



Economic Report

July 2021

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Global Economy 03

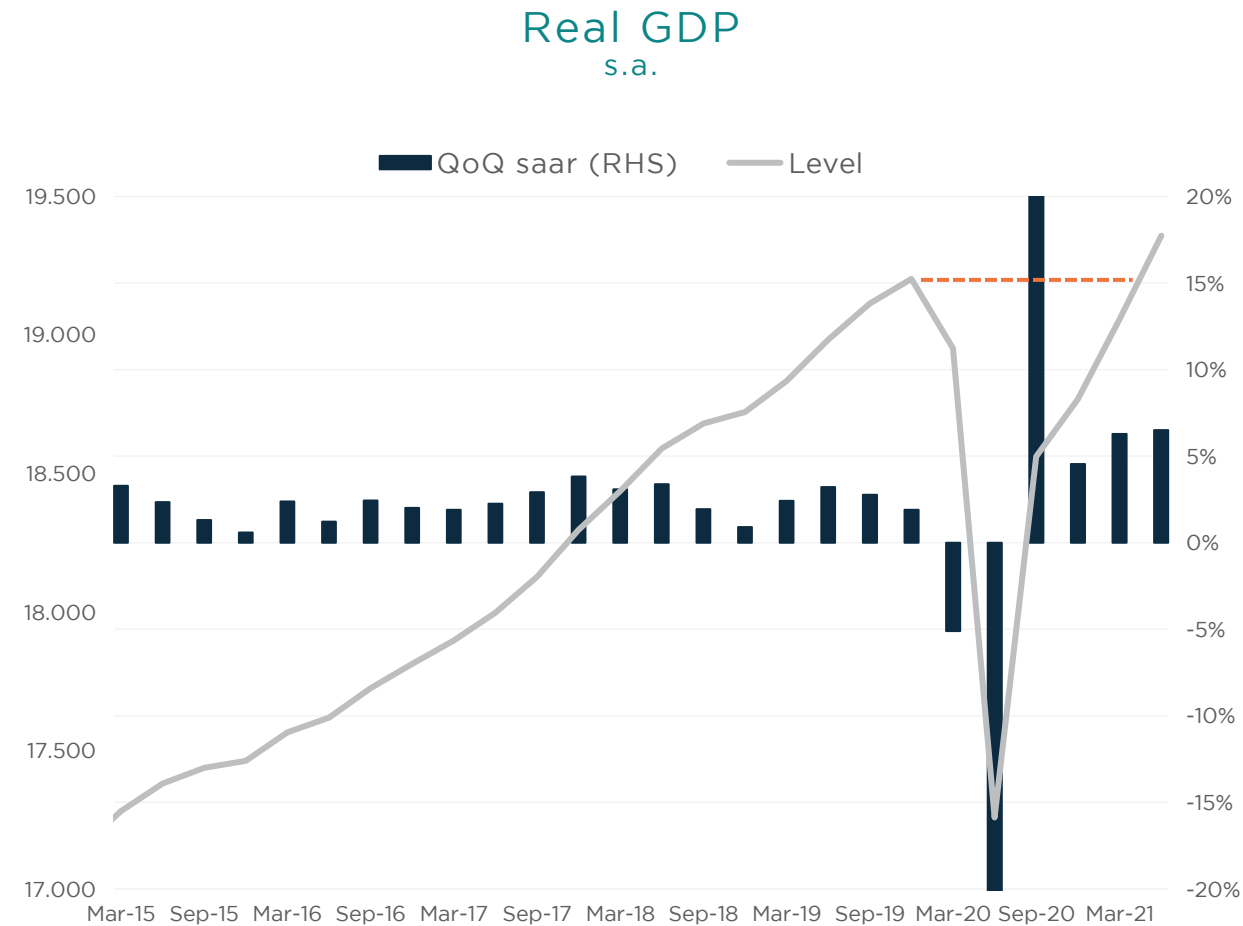
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US: GDP overtakes pre-Covid level in the second quarter

