SUMMARY OF LAST WEEK

US stock markets posted mixed weekly losses: the S&P 500 fell **0.6%,** the Nasdaq dropped **2.1%** and the Dow Jones declined **0.4%,** driven by divergent corporate results from major technology companies and by resurgent geopolitical tensions that threatened to curb inflation.

The dominant theme of the week was the sharp rise in energy prices, which impacted virtually all asset classes.

Crude oil has surged roughly 35% since the beginning of the month, driven by a significant escalation of the conflict in the Middle East: Houthi attacks on tankers in the Red Sea opened a new front, transit through the Strait of Hormuz was virtually paralyzed, and President Trump threatened to expand US attacks on Iran. European natural gas futures rose roughly 11% this week alone, bringing the year-to-date monthly gain to over 45%. On Friday, the United States imposed new tariffs of 10% and 12.5% on goods from 60 trading partners, including the EU and China, claiming that of the these countries had failed to curb imports made with forced labor.

Many products are exempt, including oil and gas, fertilizers, certain food products, and products already subject to Section 232 national security tariffs.

The season's results have yielded a set of disparate, but momentous, figures.

Alphabet stood out by announcing cloud services revenue of $24.77 billion —an 82% year-over-year increase and well above consensus forecasts— with a backlog exceeding $500 billion, reinforcing the AI infrastructure investment thesis. Intel also surprised positively, with third-quarter revenue guidance of $15.8 billion to $16.8 billion compared to a consensus estimate of $15.1 billion, reflecting that demand for AI data centers is driving the recovery of its foundry business, although the stock relinquished its initial gains. On the other hand, Tesla's stock plummeted 14.52% on Thursday after publishing its quarterly results, marking its worst earnings day ever, as the company fell far short of profit expectations, posting non-GAAP earnings of just $0.33 per share, well below the $0.53 analysts had anticipated and 18% lower than the previous year, despite recording

Tesla reported record revenues of $28.24 billion, up 26% year-over-year. However, its operating margin plummeted to 1.4% from 4.1% a year ago, as operating expenses surged 47% to $4.35 billion, driven by heavy spending on artificial intelligence infrastructure and robotaxis. This suggests that growth-at-all-costs, fixed-capital investment strategies were eroding short-term profitability and prompting investors to reassess valuation assumptions for the technology sector. Activity data painted a more optimistic picture, as S&P Global's preliminary PMI showed that US business activity expanded in July at its fastest pace in eight months, boosted by the World Cup, while single-family home sales beat expectations at an annualized rate of 628,000 units, demonstrating underlying resilience of consumers and businesses despite tariff uncertainties and technological volatility that dominated stock market sentiment.

Source: Sentosa; Co

MACROECONOMIC FLUCTUATIONS AND DATA

KEY DATES OF THE LAST WEEK

July 24

S&P Global US Manufacturing PMI

Actual figure: 53.8 compared to the forecast of 54.40

US services PMI from S&P Global

Actual figure: 53.6 compared to the forecast of 51.50

New home sales

Actual figures: 628,000 versus the forecast of 607,000

GLOBAL EQUITY INDICES	Last	5 Days		1 Month YTD
MSCI WORLD	4,788.90	**-0.39%**	ÿ 0.94%	8.09%
MSCI EM	1,628.03	**0.46%**	ÿ -4.59%	15.93%
MSCI EM LATIN AMERICA	3,028.90	**1.36%**	ÿ 2.26%	11.80%
MSCI AC ASIA x JAPAN	1,077.48	**0.48%**	ÿ -4.67%	17.96%
USA				
S&P 500 INDEX	7,411.98	**-0.61%**	ÿ 0.79%	8.28%
NASDAQ COMPOSITE	24,975.82	**-2.13%**	ÿ -1.27%	7.46%
DOW JONES INDUS. AVG	51,947.25	**-0.38%**	ÿ 0.14%	8.08%
RUSSELL 2000 INDEX	2,930.00	**-1.09%**	ÿ -2.66%	18.05%
EUROPE				
STXE 600 (EUR) Pr	644.51	**0.46%**	ÿ 1.36%	8.84%
Euro Stoxx 50 Pr	6,280.94	**0.80%**	ÿ 0.95%	8.45%
DAX INDEX	25,099.00	**1.08%**	ÿ 1.73%	2.49%
CAC 40 INDEX	8,372.28	**0.40%**	ÿ -0.15%	2.73%
FTSE MIB INDEX	51,802.23	**-0.15%**	ÿ 1.05%	15.26%
IBEX 35 INDEX	19,585.40	**1.92%**	ÿ 0.82%	13.16%
SWISS MARKET INDEX	14,327.20	**-0.12%**	ÿ 1.09%	7.99%
FTSE 100 INDEX	10,736.23	**1.28%**	ÿ 2.17%	8.10%
ASIA				
NIKKEI 225	64,611.15	**-3.33%**	ÿ -6.85%	28.35%
HANG SENG INDEX	24,963.23	**1.63%**	ÿ 10.11%	-2.60%
CSI 300 INDEX	4,649.19	**2.65%**	ÿ -4.50%	0.42%
SENSEX	76,059.77	**-2.68%**	ÿ -1.35%	-10.75%
LATAM				
S&P/BMV IPC	66,383.26	**-0.38%**	ÿ -1.25%	3.23%
BRAZIL IBOVESPA INDEX	174,041.95	**0.19%**	ÿ 0.43%	8.02%
MSCI COLCAP INDEX	2,274.53	**-0.46%**	ÿ -0.51%	9.99%
S&P/CLX IPSA (CLP) TR	10,953.59	**0.60%**	ÿ 1.77%	4.51%

