TURIM
MFO

Economic Report

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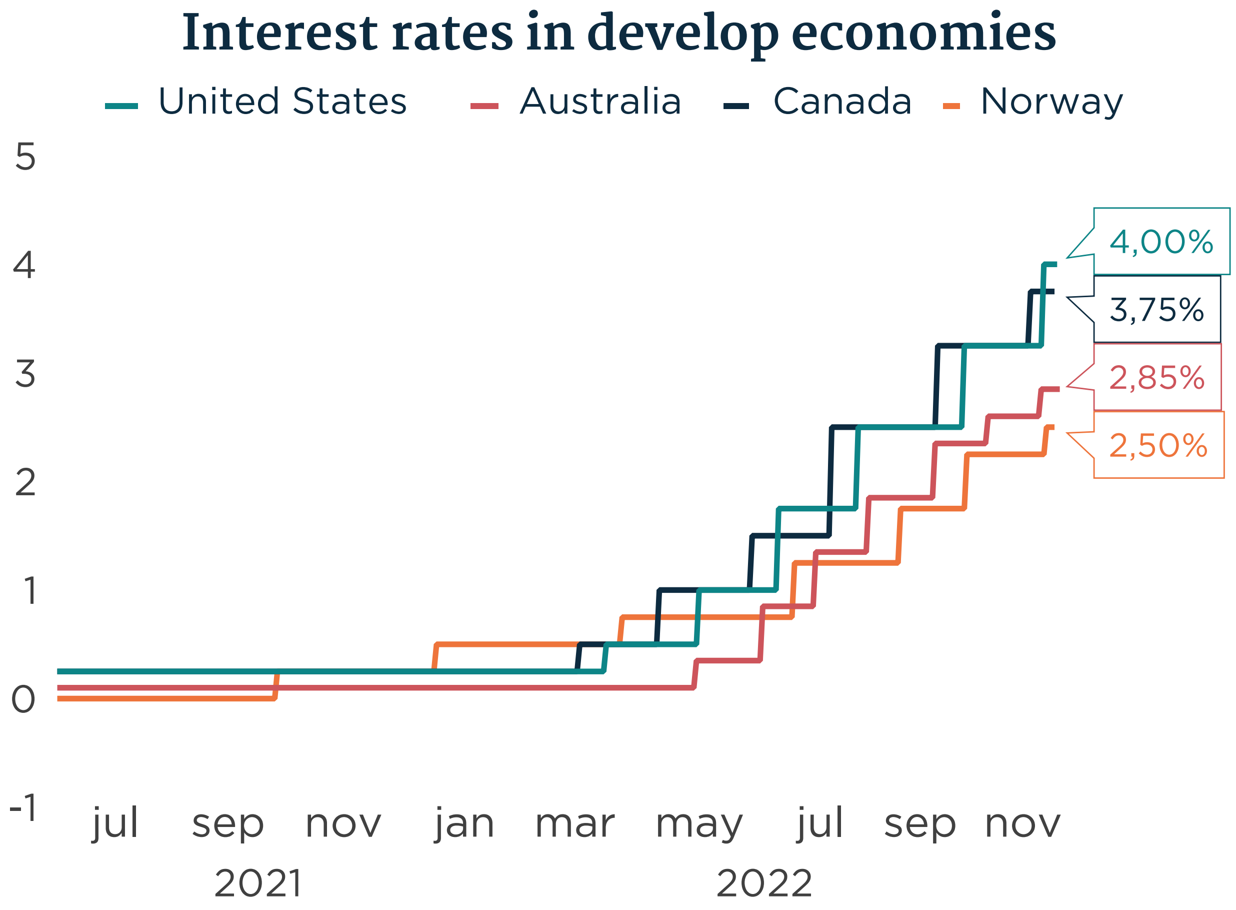
Monetary policy:
Central banks continue to raise interest rates but we are seeing a change in pace

Global Economy



For the first time this year, we are beginning to see more consistent signs of a slowdown in the pace of interest rate increases undertaken by a significant portion of the main central banks.

This movement is being seen in the effective deceleration of hikes, as was the case in Australia, Canada and Norway as well as the changes in tone of the indications of the next steps to be taken by the monetary authorities, as was the case with the European Central Bank, the UK and even the United States.