Global Economy

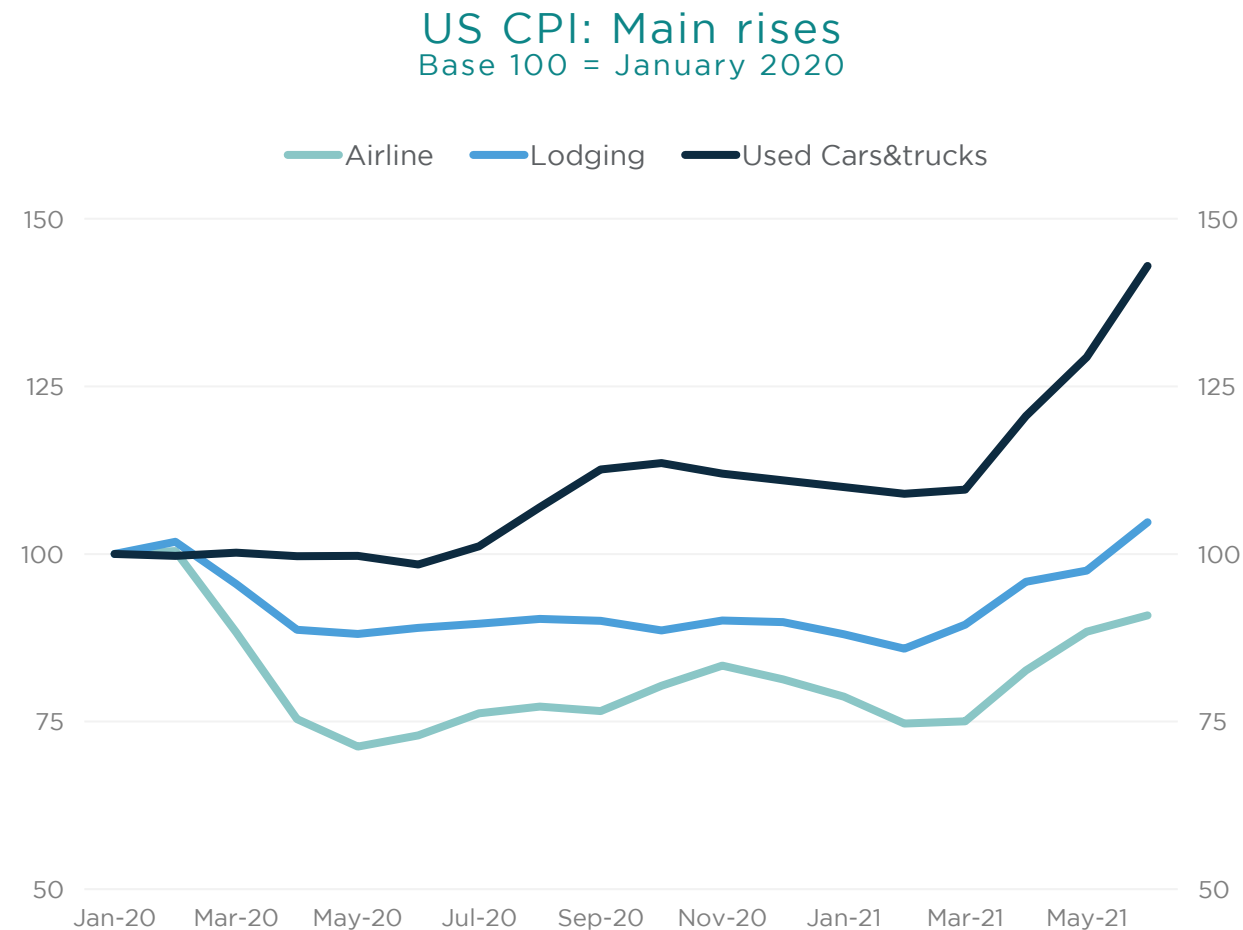


The GDP result for the second quarter in the United States came in lower than expected but revealed strong growth led by consumption, as shown by the grey line in the accompanying graph.

It is worth highlighting how the inventory component dropped, which opens room for an acceleration in the upcoming quarters as these inventories will need to be restocked.

US: Inflation continues to surprise but is still concentrated on a few items

Global Economy



American inflation has been springing a surprise. However, a large part of this comes from highs in very specific components, such as those highlighted in the accompanying graph.