EQUITIES SECTORS	Last	5 Days		1 Month YTD
PHILA GOLD & SILVER INDX	312.89	**5.78%**	ÿ -3.01%	-8.59%
MSCI WORLD/ENERGY	352.14	**2.45%**	ÿ 11.64%	31.74%
MSCI WORLD BANK INDEX	217.98	**1.55%**	ÿ 5.63%	16.20%
MSCI WORLD/MATERIAL	427.61	**1.52%**	ÿ -1.24%	7.86%
MSCI WORLD/INDUSTRIAL	562.76	**1.45%**	ÿ 0.75%	12.66%
MSCI WORLD/UTILITY	217.77	**1.43%**	ÿ 0.60%	9.27%
MSCI WORLD/FINANCEVAL	204.65	**0.88%**	ÿ 5.51%	10.23%
MSCI WORLD/REAL EST	1,153.44	**0.85%**	ÿ 1.60%	9.45%
MSCI WORLD/HIGH CARE	408.41	**0.50%**	ÿ 0.62%	2.24%
MSCI WORLD/INF TECH	1,132.77	**0.30%**	ÿ -0.03%	16.35%
MSCI WORLD/CON STPL	312.08	**-1.98%**	ÿ -1.19%	4.99%
MSCI WORLD/CONS DIS	459.72	**-5.26%**	ÿ -3.51%	-8.58%
MSCI WRLD/COMM SVC	158.43	**-5.61%**	ÿ -1.83%	-4.94%

US RATES	Last	5 Days Close		12M Close	
2Y	4.33	4.18	0.15	3.92	**0.41**
5Y	4.43	4.28	0.15	3.96	**0.47**
10Y	4.68	4.55	0.13	4.40	**0.28**

BONDS CREDIT SPREAD		5 Days Close		12M Close	
EM Bonds Spread	226.45	222.3	**4.1**	276.77	-50.3
HY Bonds Spread	278.00	263.0	**15.0**	263.00	15.0
BBB 10yr Spread	161.29	161.3	**0.0**	171.83	**-10.5**

FIXED INCOME		5 Days		1 Month YTD
US High Yield	2,958.86	-0.57%	ÿ -0.22%	1.52%
EM Bonds USD	1,397.00	-0.75%	ÿ -1.30%	0.73%
EM Local Currency	151.99	-0.45%	ÿ -0.47%	-0.71%
CoCos USD	150.32	-0.79%	ÿ -0.86%	-0.62%
IG BBB 3-5yr USD	391.83	-0.89%	ÿ -1.77%	-2.14%
IG AA Corp USD	279.75	-1.32%	ÿ -2.79%	-0.40%

COMMODITIES	Last	5 Days		1 Month YTD
CRB INDEX	395.67	3.59%	ÿ 12.33%	32.43%
WTI	89.31	8.27%	ÿ 26.97%	55.54%
Brent	98.79	16.77%	ÿ 36.97%	58.20%
US Natural Gas	2.87	-1.37%	ÿ -10.87%	-22.11%
S&P GSCI Precious Metal	**5,456.40**	**1.65%**	ÿ **0.59%**	**-6.23%**
Gold	4,052.79	0.88%	ÿ 1.33%	-6.17%
Silver	58.17	4.05%	ÿ 1.32%	-18.82%
Platinum	1,592.00	-0.29%	ÿ 0.50%	-22.74%
Palladium	1,246.76	-0.09%	ÿ 6.42%	-23.04%
S&P GSCI Industrial Metal Index	**595.75**	**0.91%**	ÿ **1.44%**	**7.85%**
Aluminum	3,159.50	0.29%	ÿ 1.18%	5.47%
Copper	13,653.80	1.13%	ÿ 4.79%	9.64%
Nickel	17,184.44	2.49%	ÿ 3.30%	4.14%
S&P GSCI Agriculture	**396.82**	**1.82%**	ÿ **10.62%**	**12.61%**

CURRENCIES	Last	5 Days		1 Month YTD
CHF vs USD	0.8182	-1.33%	ÿ -0.73%	-3.13%
JPY vs. USD	163.8300	-0.87%	ÿ -1.25%	-4.35%
CAD vs. USD	1.4096	-0.53%	ÿ 0.98%	-2.64%
EUR vs. USD	1.1370	-0.60%	ÿ 0.11%	-3.20%
GBP vs. USD	1.3325	-0.94%	ÿ 1.19%	-1.11%
AUD vs. USD	0.6979	-0.07%	ÿ 1.13%	4.59%
BRL vs. USD	5.0831	0.56%	ÿ 2.20%	7.71%
MXN vs. USD	17.4814	0.26%	ÿ 0.72%	3.01%
COP vs. USD	3,219.29	1.11%	ÿ 6.55%	17.34%
CNY vs. USD	6.7711	0.08%	ÿ 0.58%	3.20%
EUR vs. CHF	0.9303	-0.78%	ÿ -0.82%	0.05%
DOLLAR INDEX	101.4680	0.70%	ÿ -0.14%	3.20%
BITCOIN	64,082.56	-1.90%	ÿ 7.95%	-26.89%

