TURIM

Economic Report

August 2023

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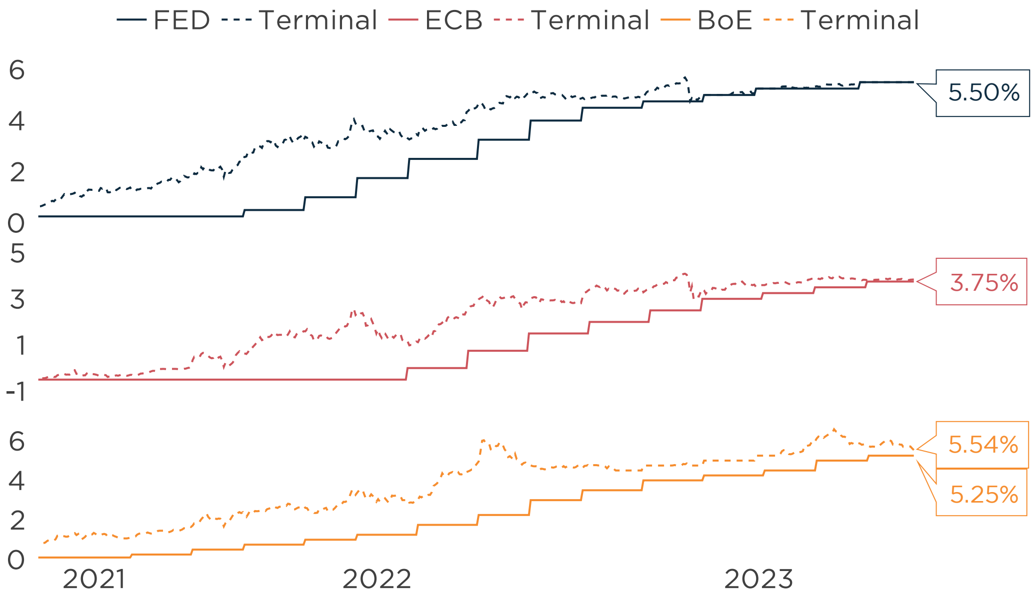
Monetary Policy: Jackson Hole confirmed main central banks' sensitivity in relation to economic data

Global Economy

Interest rates of the main central banks

One day and terminal rate priced in



Terminal rate = expected peak of interest rates

*Updated to 08/09/2023

In a brief speech at the Jackson Hole Symposium*, Federal Reserve chairman Jerome Powell maintained a tough tone, concluding that the FOMC (the Fed's Monetary Policy Committee) would take all data and the balance of risks' development into account when deciding whether to further tighten the monetary policy or keep interest rates on hold at the next meeting.

The accompanying graph shows that the interest rate futures market no longer expects further interest rate hikes in the United States. Likewise, interest rates in the Eurozone also seem to have peaked whereas the expectation in the UK is for just one or two more increases of 25 basis points.**