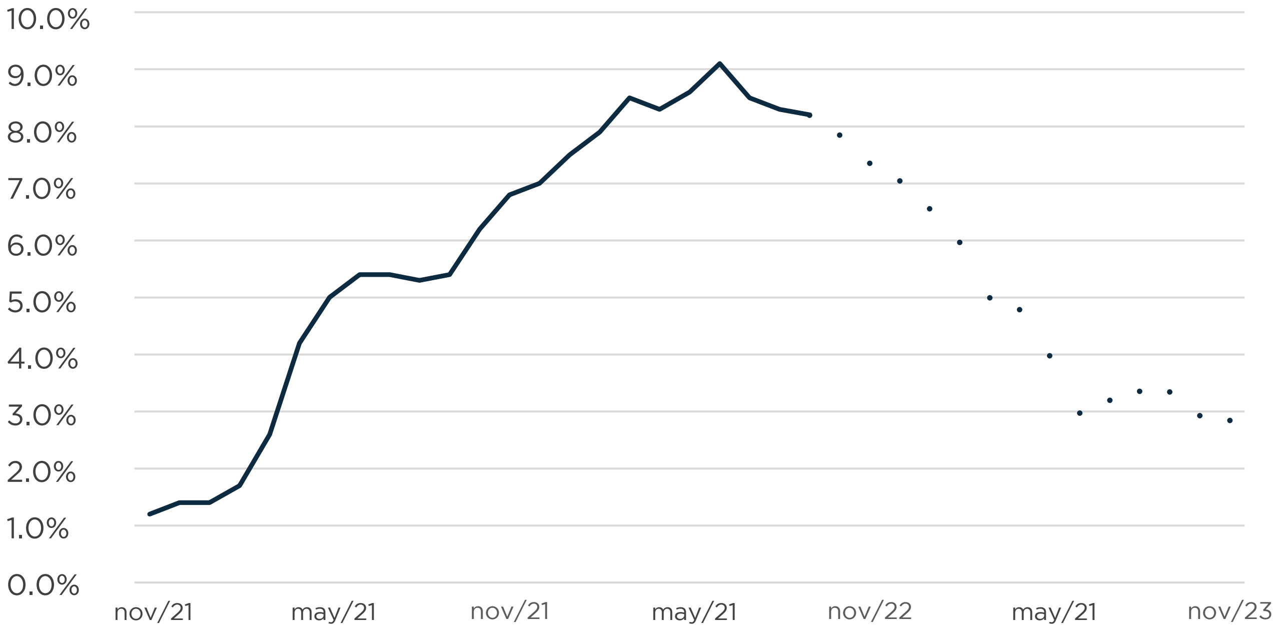
Source: Macrobond

Inflation:
Inflation in the US should fall but the question is related to the the persistence of the core