KEY DATES OF THE NEXT WEEK

July 27

Orders for durable goods

Forecast: 1.8%

July 28

Consumer confidence index of the Conference Board

Survey: 92.20

July 29

FOMC Decision on the interest rates

Survey: 3.75% (upper limit)

July 30

Month-on-month PCE price index

Survey: -0.1%

Year-on-year PCE price index

Survey: 3.7%

quarter-on-quarter annualized GDP – 2nd quarter

Survey: 2.1%

July 31

Confidence index of the University of Michigan

Survey: 54.0

Source: Sentosa; Co

SECOND QUARTER OF 2026 – FINANCIAL RESULTS

Earnings Growth

	Positive	Inline	Negative	%
S&P 500	**113**	**2**	**18**	**69.81%**
Materials	4	0	1	96.27%
Industrials	22	0	5	8.98%
Consumer Staples	5	0	0	10.01%
Energy	1	1	2	-0.93%
Technology	11	0	0	189.73%
Consumer Discretionary	7	1	7	3.51%
Communications	7	0	1	167.73%
Financials	39	0	1	30.64%
HealthCare	10	0	1	13.31%
Utilities	2	0	0	15.34%
Real Estate	5	0	0	10.32%

Earnings Surprise

	Positive	Inline	Negative	%
S&P 500	**117**	**3**	**13**	**40.80%**
Materials	5	0	0	8.33%
Industrials	22	2	3	7.08%
Consumer Staples	5	0	0	5.60%
Energy	3	0	1	8.05%
Technology	10	0	1	16.94%
Consumer Discretionary	9	1	5	-1.12%
Communications	7	0	1	137.35%
Financials	38	0	2	17.55%
HealthCare	11	0	0	9.84%
Utilities	2	0	0	4.59%
Real Estate	5	0	0	5.88%

Sales Growth

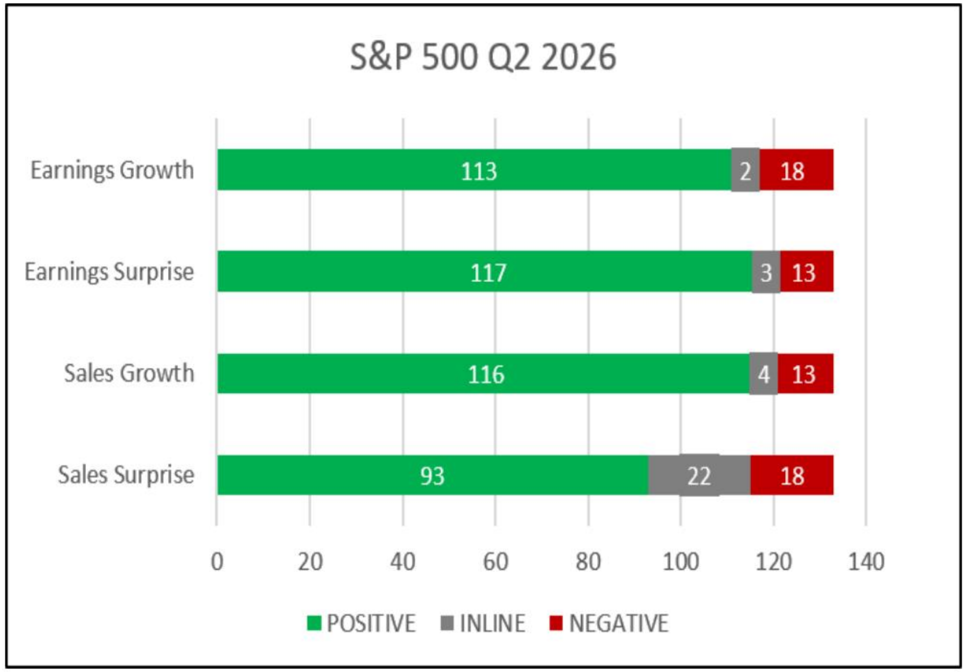
	Positive	Inline	Negative	%
S&P 500	**116**	**4**	**13**	**12.61%**
Materials	4	0	1	13.72%
Industrials	26	0	1	10.43%
Consumer Staples	4	0	1	6.62%
Energy	3	0	1	1.54%
Technology	11	0	0	44.73%
Consumer Discretionary	9	1	5	5.23%
Communications	5	0	3	11.13%
Financials	39	1	0	16.78%
HealthCare	10	1	0	3.34%
Utilities	1	1	0	6.65%
Real Estate	4	0	1	10.44%