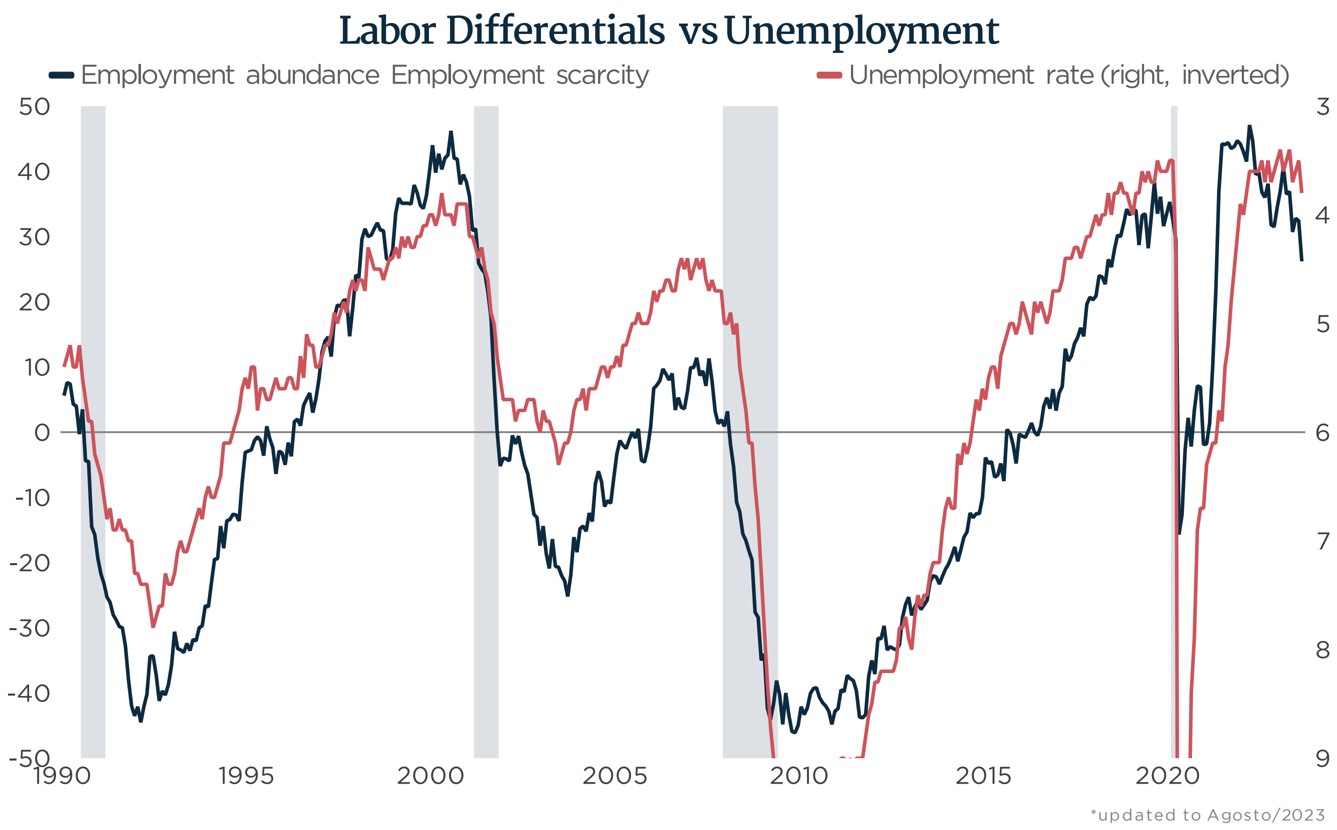
** The Federal Reserve's Economic Policy Symposium held in Kansas City, better known as Jackson Hole, is one of the oldest central bank conferences and brings together economists, financial market players, academics, US government representatives and the media, to discuss economic policy issues of great importance for the future.*

*** 1 basis points or 1 bp = 0.01% or 1/100 percentage point*

Source: Macrobond

Labor market:
Numbers showed moderation in sequential terms

Global Economy



The latest round of economic data showed a moderation in the labor market. It is worth highlighting the significant drop in the number of vacancies and the sharp rise in the unemployment rate (from 3.5% to 3.8%) due to the increase in the participation rate (from 62.6% to 62.8%). Despite the significant movement in sequential terms, the job market remains very tight.

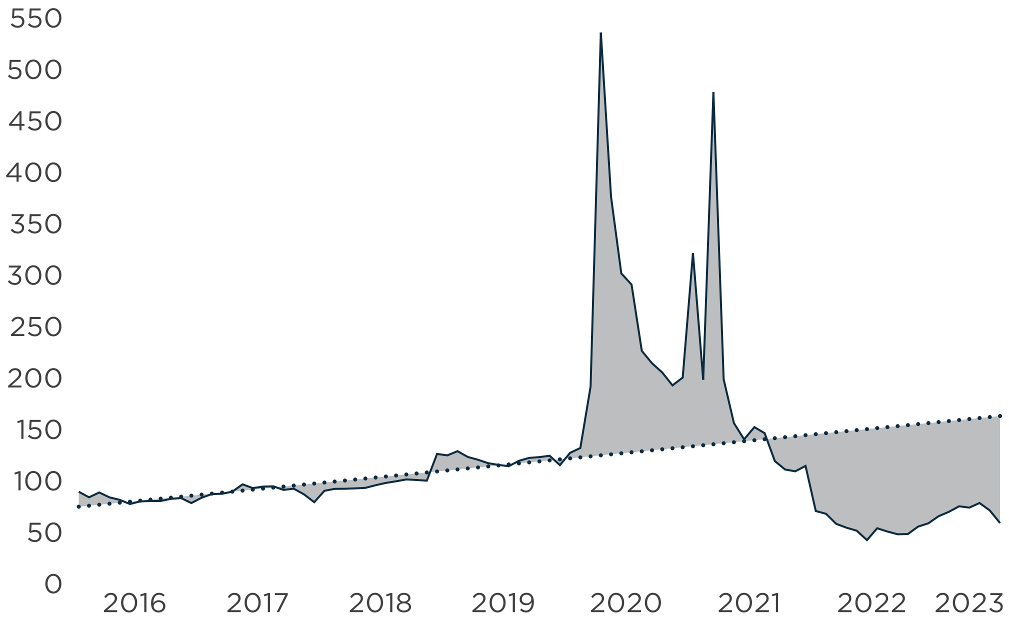
Source: Macrobond

Savings:
Stock of surplus savings acumulated by households during the pandemic seem to be running out