Global Economy

US CPI and implicit inflation

YoY



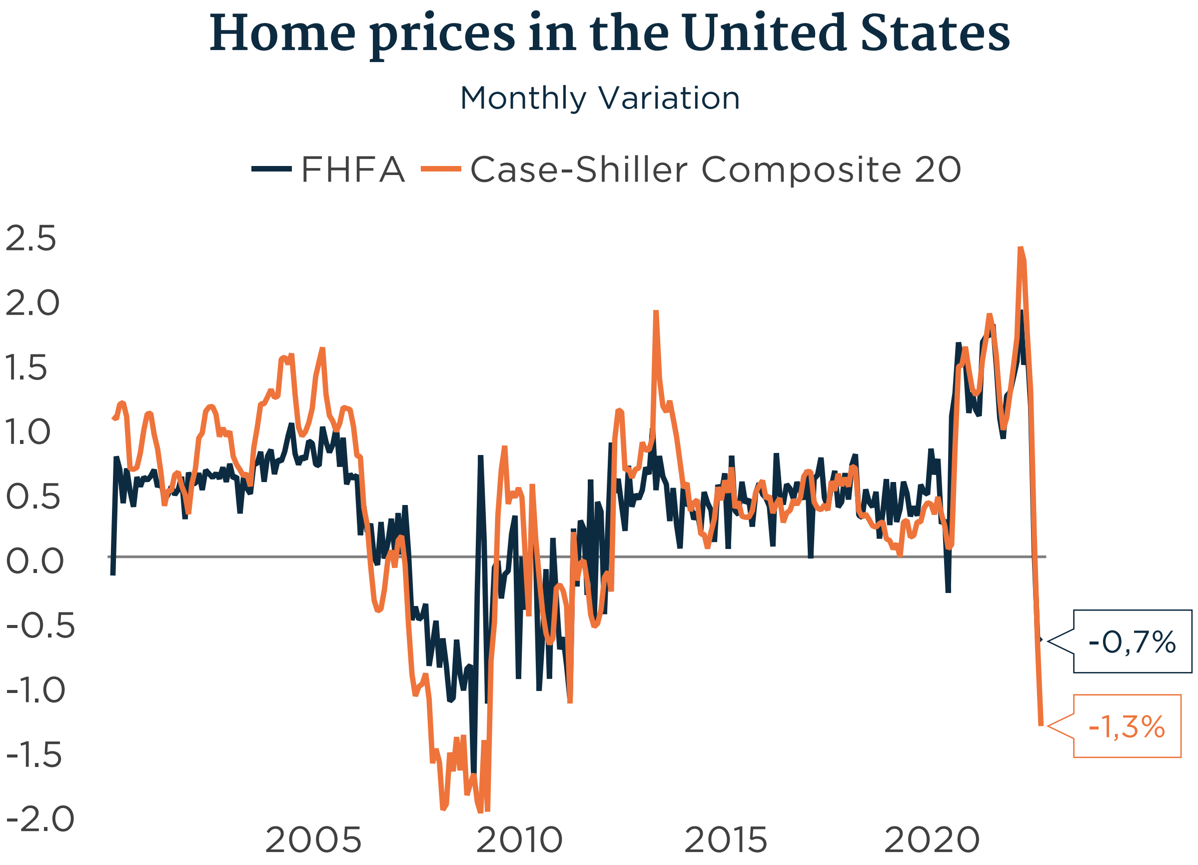
In the particular case of the Federal Reserve, the indication of a probable slowdown in the pace of interest rate hikes which appeared in the latest statement was followed by a separation between the discussion over the speed of hikes and the terminal rate. In this sense, the speech by the Fed chairman, Jerome Powell, at the press conference held immediately after the last meeting of the FOMC (the Fed's monetary policy committee) indicated that the peak of the American interest rates at the end of the hiking process should be higher than the committee had previously estimated.

Against this backdrop, the market still foresees a consistent deceleration of headline inflation in the United States, as seen in the accompanying graph, but there is still great uncertainty over the interest rate that would be needed to counter the advance of underlying inflation.

Source: Morgan Stanley

Real estate sector:
Slowdown in the real estate market already being reflected in property prices and could affect inflation

Global Economy



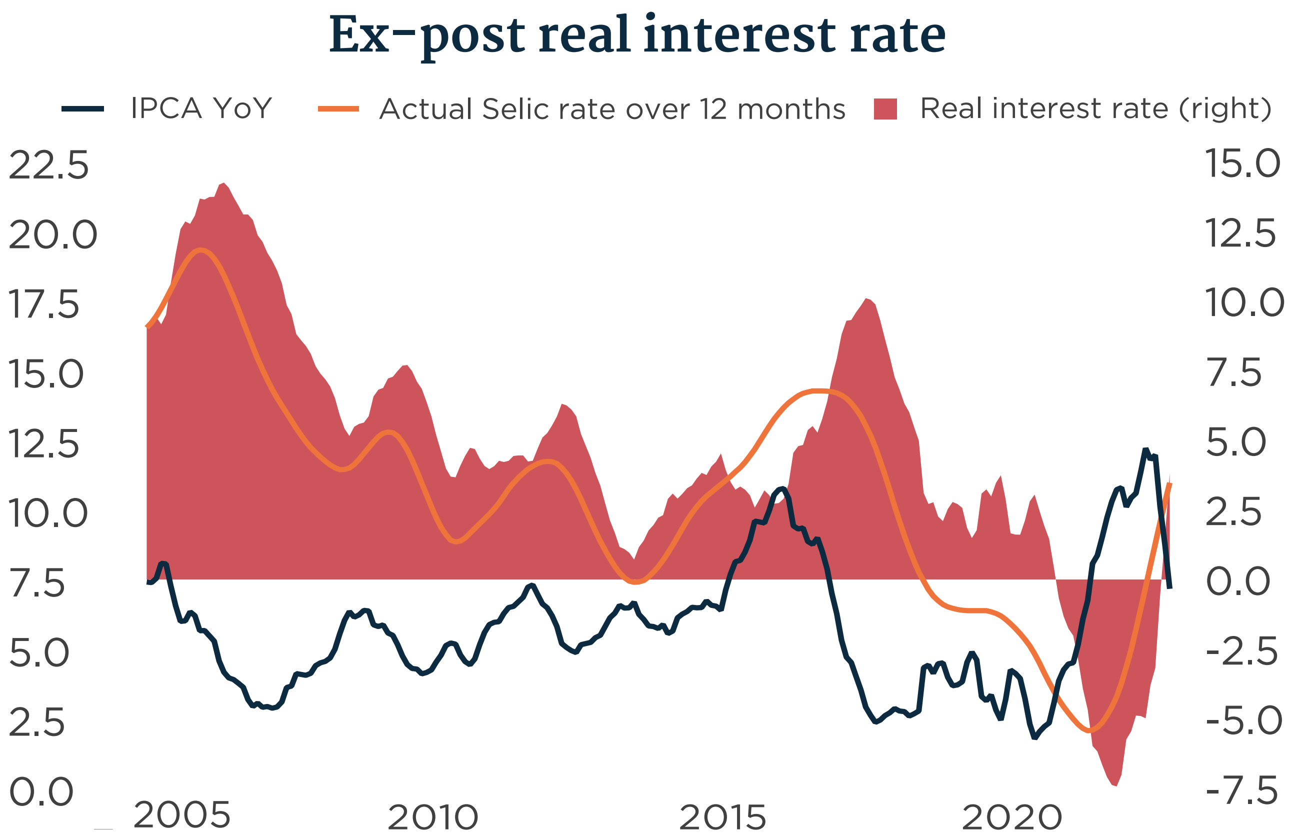
As in many parts of the world, one of the most important and immediate effects of the tightening of monetary conditions in the United States has been seen in the housing market. The sharp rise in mortgage rates has led to a steep drop in home sales and has also led more recently to a fall in the prices of these homes.