One exemplary case is occurring in the automobile market where the restriction in the supply of new vehicles combined with the high demand continues to put pressure on prices of used vehicles.

China: Turnaround in the credit tightening cycle?

Global Economy

China: Reserve Requirement Ratio
"RRR" = compulsory deposits rate

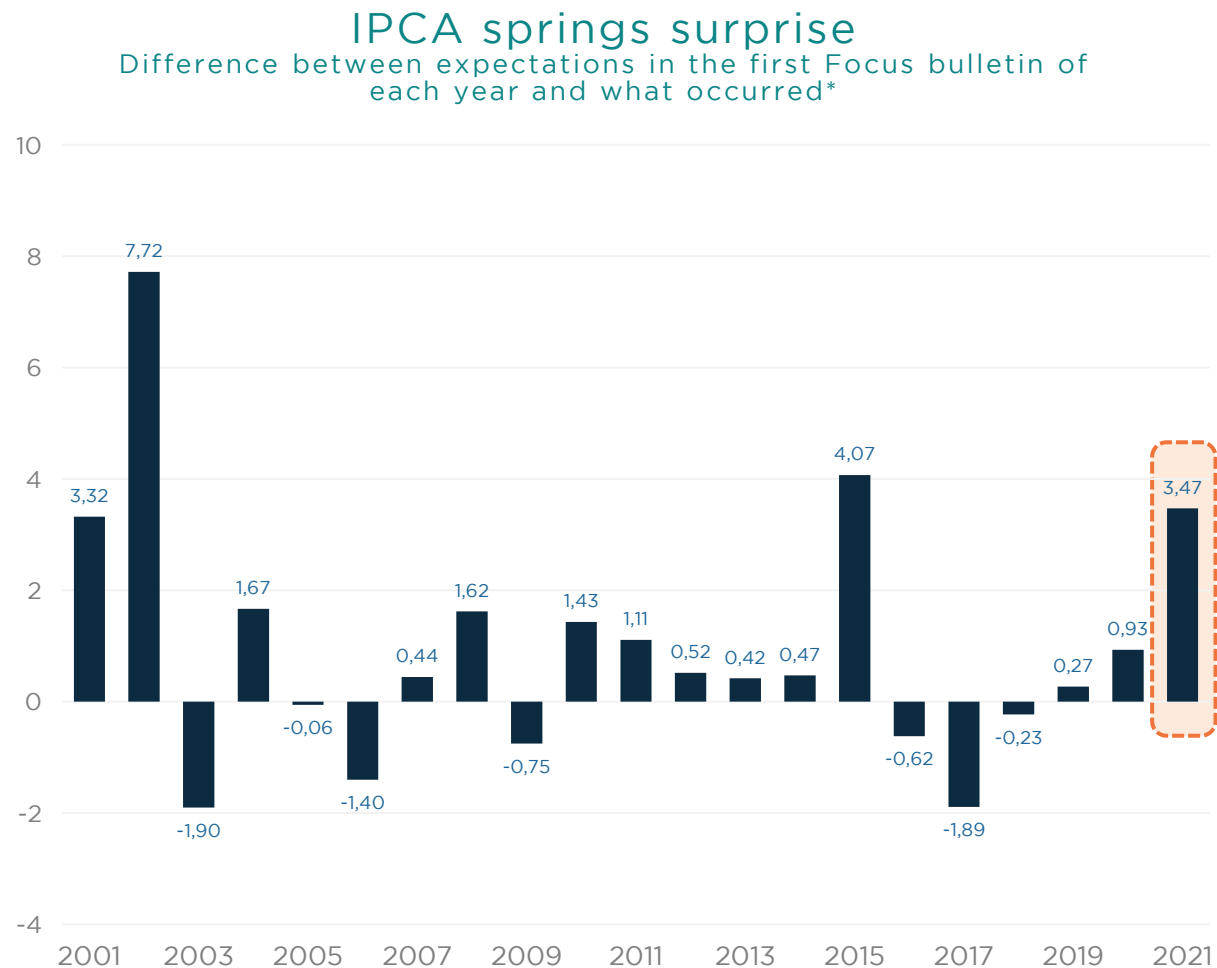


Although the reduction in the compulsory deposit rate in China is modest, it represents a loosening of monetary policy in the region, as shown in the accompanying graph.