Global Economy

Savings and pre-pandemic trend

Billions of dollars



*Updated to June/2023

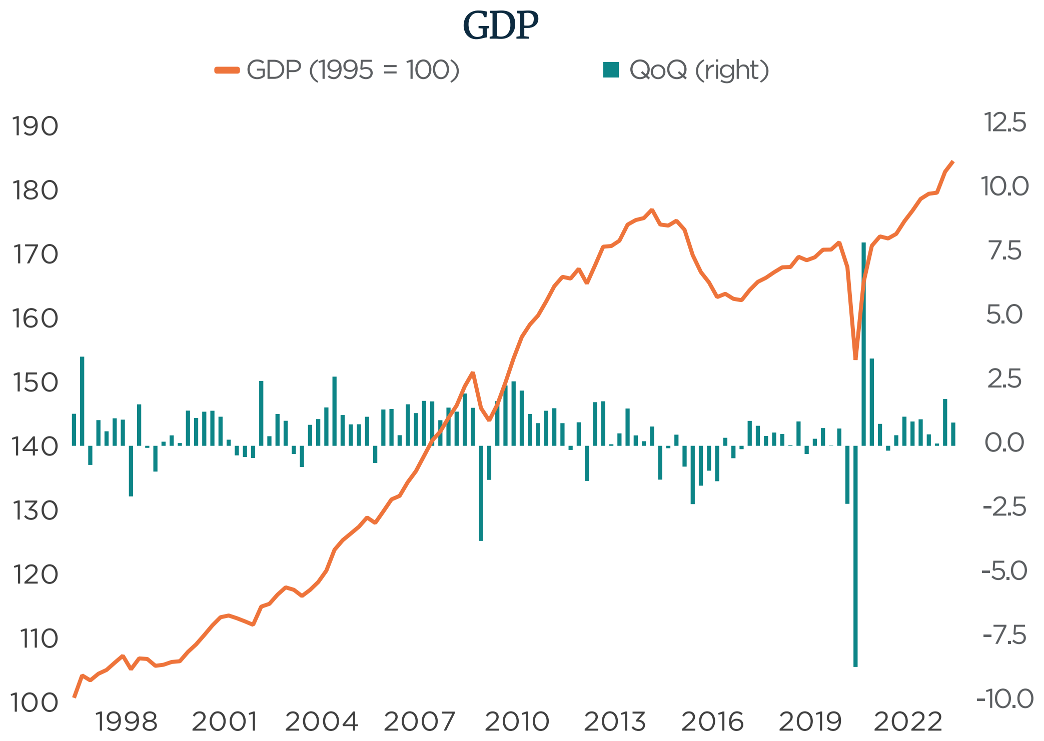
Some of the factors that had been used to justify the resilience of aggregate demand in the United States seem to be losing force sequentially. One of the main factors is the end of the stock of surplus savings accumulated since the pandemic. As the accompanying graph shows, following a period in which there was a great accumulation during the years of restrictive health measures, household savings have been consumed since the economy reopened.

Moreover, the latest figures show an increase in a number of American consumer default metrics which could be reflected in a deterioration in the supply of credit in the near future. These risks are becoming more significant and could lead to a new prospect of a slowdown in the country's growth.

Source: Macrobond

GDP:
Activity continues to surprise in the second semester even discounting the impact of agriculture