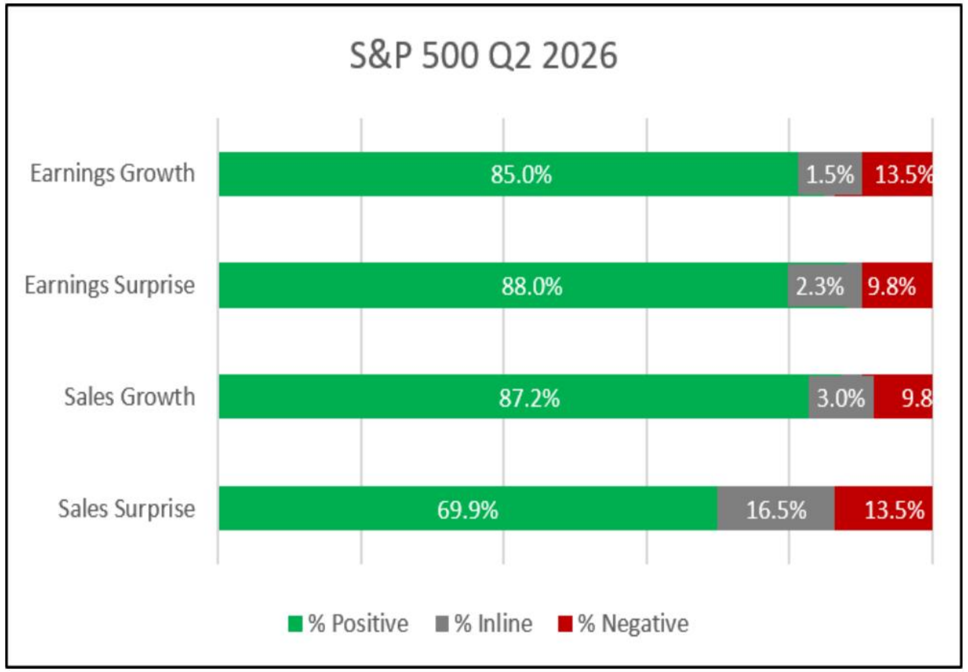
Sales Surprise

	Positive	Inline	Negative	%
S&P 500	**93**	**22**	**18**	**2.95%**
Materials	3	1	1	2.13%
Industrials	22	2	3	3.15%
Consumer Staples	4	1	0	1.81%
Energy	4	0	0	3.87%
Technology	9	1	1	5.85%
Consumer Discretionary	8	3	4	2.44%
Communications	2	3	3	0.78%
Financials	27	9	4	4.88%
HealthCare	10	1	0	1.61%
Utilities	0	0	2	-6.68%
Real Estate	4	1	0	5.86%

Source: Sentosa; Co

SECOND QUARTER OF 2026 – FINANCIAL RESULTS





Source: Sentosa; Co

LAST WEEK'S RESULTS SEASON

DATE	COMPANY	Value yourself EPS	Value yourself REV	CURRENT EPS	CURRENT REV	DIFFERENCE EPS	DIFFERENCE REV
07/21/2026 (AM)	3M CO	$2.25	$6.40 B	$2.40	$6.50 B	6.6%	1.6%
07/21/2026 (AM)	SCHWAB (CHARLES)	$1.55	$6.92 B	$1.62	$7.07 B	4.3%	2.2%
07/21/2026 (AM)	DANAHER CORP	$1.84	$6.10 B	$1.94	$6.27 B	5.6%	2.7%
07/21/2026 (AM)	GENERAL MOTORS C	$3.19	$46.61 B	$3.57	$48.03 B 12.0% $15.85		3.0%
07/21/2026 (PM)	CAPITAL ONE FINA	$4.68	$15.76 B	$5.81	B 24.2% $31.56 B		0.6%
07/22/2026 (AM)	AT&T INC	$0.59	$31.77 B	$0.65	10.2% -0.7%		
07/22/2026 (AM)	PHILIP MORRIS IN	$2.04	$10.61 B	$2.20	$11.19 B 7.6% 5.5%		
07/22/2026 (AM)	GE VERNOVA INC	$3.05	$10.82 B	$2.40	$11.10 B -21.3% 2.6%		
07/22/2026 (PM)	IBM	$2.97	$17.54 B	$2.93	$17.16 B	-1.3%	-2.1%
07/22/2026 (PM)	ALPHABET INC-A	$2.91	$101.07 B	$9.11	$103.62 B 213.5% 2.5%		
07/22/2026 (PM)	TEXAS INSTRUMENT	$1.93	$5.24 B	$2.14	$5.46 B	10.7% 4.2%	
07/22/2026 (PM)	SERVICENOW INC	$0.87	$3.93 B	$0.90	$3.99 B	3.6%	1.5%
07/22/2026 (PM)	TESLA INC	$0.51	$26.32 B	$0.33	$28.24 B -34.7% 7.3%		
07/23/2026 (AM)	RTX CORP	$1.66	$22.90 B	$1.89	$24.71 B 13.8% $11.99		7.9%
07/23/2026 (AM)	THERMO FISHER	$5.72	$11.70 B	$6.03	B $6.86 B	5.5%	2.5%
07/23/2026 (AM)	UNION PAC CORP	$3.24	$6.72 B	$3.41	$29.94	5.1%	2.1%
07/23/2026 (AM)	COMCAST CORP-A	$0.97	$29.30 B	$1.04	B $20.06	7.5%	2.2%
07/23/2026 (AM)	LOCKHEED MARTIN	$7.13	$19.34B	$7.94	B 11.4% $22.79 B		3.7%
07/23/2026 (AM)	T-MOBILE US INC	$2.59	$22.93B	$2.99	15.5% -0.6%		
07/23/2026 (PM)	INTEL CORP	$0.21	$14.43B	$0.42	$16.13 B 96.3% 11.8%		
07/24/2026 (AM)	AMERICAN EXPRESS	$4.41	$19.69B	$4.53	$19.64 B	2.7%	-0.3%
07/24/2026 (AM)	VERIZON COMMUNIC	$1.27	$35.17B	$1.30	$34.25 B	2.5%	-2.6%
07/24/2026 (AM)	NEXTERA ENERGY	$1.13	$8.05B	$1.15	$7.53 B	2.1%	-6.4%