The forces at work on prices in this market are particularly interesting in terms of their potential implications for U.S. inflation, especially in items linked to renting which have been coming under a lot of pressure in the current cycle.

Source: Macrobond

Monetary policy:
Signs of monetary tightening are beginning to become clearer

Brazilian Economy



The Brazilian Central Bank which started and ended its cycle of raising interest rates earlier than most of its peers is already recognizing some clearer effects of the monetary tightening. In its latest minutes, the COPOM stressed that effects of the monetary policy could already be identified in economic activity and credit statistics, highlighting the composition of household loan concessions and the moderate rise in default.

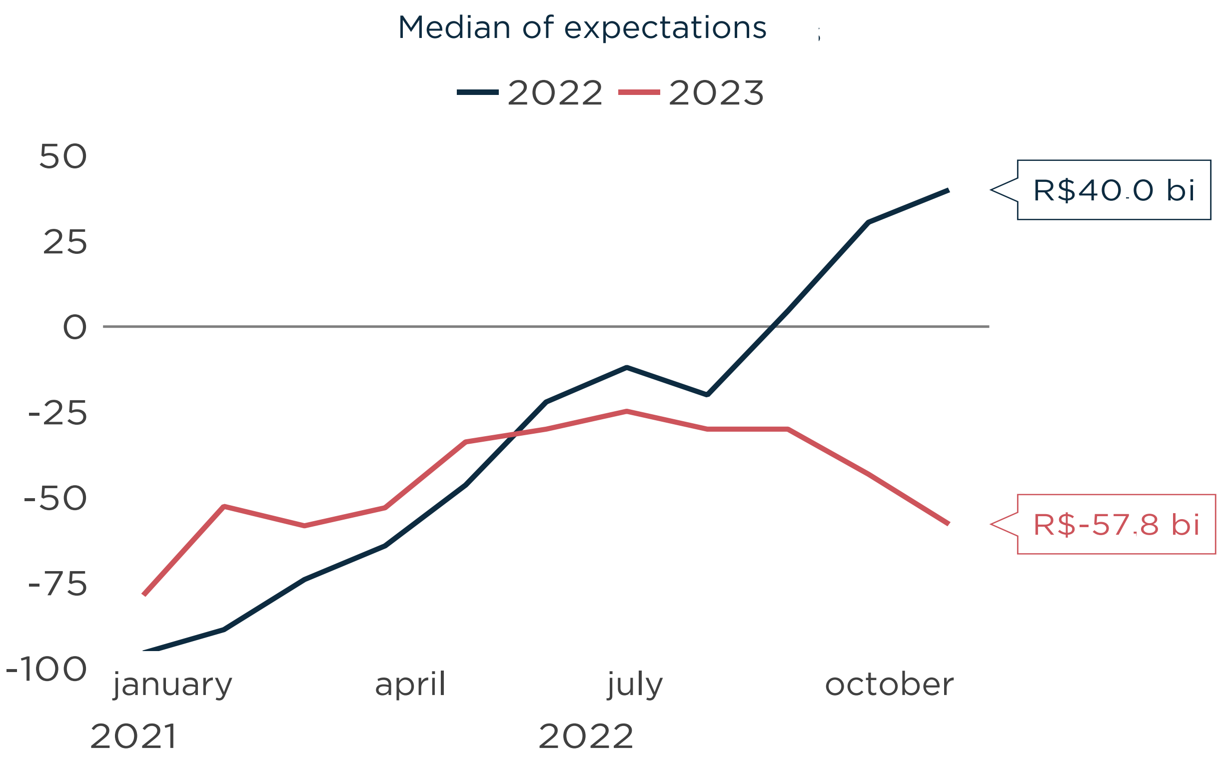
The accompanying graph shows how only recently the real interest rate realized (in one-year horizons) has become positive, reflecting the simultaneous rise in interest rates and fall in inflation.