The decision seems to indicate that, in sequential terms, the PBOC (People's Bank of China) is now aiming to adjust its policy after several quarters marked by a restrictive stance.

Inflation: 2021 brings a sequence of shocks, with impact on projections

Brazilian Economy



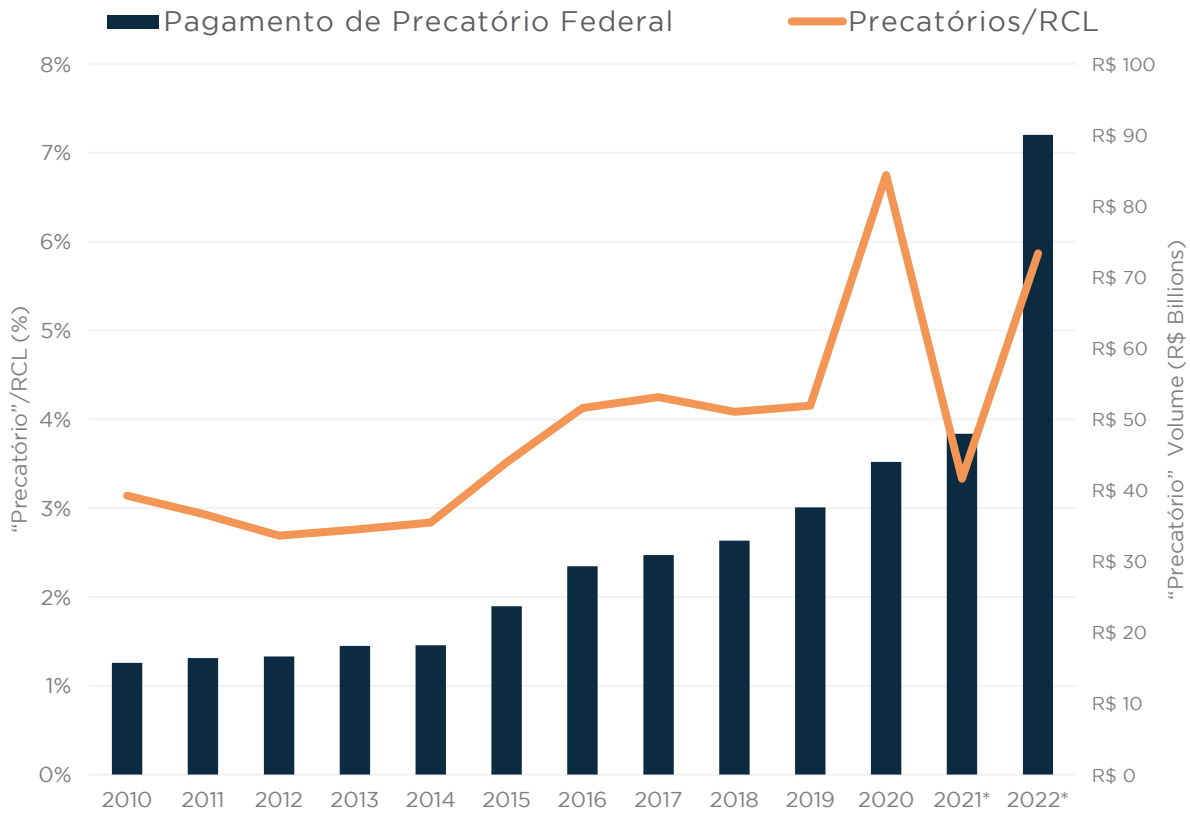
A series of factors this year, such as rising commodity prices, water shortages and agricultural losses caused by climatic factors, have led to an escalation in inflation rates (IPCA).

A comparison of the expectations collected from the beginning of the year with current ones (accompanying graph) shows one of the biggest inflationary surprises of recent times and has led the Central Bank to raise interest rates much faster than imagined.

