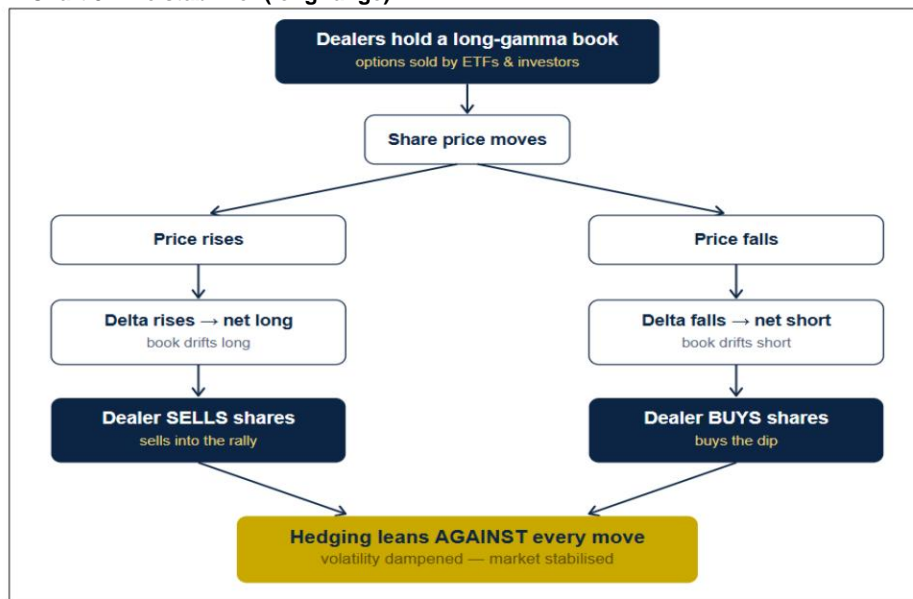
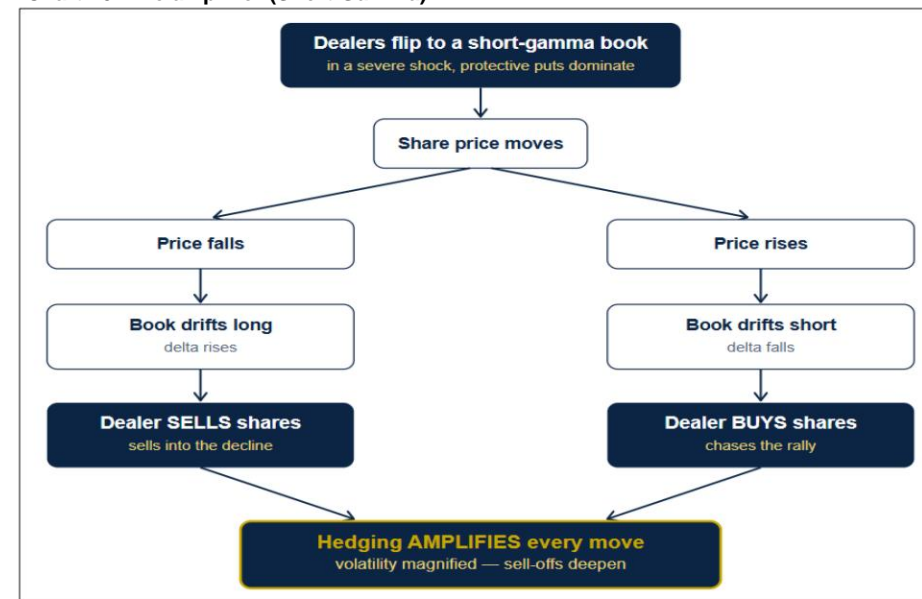


Chart 10: The amplifier (Short Gamma)



Hedging flows from traders are now large enough to rival, and sometimes exceed, the fundamental buying and selling that are supposed to set prices. When that happens, the market's two main functions—discovering prices and signaling risk—begin to become distorted.

- The first distortion is informational. Stock prices and, above all, volatility increasingly reflect the mechanics of options hedging rather than the state of the economy. Volatility can remain near historic lows even as macroeconomic and geopolitical uncertainty increases, so the indicator investors and policymakers rely on to interpret stress is dampened by the financial structure rather than by genuine calm. The market's risk signal is, in effect, anesthetized.
- The second distortion is fragility: since the suppression reinforces itself, it persists until a disturbance large enough occurs for the operators to have a negative gamma, at which point the stabilizer becomes an amplifier and calm gives way to an air pocket.

The third effect is on capital allocation. Artificially calm markets and attractive nominal returns on option income products encourage complacency, leverage, and a systematic misvaluation of risk. Asset valuations plummet as risk is perceived to be cheap, and prices become detached from the fundamentals they are supposed to represent. Options redistribute and reshape risk; they do not generate growth. Therefore, the risk is that the financial microstructure will ultimately determine the prices that are meant to inform decisions in the real economy.

THE TOPIC OF THE WEEK

CONCLUSION

What stands out today is the gap between fundamentals and market behavior. Growth is positive, but nothing exceptional, and it increasingly relies on productivity gains rather than job creation—a context that hardly justifies the current optimism. Yet equity markets continue to rise while volatility remains near the lower end of its historical range. This disconnect is not fundamental, but technical: the increasing weight of options strategies and the hedging flows they generate have mechanically suppressed volatility and supported prices beyond what the economy warrants.

Investors should view this calm as a matter of positioning, not conviction. It may persist as long as traders maintain long positions in gamma, but it offers no protection once that positioning reverses; at that point, the same flows that dampened volatility will amplify it. The risk, therefore, lies not in the economy, but in market structure: when volatility returns, it will reflect a shift in options positioning rather than a deterioration in fundamentals.

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