Source: Macrobond

Fiscal:
Constitutional amendment discussion in the transition brings the fiscal issue back into the spotlight

Brazilian Economy

Fiscal Expectations: central government primary result



Source: Macrobond

With the result of the presidential elections and the preparations for the transition to the new government, the fiscal agenda has become an important issue for the markets once again. The proposals aired so far, along with the names of people who may form part of the new president's economic team, are causing growing volatility in the financial market.

The discussion is taking place at a time when the public accounts are in a relatively comfortable position, thanks to high inflation, high commodity prices and strong economic growth. Nevertheless, expectations for the government's balance next year continue to deteriorate, as can be seen in the expectations of market players in the accompanying graph.

Shares:
Strong correction in Chinese assets following Communist Party congress

Global Markets

Developments at the 20th National Congress of the Chinese Communist Party, which defined the main names of the party led by Xi Jinping, led to an extremely negative reaction in the markets. The consensus view is that the event contributed to the concentration of even more power in the hands of the president. The graph shows the performance of the Chinese stock market since the 1990s, highlighting the fact that its return since then has been practically nil.

Source: Bloomberg, Turim MFO

Risk Assets:
A year of generalized corrections

Global Markets

*figures up to 08/11/2022

Returns (%) Total Return	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
US Tsy	13,7%	-3,6%	5,9%	9,8%	2,0%	-2,7%	5,1%	0,8%	1,0%	2,3%	0,9%	6,9%	8,0%	-2,3%	-14,7%
US Long Tsy	24,0%	-12,9%	9,4%	29,9%	3,6%	-12,7%	25,1%	-1,2%	1,3%	8,5%	-1,8%	14,8%	17,7%	-4,6%	-33,7%
US Aggregate	5,2%	5,9%	6,5%	7,8%	4,2%	-2,0%	6,0%	0,5%	2,6%	3,5%	0,0%	8,7%	7,5%	-1,5%	-15,9%
Global Agg	4,8%	6,9%	5,5%	5,6%	4,3%	-2,6%	0,6%	-3,2%	2,1%	7,4%	-1,2%	6,8%	9,2%	-4,7%	-20,0%
APAC Agg	22,6%	0,0%	17,2%	7,3%	-7,0%	-14,6%	-6,8%	-0,5%	5,3%	5,2%	2,7%	3,7%	6,6%	-5,0%	-18,7%
Global EM	-14,8%	34,2%	12,8%	7,0%	17,9%	-4,1%	4,8%	1,3%	9,9%	8,2%	-2,5%	13,1%	6,5%	-1,7%	-20,6%
US Agency	9,3%	1,5%	4,4%	4,8%	2,2%	-1,4%	3,6%	1,0%	1,4%	2,1%	1,3%	5,9%	5,5%	-1,3%	-9,4%
US Municipals	-2,5%	12,9%	2,4%	10,7%	6,8%	-2,6%	9,1%	3,3%	0,2%	5,4%	1,3%	7,5%	5,2%	1,5%	-12,3%
S&P 500	-37,0%	26,5%	15,1%	2,1%	16,0%	32,4%	13,7%	1,4%	12,0%	21,8%	-4,4%	31,5%	18,4%	28,7%	-18,6%
NASDAQ	-41,6%	54,6%	20,1%	3,7%	18,4%	36,9%	19,4%	9,8%	7,3%	33,0%	0,0%	39,5%	48,9%	27,5%	-31,7%
Dow Transports	-21,4%	18,6%	26,7%	0,0%	7,5%	41,4%	25,1%	-16,8%	22,3%	19,0%	-12,3%	20,8%	16,5%	33,2%	-15,0%
Oil (CL1)	-53,5%	77,9%	15,1%	8,2%	-7,1%	7,2%	-45,9%	-30,5%	45,0%	12,5%	-24,8%	34,5%	-20,5%	55,0%	18,2%
Gold (GOLDS)	5,8%	24,4%	29,6%	10,1%	7,1%	-28,3%	-1,4%	-10,4%	8,1%	13,5%	-1,6%	18,3%	25,1%	-3,6%	-6,4%
MSCI EM	-54,5%	74,5%	16,4%	-20,4%	15,1%	-5,0%	-4,6%	-17,0%	8,6%	34,3%	-16,6%	15,4%	15,8%	-4,6%	-26,9%
MSCI DM	-42,0%	26,4%	9,4%	-7,5%	13,3%	24,1%	3,0%	-2,7%	5,4%	20,2%	-10,5%	25,4%	13,8%	19,9%	-21,0%
Portfólio 60/40	-20,1%	18,3%	11,7%	4,4%	11,3%	18,6%	10,6%	1,1%	8,2%	14,5%	-2,6%	22,4%	14,0%	16,6%	-17,5%

