TURIM

Economic Report

August 2025

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Indice

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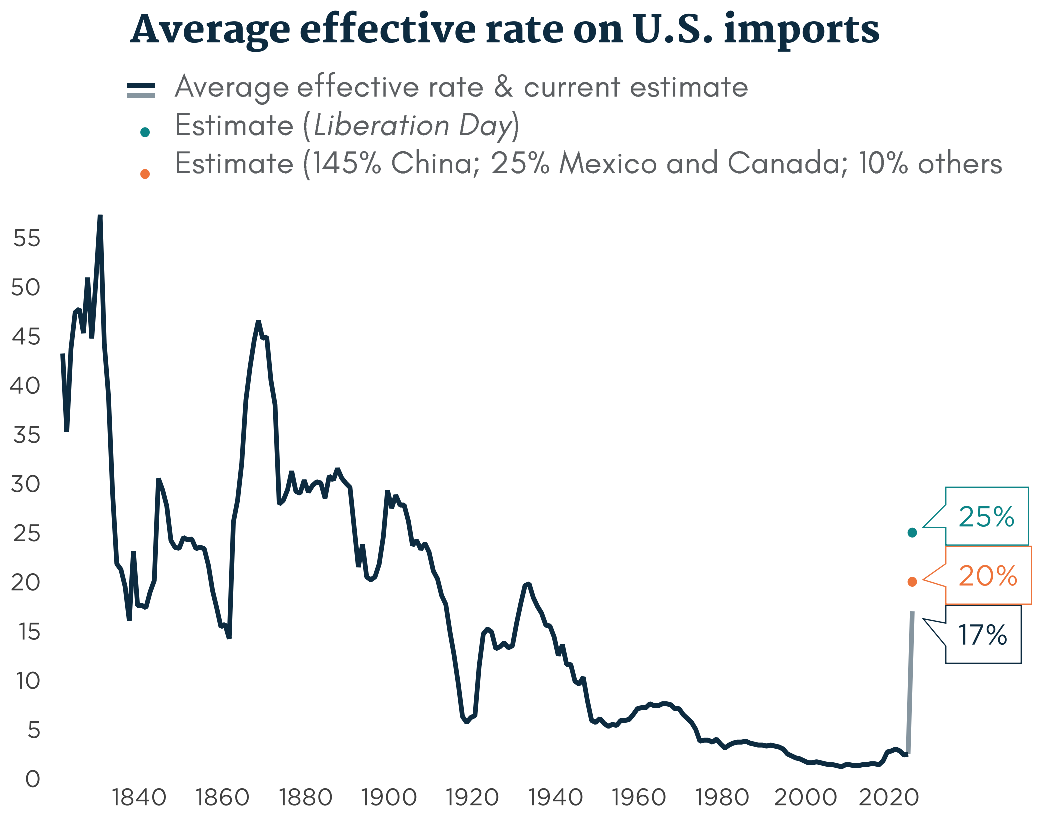
Rates:
Far from the Liberation Day highs, but still at an elevated level
Global



Estimate for 2025 reflects the average rate among various projections

The end of July was marked by a new round of adjustments to the so-called "reciprocal rates," with substantial increases in the rates imposed by the United States on several countries. Among the main highlights are the rates announced for Brazil (50%), Switzerland (39%), and Canada (35%). Even so, effective rates, which take into account exemptions and tax-free items, tend to be significantly more moderate.

On an aggregate basis, the global reference for the minimum effective rate appears to have risen from 10% to a range between 15% and 20%, reflecting the impact of recent measures on international trade.

The chart on the left illustrates the historical evolution of the average effective U.S. import rate and presents estimates for 2025. It shows that the most recent projections (around 17%) remain below the levels initially speculated on Liberation Day (20% to 25%), yet still represent a significant increase compared to the levels observed until last year.

Source: Tax Foundation, Turim

Monetary Policy:
Trump to announce Kugler's successor soon
Global

Composition of the Board of Governors of the FOMC

Member	Term End Date
Jerome H. Powell	Chair: May 15, 2026 Governor: January 31, 2028
Philip N. Jefferson	Vice Chair: September 7, 2027 Governor: January 31, 2036
Michelle W. Bowman	Vice Chair for Supervision: June 9, 2029 Governor: January 31, 2034
Michael S. Barr	Governor: January 31, 2032
Lisa D. Cook	Governor: January 31, 2038
Adriana D. Kugler	Governor: ~~January 31, 2026 (resigned)~~
Christopher J. Waller	Governor: January 31, 2030

Source: Federal Reserve

As widely expected, the Federal Open Market Committee (FOMC) — responsible for monetary policy decisions in the United States — kept the federal funds rate unchanged at the 4.25% to 4.50% range during its July meeting. However, the decision saw two dissenting votes — Waller and Bowman — both in favor of a 25 basis point cut.