In On Capital

Source: Sentosa; Co

NEXT WEEK'S RESULTS SEASON

		VALUE YOURSELF		CURRENT		DIFFERENCE	
DATE	COMPANY	EPS	REV	EPS	REV	EPS	REV
07/28/2026	MONDELEZ INTER-A	$0.68	$9.20 B				
07/28/2026	BOEING CO/THE	($0.28)	$24.26 B				
07/28/2026	COCA-COLA CO/THE	$0.93	$13.16 B				
07/28/2026	AMERICAN TOWER C	$2.50	$2.70 B				
07/28/2026	VISA INC-CLASS A	$3.23	$11.40 B				
07/28/2026	UNITED PARCEL-B	$1.67	$21.84 B				
07/29/2026	PROCTER & GAMBLE	$1.41	$21.34 B				
07/29/2026	MICROSOFT CORP	$4.25	$87.73 B				
07/29/2026	META PLATFORMS-A	$7.14	$60.23 B				
07/29/2026	LAM RESEARCH	$1.70	$6.67 B				
07/29/2026	GENERAL DYNAMICS	$3.97	$13.54 B				
07/29/2026	QUALCOMM INC	$2.21	$9.62 B				
07/29/2026	STARBUCKS CORP	$0.65	$9.16 B				
07/30/2026	AMAZON.COM INC	$1.82	$196.90 B				
07/30/2026	SOUTHERN CO	$1.01	$7.21 B				
07/30/2026	ALTRIA GROUP INC	$1.50	$5.35 B				
07/30/2026	BRISTOL-MYER SQB	$1.60	$11.74 B				
07/30/2026	APPLE INC	$1.88	$108.80 B				
07/30/2026	MASTERCARD INC-A	$4.77	$9.08 B				
07/31/2026	CHEVRON CORP	$5.65	$66.39 B				
07/31/2026	LINDE PLC	$4.49	$9.01 B				
07/31/2026	EXXONMOBIL HOLDI	$3.59	$103.56 B				
07/31/2026	COLGATE-PALMOLIV	$0.95	$5.35 B				
07/31/2026	ABBVIE INC	$3.61	$16.76 B				

Source: Sentosa; Co

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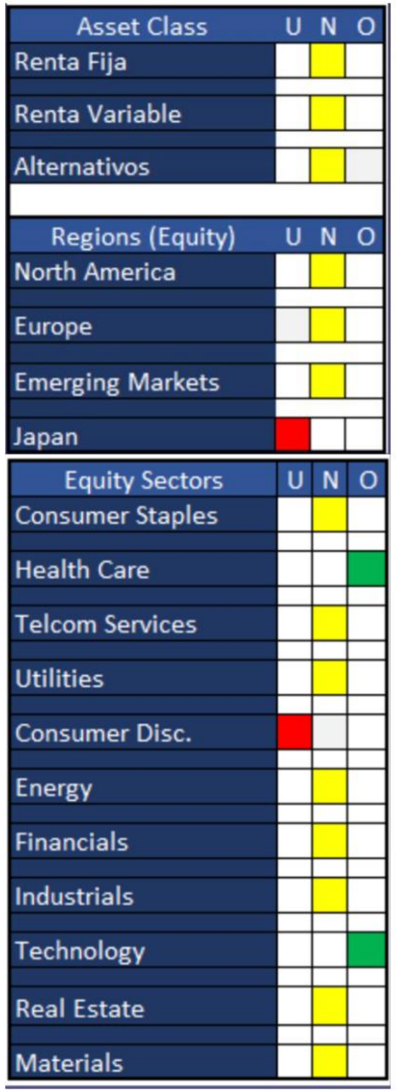


Despite our recent upward revision of our equity strategy to "Neutral" due to improved fundamentals , the market is currently consolidating sideways from its May highs. Prices are consolidating after a strong three-month rally driven by the information technology sector. In fact, this sector is leading the current consolidation, having significantly outperformed the market between April and June, with a return of +41% in just two months.

In any case, the economy is showing great resilience, and job creation is recovering strongly after the slowdown in 2025, which gives us confidence in the medium-term trend. Despite the risk of renewed pressure on large-cap stocks, we believe the market could be protected by some sector rotation toward cyclical and defensive stocks. We remain optimistic despite the current short-term correction.

Source: Sentosa; Co

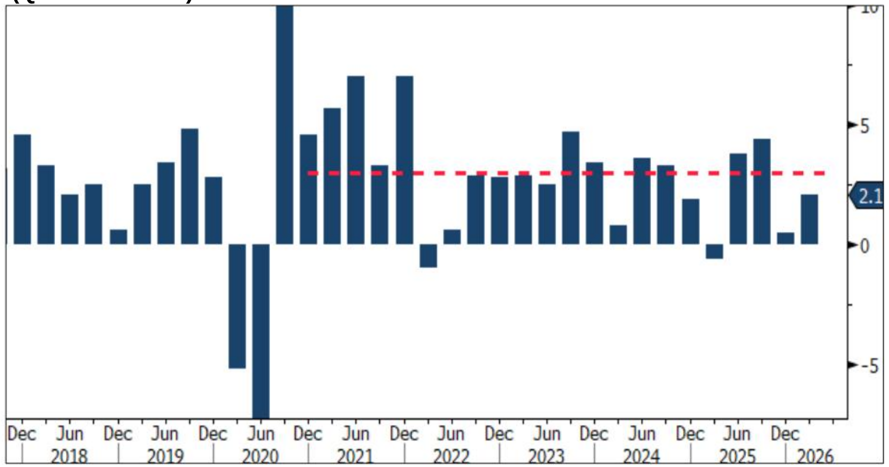
Consumer confidence points to a "recession", while GDP indicates "resilience"

The Conference Board's confidence index has fallen to 91.2 and the University of Michigan's confidence indicator to 54.4, figures that are usually associated with a recession (Chart 1). And yet, production continues to grow (Chart 2), and the earnings season now beginning on Wall Street seems poised to confirm this. The enigma is more complex than it first appears, since household consumption accounts for around 68% of US GDP and a fifth of growth global—some $20 trillion a year, more than the entire economy of China. When the American consumer feels this bad, GDP "should" be entering a recession. But that's not the case.