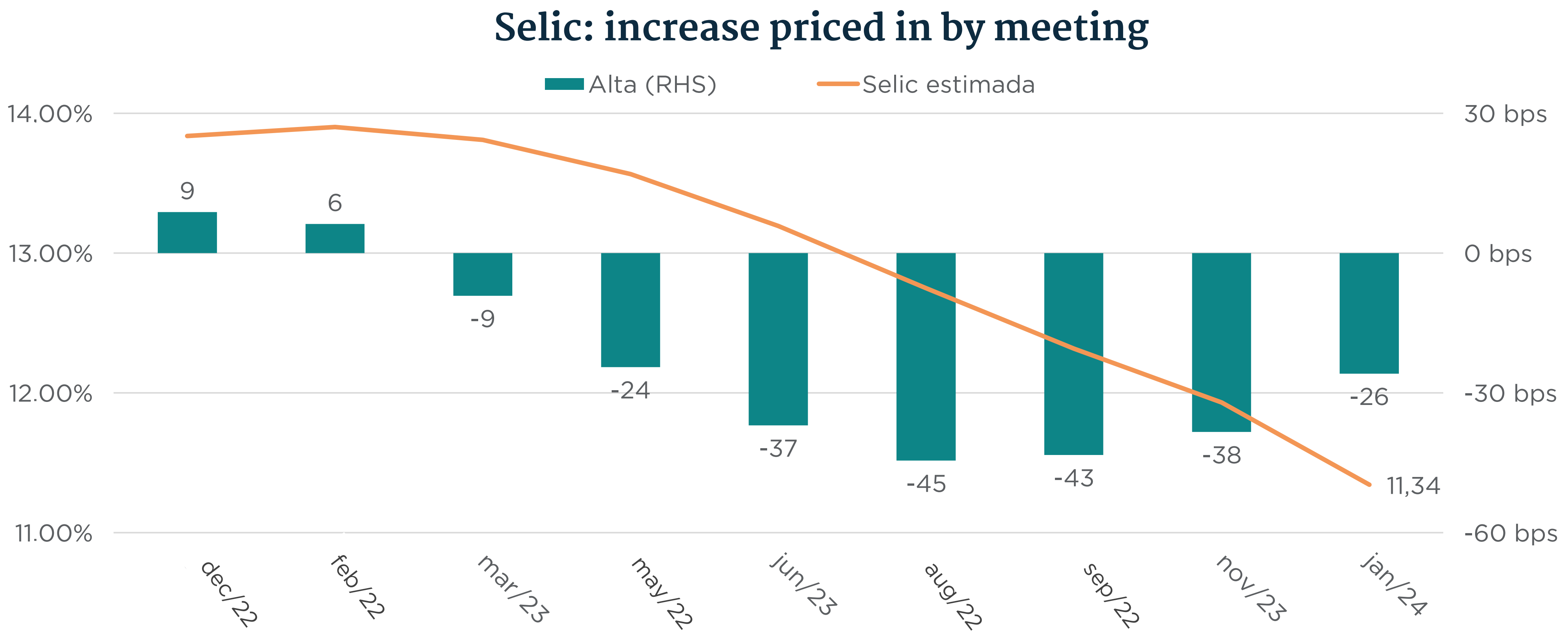
The above table shows the annual returns from 2008 to 2021 and the accumulated return to date in the year 2022 for a series of different financial assets. The difficulty of obtaining a positive performance in either the fixed income or variable income markets is obvious.