Fiscal: Payment orders imposed on government threatens spending cap in 2022

Brazilian Economy

Payment of Fines on Government



After a period of relative tranquility in terms of the fiscal outlook for Brazil, the clash between a higher-than-expected amount required of judicial payment orders imposed by the court on the government, known as “precatórios”, (blue column in the accompanying graph) and the expansion of social programs proposed by the federal government has emerged as a new threat to the spending cap.

* Focus Report Projection and Prisma Fiscal
Source: BCB and Turim MFO

Interest rates: Sharp drop in interest rates despite strong economic data

Markets

US: Nominal interest rate

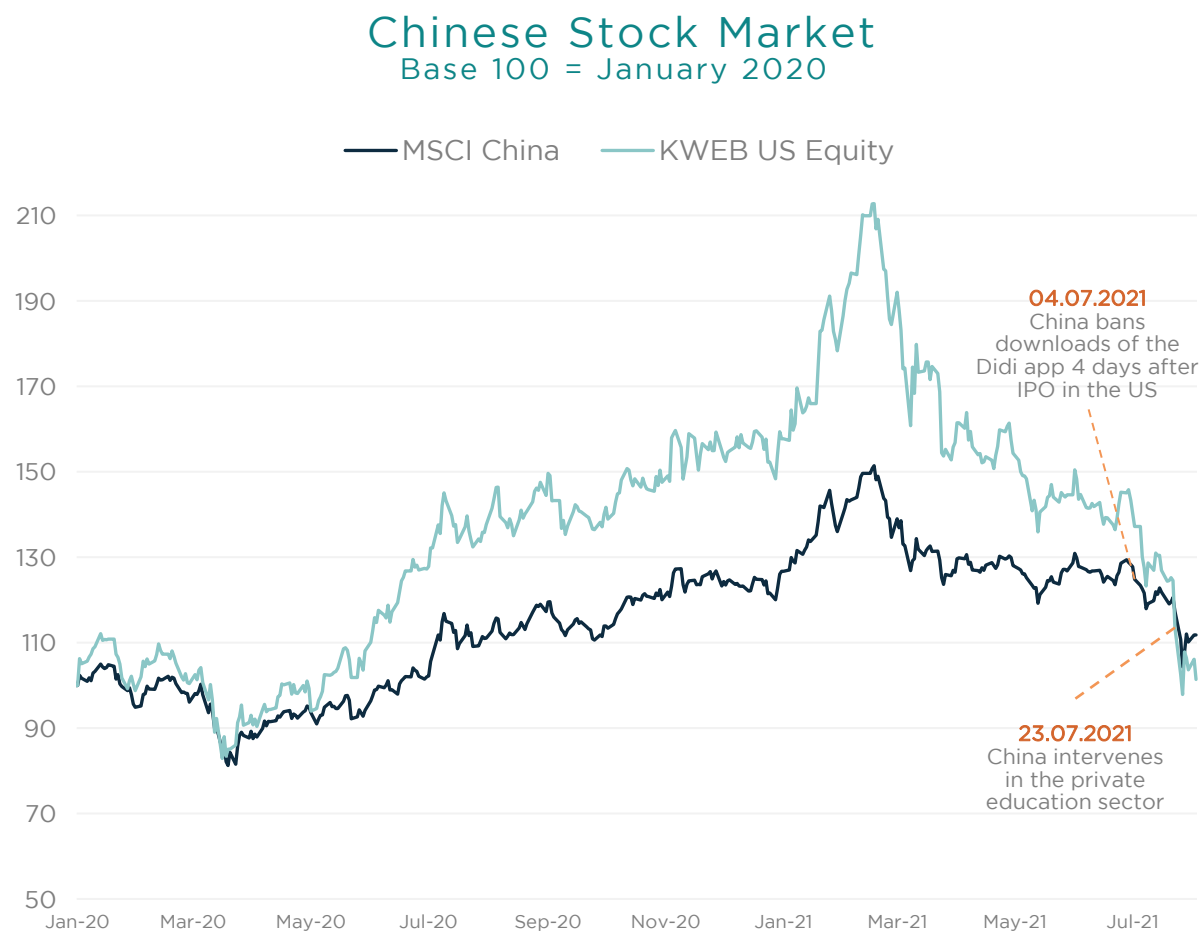


The recent movement of long-term interest rates in the United States has become an outstanding issue since, despite the ongoing inflationary pressures and strong growth data, interest rates on 10-year bonds fell sharply (accompanying graph).