Brazilian Economy



*Updated to the 2nd quarter of 2023

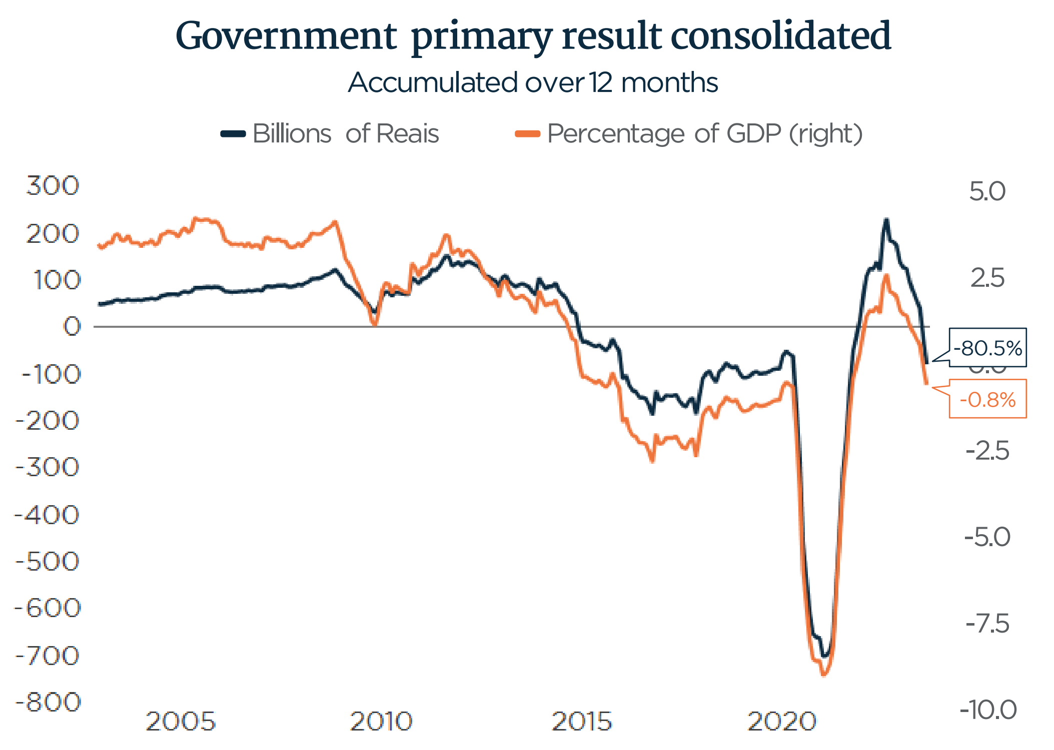
Brazil's GDP in the second quarter was higher than expected once again (0.9% vs. 0.3%). The strong result came despite a correction in the agricultural sector (-0.9%) which had expanded by more than 20% in the first quarter. The result for the period was driven mainly by the resilient labor market and the fiscal stimulus.

Despite the surprise, the market still expects a contraction during the second half of the year. This is shown in the comparison between the statistical carryover for 2023 (3.1%) – i.e. GDP growth if the next two quarters deliver zero growth in the quarterly comparison - and the latest expectations, 2.64%, from the Focus Report (08/09/2023).

Source: Macrobond

Fiscal:
Challenge now is to reconcile the 2024 budget with the new fiscal regulation

Brazilian Economy



*Updated to June/2023

The government sent Congress its proposal for the 2024 budget at the end of August. In line with the targets established in the new fiscal framework, the document foresees a primary result close to zero next year. If this proposal is to be approved, a series of additional measures aimed at increasing revenue will also have to receive congressional approval.

The latest figures show that the public accounts have been deteriorating in sequential terms due to the fall in revenues - which were particularly high in 2022 - and the increase in spending which still reflects measures from the election period and the transition constitutional amendment (PEC).

Source: Macrobond

Interest rates: Long vertices test maximums

Markets

Real interest rates over 10 years

*Updated to 08/09/2023

US interest rates have opened up again in recent weeks, leading long-term rates to revisit levels not seen for more than 10 years. Real interest rates, in particular, are now at levels close to 2% a year, a situation not seen since 2009. It is worth recalling that real interest rates were at a negative level until the middle of last year.

Source: Macrobond

Equities:
Equally weighted indexes maintain gap against the S&P 500

Markets

Performance in the year of variable income indexes

Total return

*Updated to 08/09/2023

August was a tough month for the American stock market mainly due to the interest rate movement. As a result, the S&P 500 along with the tracker funds that reproduce an equally weighted version of the index had a negative performance in the period.

It is worth noting that the difference between the accumulated return of these indexes for the year - and even over the last five years - is still quite high. This raises questions about the possibility of a convergence between the assets and over the time horizon this convergence could occur in.