Source: Bloomberg, Turim MFO

Fixed Income:
Despite cuts factored into the curve, real long-term interest rates remain high

Local Market

*figures from 08/11/2022



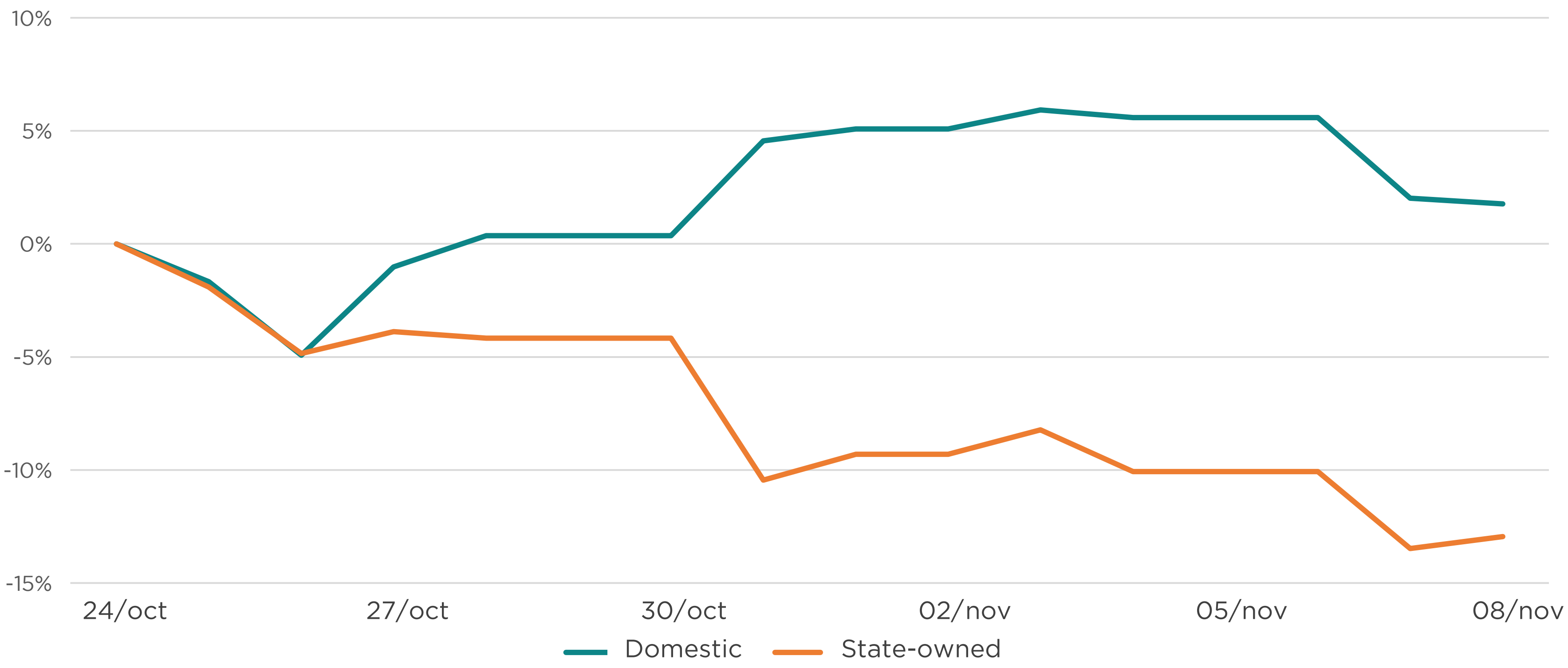
Following the latest meetings of the COPOM which pointed to the end of the cycle of interest rate hikes in Brazil, the market started discussing when any cycle of cuts in interest rates would begin. However, the still uncertain fiscal policy will be the determining factor in shaping this curve.