The explanation is that a confidence poll is a democracy—one respondent, one vote—while GDP is closer to a plutocracy—one dollar, one vote. The household The average person, whose mood dominates the survey, has been affected by accumulated inflation following the pandemic and by 30-year mortgage rates close to 6.5%. Their salaries Real figures have not improved at all; delinquency rates on credit cards and car loans have reached their highest levels since 2009, and their percentage of spending is It decreases every year. But that household is no longer simply the source of the marginal dollar. Consumption is no longer a question of the number of people, but rather a question of purchasing power.

Chart 1: Consumer Confidence SA (91.20); Consumer Confidence Index of Michigan (54.40)

Chart 2: US GDP quarter-on-quarter (seasonally adjusted annualized rate) (Q1 2026: +2.1%)



Source: Sentosa & Co. , Altitude IS

THE TOPIC OF THE WEEK

The highest income decile is now larger

Behind consumers' apparent appetite lies a lack of appetite whose true magnitude few investors understand. Spending is no longer evenly distributed. among households, but has become largely concentrated. **The reality is that the highest income decile—Americans earning more than $250,000 a year— It now represents nearly half of the country's total consumer spending, up from 36% in the mid-1990s** (Chart 3). Lawyers, consultants, Finance professionals and technology sector workers: never before, not even at the height of the dot-com bubble, has the world's largest economy been so dependent of the purchasing power of its wealthiest citizens. At the other end of the scale, the least affluent 80% now account for only around 37% of spending, a share that is erodes year after year.

This concentration has been amplified by several converging forces. **First, the price increases that followed the pandemic and the subsequent war eroded the purchasing power of the most modest households, whose income depends largely on labor and very little on capital** (Figure 4). For families whose budgets are They allocate a large portion of their income to food, housing, and energy; the accumulated inflation of recent years has acted as a silent tax that has swallowed up their meager savings. savings. Secondly, the rise in official interest rates has deprived them of access to credit; deprived of this last resort, low-income families first exhausted They used up their savings and then cut back on spending. In fact, delinquency rates on credit cards and car loans have reached levels not seen since the end of the financial crisis.

Chart 3: Household spending, by income level

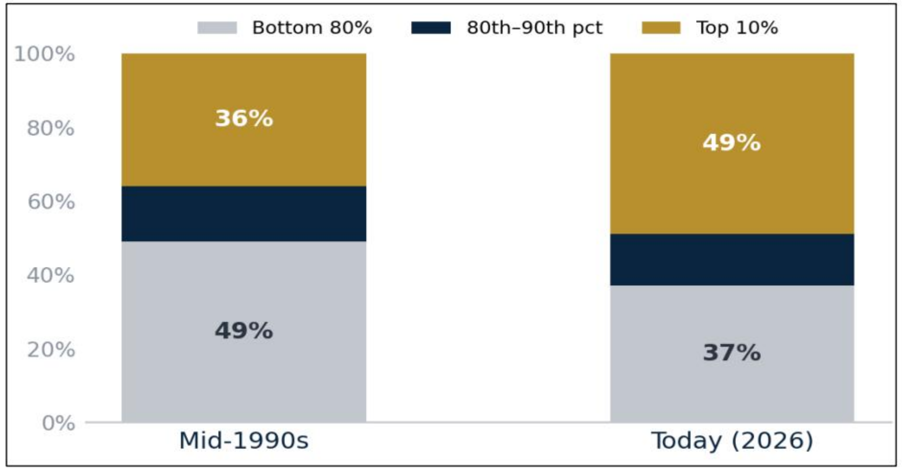
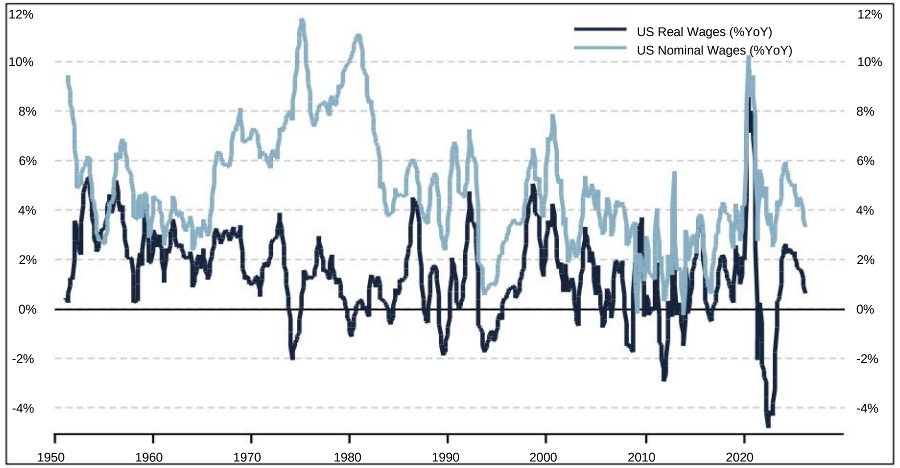


Chart 4: Real wages in the United States



Source: Sentosa & Co. , Altitude IS

THE TOPIC OF THE WEEK

Ironically, at the very top of the scale, the opposite is true: the wealth effect has rarely been so positive (Chart 5). The net worth of US households has reached a record 781% of annual disposable income—meaning that households now own accumulated assets equivalent to almost eight years of income after taxes, well above the ~550% that prevailed for most of the postwar period—as rising stock and property prices have inflated balance sheets much faster than wages, boosting the wealth effect that continues to underpin consumption. If we look at the income percentile of the households we mentioned Previously, all equity assets were held by the top third of households.