Source: Macrobond

Exchange rate:
Differential of falling interest rates could be a challenge for the Real

Markets

BRL/USD

*Updated to 08/09/2023

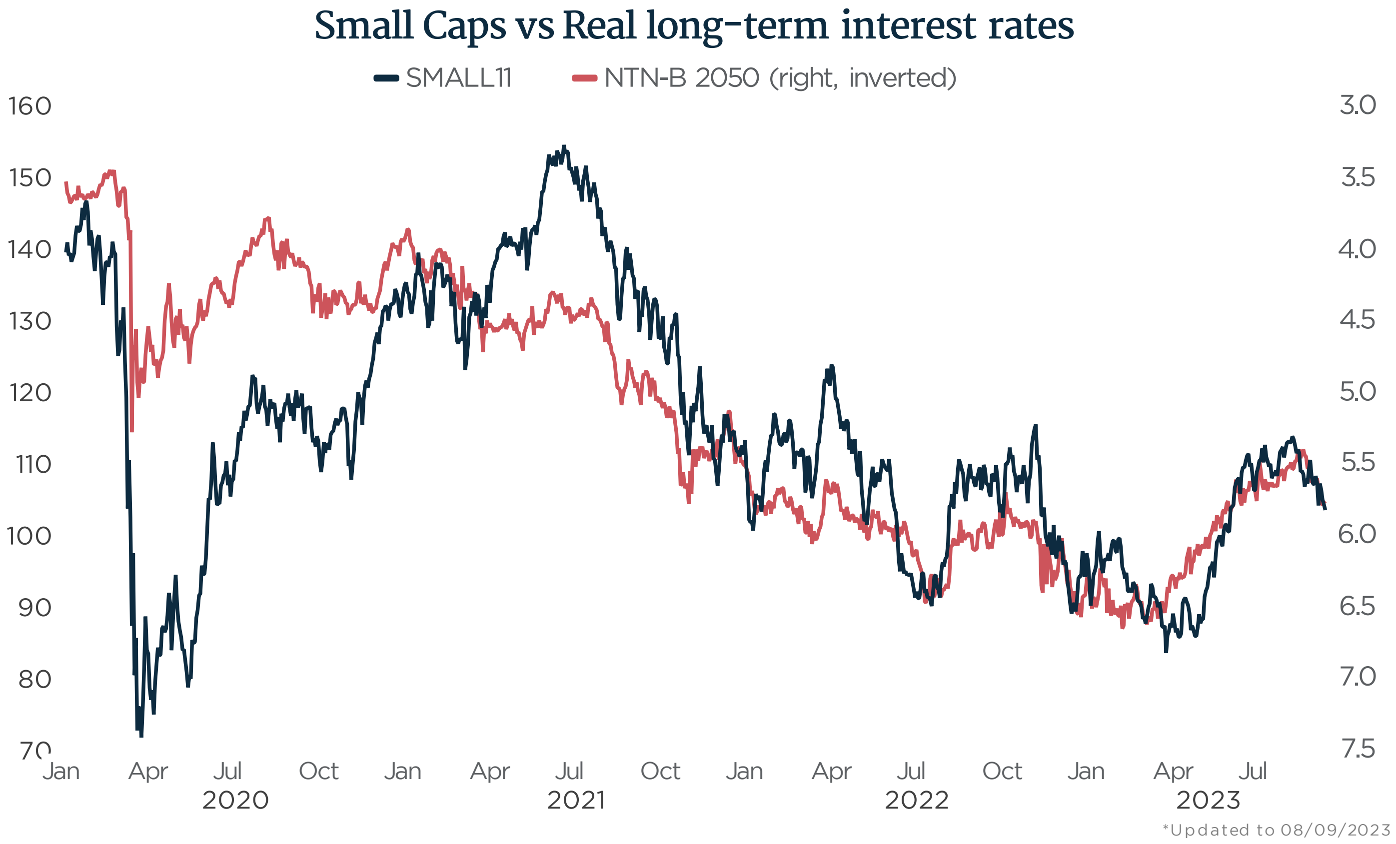
The move to global risk aversion movement and a turbulent political and fiscal environment in Brazil led to another difficult month for the Real which was trading at just under 5 BRL/USD at the beginning of September.

Despite the depreciation in sequential terms, the Real has proved to be resilient, particularly in relation to the performance of similar currencies.