Source: Bloomberg, Turim MFO

Shares:
Dichotomy between Ibovespa sectors in the post-election period

Global Markets

State-owned vs domestic shares



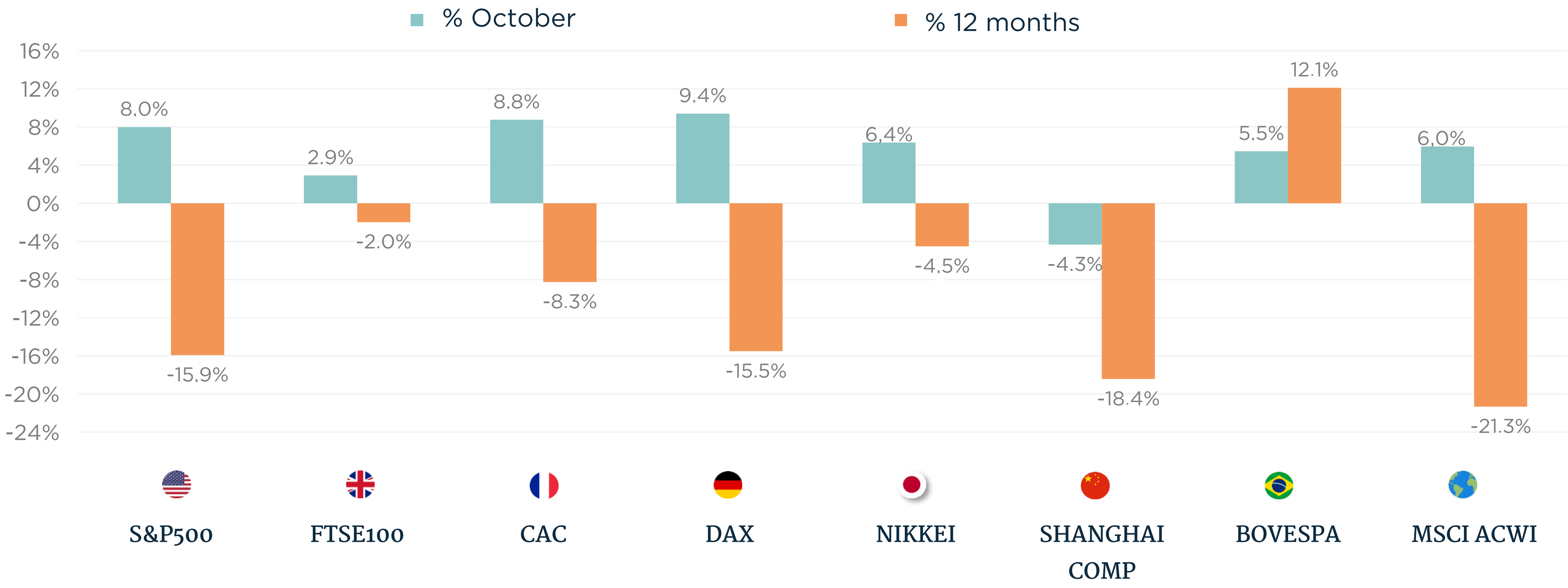
*Shares owned by Federal government: Petrobras and Banco do Brasil
**Domestic shares: Ibovespa excluding state-owned and exporters

In the local stock market, the period immediately before the election until the following weeks was marked by a more favorable movement for domestic stocks vis-à-vis state-owned companies. This movement was largely due to market expectations over the way the economy and the public administration will be conducted under the new government.

Source: Bloomberg, Turim MFO

Stock Markets

Markets



Indexes

	% October	Value on 31/10/2022	2022%	% 12 months
COMMODITIES				
OIL WTI	8.9%	86.53	12.4%	3.5%
GOLD	-1.6%	1,633.56	-10.7%	-8.4%
CURRENCIES (IN RELATION TO THE US$)				
EURO	0.8%	0.99	-13.1%	-14.5%
GBP	2.7%	1.15	-15.2%	-16.2%
YEN	-2.7%	148.71	-22.6%	-23.4%
REAL	4.6%	5.18	7.6%	8.8%
INDEXES				
S&P500	8.0%	3,871.98	-18.8%	-15.9%
FTSE100	2.9%	7,094.53	-3.9%	-2.0%
CAC	8.8%	6,266.77	-12.4%	-8.3%
DAX	9.4%	13,253.74	-16.6%	-15.5%
NIKKEI	6.4%	27,587.46	-4.2%	-4.5%
SHANGHAI COMP	-4.3%	2,893.48	-20.5%	-18.4%
BOVESPA	5.5%	116,037.08	10.7%	12.1%
MSCI ACWI	6.0%	586.37	-22.3%	-21.3%

*Amounts and Results in local currency

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