This paradox has fueled discretionary spending—luxury travel, second homes—and perpetuated the illusion of an unwavering American consumer. Meanwhile, the The basic goods segment of the market—the everyday products that no one can do without—is struggling to perform well. **In an economy where that the marginal dollar comes from the rich, it is the high-end retailers and desired brands that drive growth, not the discount stores —a a visible divergence in stock market quotations, where major luxury brands perform better while sellers of everyday products fall behind** (Chart 6). This dynamic has two sides. Investors too often overlook the fact that two very different types of consumers coexist under a under the same statistical umbrella, and that global growth is not based on the average American, but on a small group of wealthy individuals. They also underestimate the This spending is sensitive to the labor market for office workers and to the level of stock market prices.

Chart 5: Net worth of US households (% of disposable income)

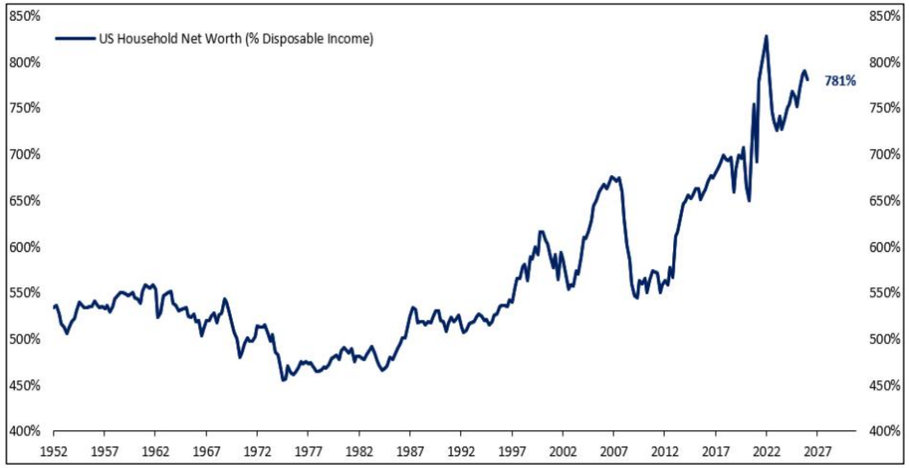


Chart 6: Performance since 2020:
MSCI Consumer Discretionary (+80%); MSCI Basic Consumption (+45%)

Source: Sentosa & Co. , Altitude IS

Real estate risk

Artificial intelligence could ultimately tip the scales. Tasks that had long been spared from automation are now being performed by AI agents—in Consulting, law, finance, and software development—in the technology sector, job cut announcements have been on the rise since the beginning of the year. By eliminating certain For skilled office workers, AI could very well curb the consumption of office workers that sustains the economy. The paradox is cruel: the same innovation that has The stimulus that has driven stock market indexes to record highs and enriched wealthier households now threatens to undermine their spending. And there would be little hope of countering it. the blow, since households with lower incomes simply have little left to spend.

Another concern is the residential real estate market. Hit first by the soaring cost of construction materials in 2020 and then by the rise in With mortgage rates in 2022, the market is struggling to recover. **With 30-year mortgage rates near 6.5%, compared to approximately 3% five years ago, the Housing sales are stagnating** (Chart 7). The stock of newly built homes now represents more than ten months of sales, a level not seen since the the 2009 subprime mortgage crisis. **There are few prospects for improvement as long as financing costs remain so high and it becomes significantly more Renting is cheaper than buying. Even more revealing: owning a home now costs almost 50% more per month than renting, a difference of around $900** (Chart 8). Therefore, the average family risks having to settle for a smaller, older, or more remote home, or giving up altogether. to property. Since 2022, the American dream of single-family homeownership has run up against the harsh arithmetic of interest rates and prices.

Chart 7: Sales of existing homes in the U.S.