We believe the technical position of financial players who concentrated a large position betting on rising bond rates, helps explain a good part of this movement.

Shares: Regulatory tightening in China has strong impact on the local stock market

Markets



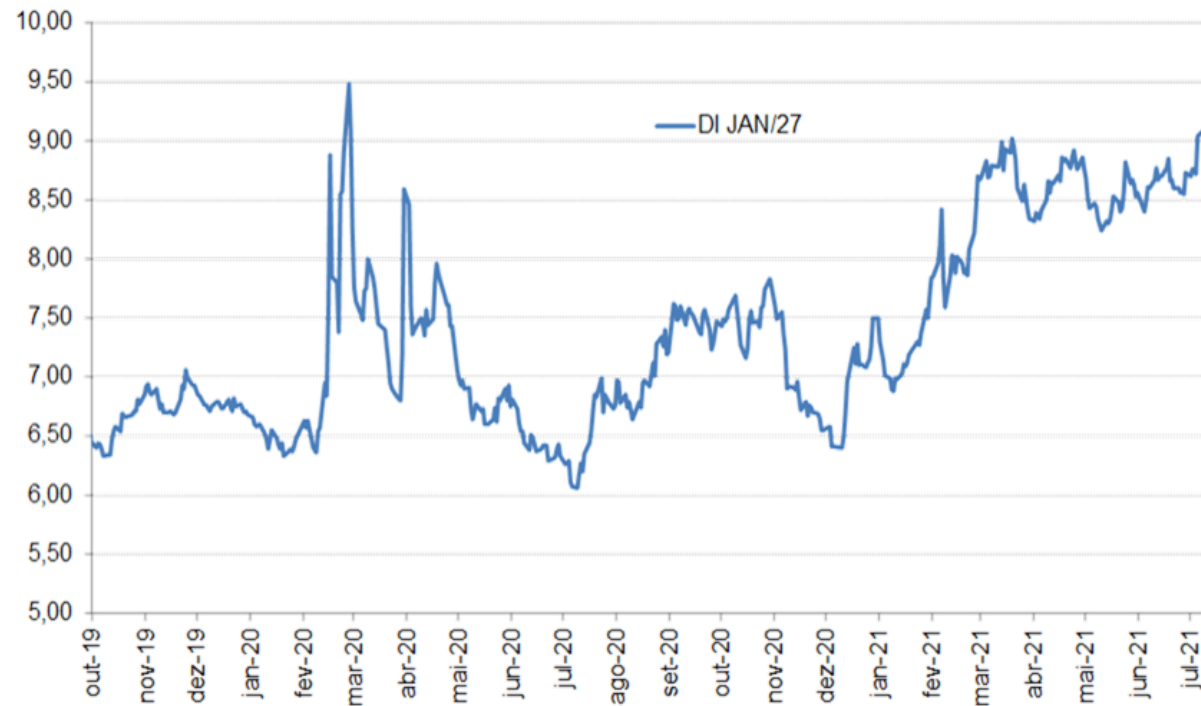
An intense sell-off movement has been seen in China's stock market indexes due to growing concern over state interventions in the private sector dynamics.

The recent example involving companies in the education sector has been a contributory factor to an even sharper drop in recent weeks.

Interest rates: Long-term yield curve returns to levels seen at the height of the Covid-19 crisis