Source: Macrobond

Stock market:
Shares lose force with the opening of the interest rate curve

Markets

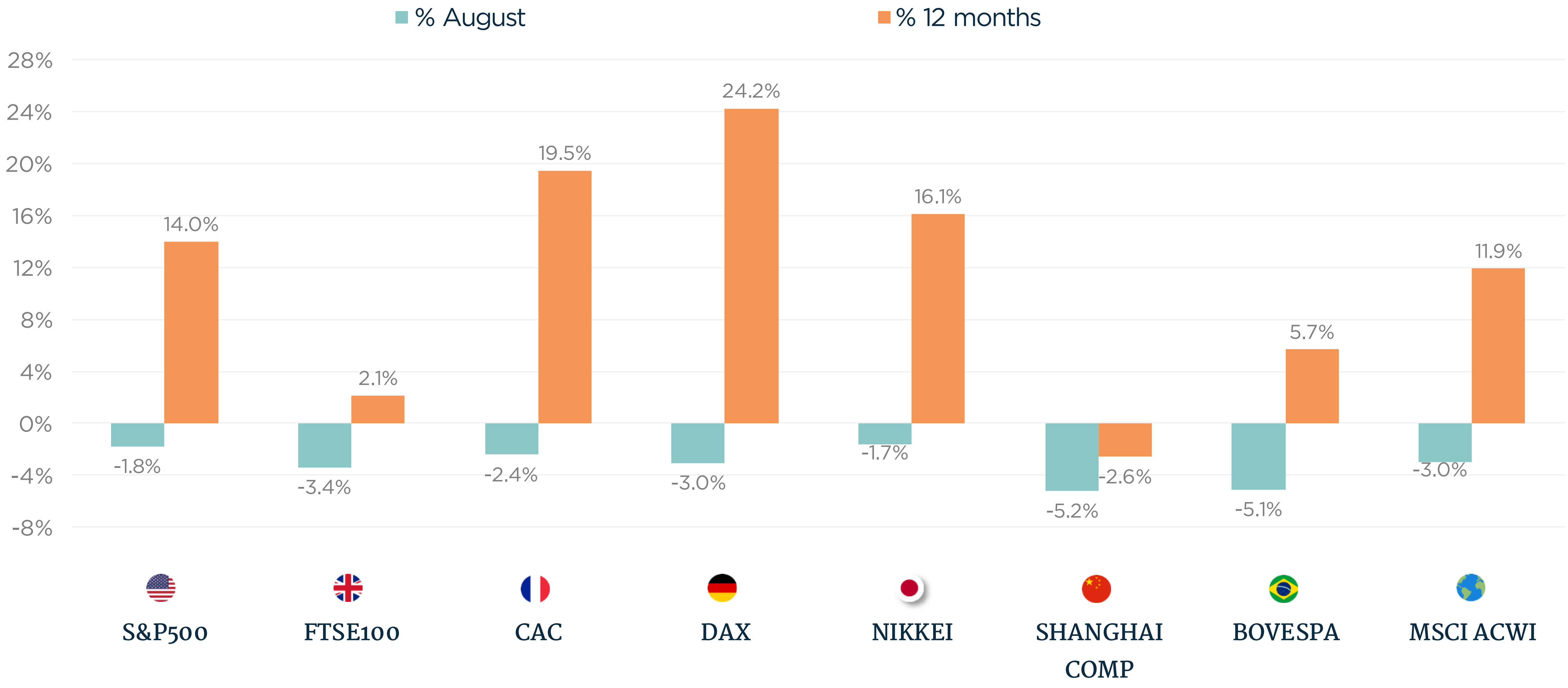


Domestic interest rates showed an upward slope with long-term vertices opening even though short-term vertices closed, which reflect the monetary policy. As a result, the Ibovespa recorded a negative month, with Small Caps, which are usually more sensitive to interest rate movements, being hit in particular.

Source: Macrobond

Stock markets

Markets



Indexes

	Variation August	Value on 31/08/2023	Variation in 2023	Variation 12 months
COMMODITIES				
OIL WTI	2.2%	83.63	4.2%	-6.6%
GOLD	-1.3%	1,940.19	6.4%	13.4%
CURRENCIES (IN RELATION TO THE US$)				
EURO	-1.4%	1.08	1.3%	7.8%
GBP	-1.3%	1.27	4.9%	9.0%
YEN	-2.2%	145.54	-9.9%	-4.5%
REAL	-4.6%	4.96	6.6%	4.6%
INDEXES				
S&P500	-1.8%	4,507.66	17.4%	14.0%
FTSE100	-3.4%	7,439.13	-0.2%	2.1%
CAC	-2.4%	7,316.70	13.0%	19.5%
DAX	-3.0%	15,947.08	14.5%	24.2%
NIKKEI	-1.7%	32,619.34	25.0%	16.1%
SHANGHAI COMP	-5.2%	3,119.88	1.0%	-2.6%
BOVESPA	-5.1%	115,741.81	5.5%	5.7%
MSCI ACWI	-3.0%	686.15	13.3%	11.9%

*Amounts and Results in local currency

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