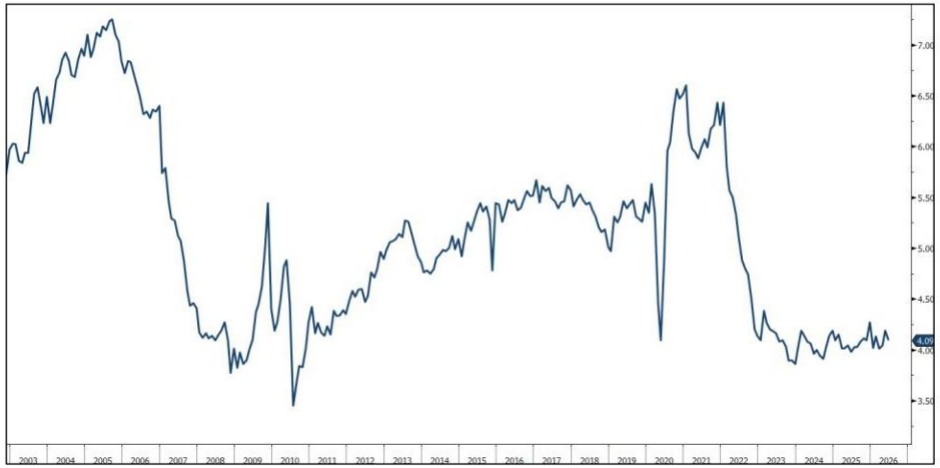
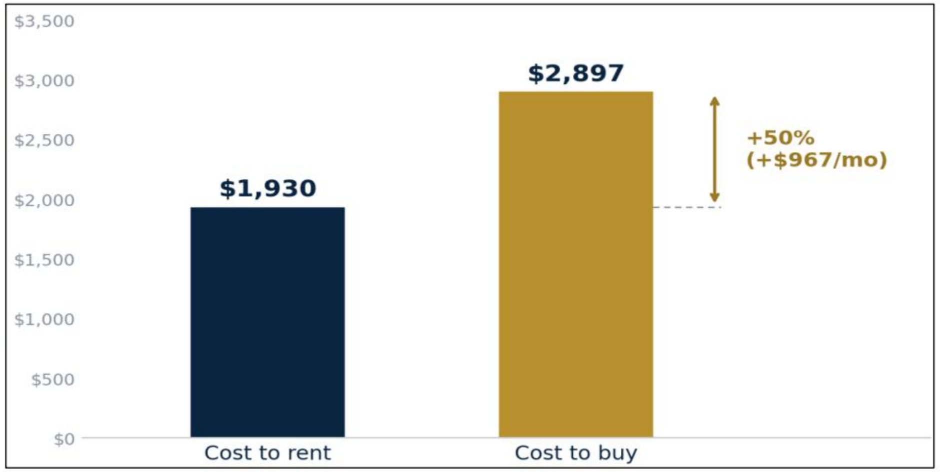


Chart 8: Comparison between buying and renting



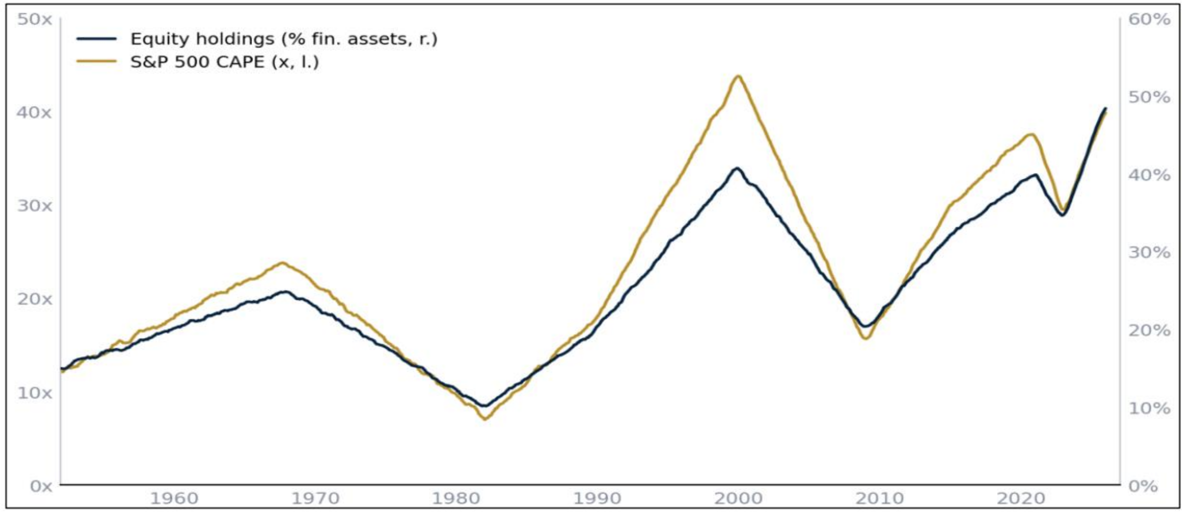
Source: Sentosa & Co. , Altitude IS

CONCLUSION: Financial markets as the main risk

The ultimate risk lies with households themselves and the financial markets. **Their allocation to equities has just reached almost 50% of their financial assets, a record in modern history. This level closely follows the valuation curve, indicating that a herd instinct leads households to buy more and more shares as they become more expensive** (Chart 9). A bonanza financed by a small group of high-net-worth households is flattering, but fragile. It links consumption—and therefore GDP—to the level of the stock market and the health of white-collar employment, precisely the jobs most exposed to artificial intelligence today.

Confidence surveys aren't wrong; they simply measure the 80% of the country that no longer drives the economy. When the wealth effect reverses, the very concentration that masks current weakness will amplify future weakness. What seems clear is that a bear market will undoubtedly feed on a sharp decline in wealth and purchasing power, since a large portion of the consumers who sustain the economy depend heavily on financial markets. In the next bear market, these investors will try to sell—initially slowly, then precipitously—which will deepen the correction and trigger a negative wealth effect. The very leverage that has fueled consumption in recent years would then act as a powerful brake on it.

Chart 9: **Household equity portfolio (% of financial assets, right scale); S&P CAPE ratio (x, left scale)**



Source: Sentosa & Co. , Altitude IS

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