Markets

Futures Contracts

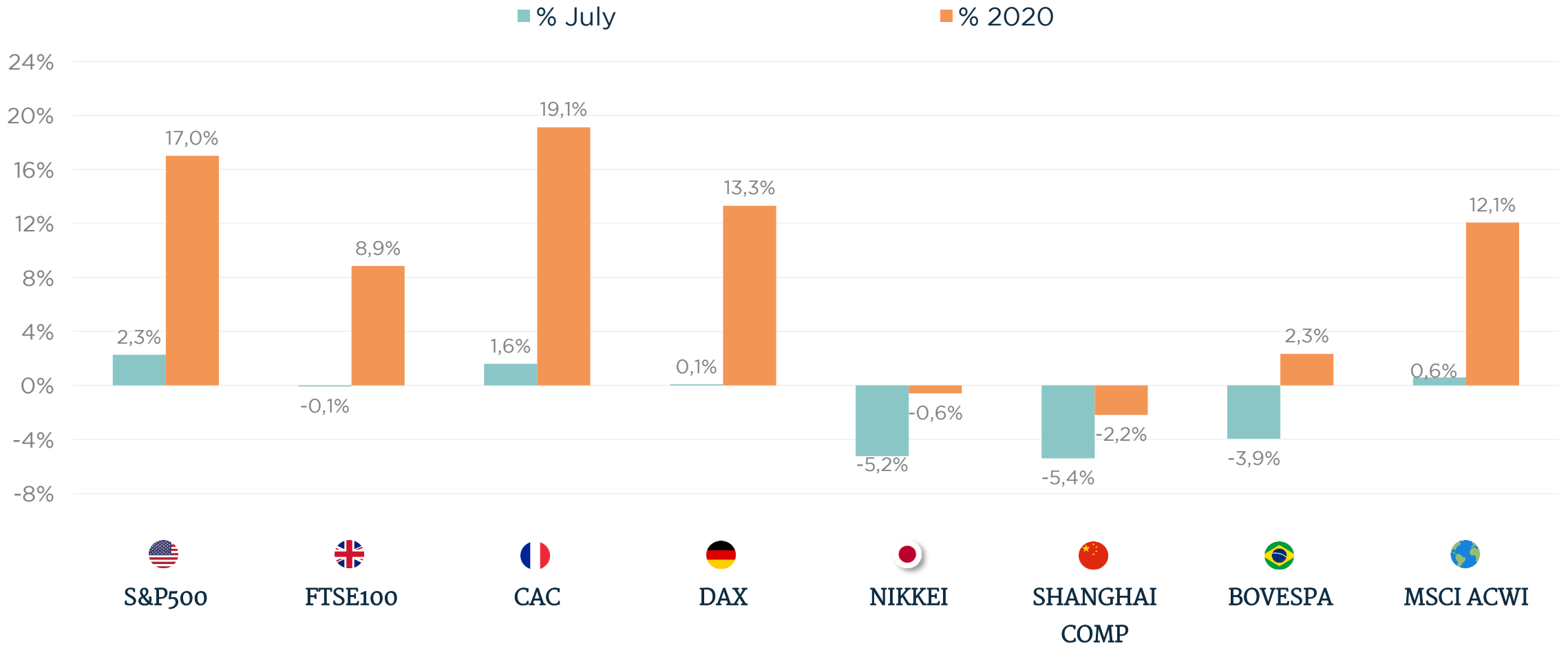


The vertices of the long-term interest rate curve in Brazil are already approaching the peak reached at the beginning of the crisis, as shown in the accompanying graph.

This rise is due to a series of factors that range from macroeconomic aspects, such as the country's recurring fiscal risk, to technical factors, such as the search for long-term interest rate hedges at the expense of similar positions in foreign currency.

Stock Markets

Markets



Indexes

	% July	Value on 30.07.2021	% 2021	% 12 months
Commodities				
OIL WTI	0.7%	73.95	52.8%	88.3%
GOLD	2.5%	1,814.19	-4.2%	1.9%
Currencies (in relation to the US\$)				
EURO	0.10%	1.1870	-3.5%	5.7%
GBP	0.5%	1.3904	2.0%	12.1%
YEN	1.3%	109.7200	-6.0%	-1.6%
REAL	-4.6%	5.2119	-0.4%	4.9%
Indexes				
S&P500	2.3%	4,395,26	17.0%	41.8%
FTSE100	-0.1%	7,032.30	8, %	14.0%
CAC	1.6%	6,612.76	19.1%	34.0%
DAX	0.1%	15,544.39	13.3%	26.3%
NIKKEI	-5.2%	27,283.59	-0.6%	22.4%
SHANGHAI COMP	-5.4%	3,397.36	-2.2%	13.8%
BOVESPA	-3.9%	121,800,80	2.3%	28.1%
MSCI ACWI	0.6%	724.21	12.1%	38.0%



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