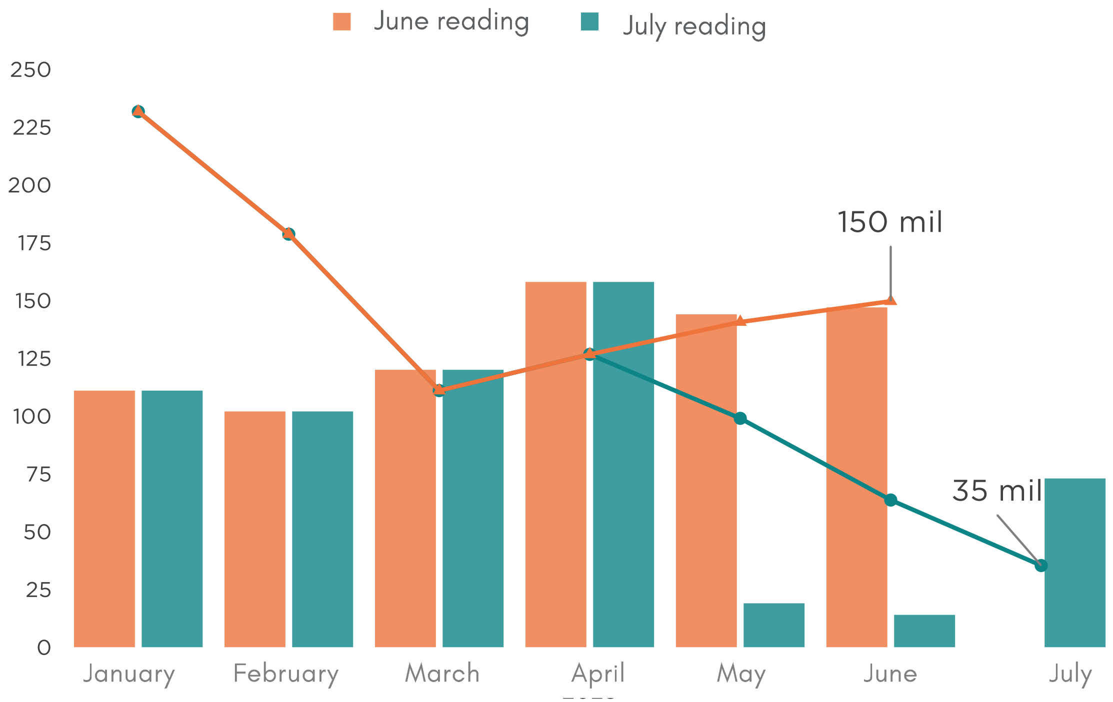
A few days later, Governor Adriana Kugler — who did not attend the meeting — announced her resignation, opening the way for President Donald Trump to appoint a new member to the Federal Reserve Board of Governors ahead of the originally expected timeline.

With Jerome Powell's term as Chair ending in May 2026 (as shown in the table), speculation is growing that Trump may use this opportunity to advance the selection of a successor to the presidency of the Federal Reserve. This choice is significant, as it could directly influence the direction of monetary policy in the coming years. In this context, the appointment of a candidate with a technical profile is likely to be better received by the markets than a nomination with political overtones, which could raise concerns about bias and compromise the institution's credibility.

Employment:
Revisions undermine job creation momentum
Global

Payroll: Net Job Creation

Monthly change and three-month moving averages



The labor market figures came in below expectations in July, especially when considering the impact of revisions to the previous two Payroll reports (the main indicator of job creation in the United States). These revisions subtracted 258,000 jobs from the total initially reported up to the June reading.

As a result, the three-month moving average of net job creation — often used as a trend indicator — dropped sharply from 150,000 to just 35,000, as shown in the chart.

Hours after the data release, President Donald Trump ordered the dismissal of the Director of the Bureau of Labor Statistics, Erika McEntarfer, citing concerns that the numbers may have been manipulated for political purposes. The decision sparked uncertainty over the criteria for appointing new leadership and over the institution's credibility under the new direction.

Source: U.S. Bureau of Labor Statistics, Macrobond, Turim

International Trade:
About 44% of exports to the U.S. are excluded from the 50% Rate

Brazil

Brazilian exports to the United States in 2024

	Value (US$ billions)	Value (% of GDP)	Share (%)
Total	40.4	1.9%	100%
Products subject to the executive order of 07/30: 10% + 40%	14.5	0.7%	35.90%
Products excluded from the executive order of 07/30: Additional Rate of up to 10%	18.0	0.8%	44.60%
Products subject to specific Rates (Section 232): 25% for automobiles and auto parts; 50% for steel, aluminum, and copper	7.9	0.4%	19.50%

Estimated effective Rate: 29.5%

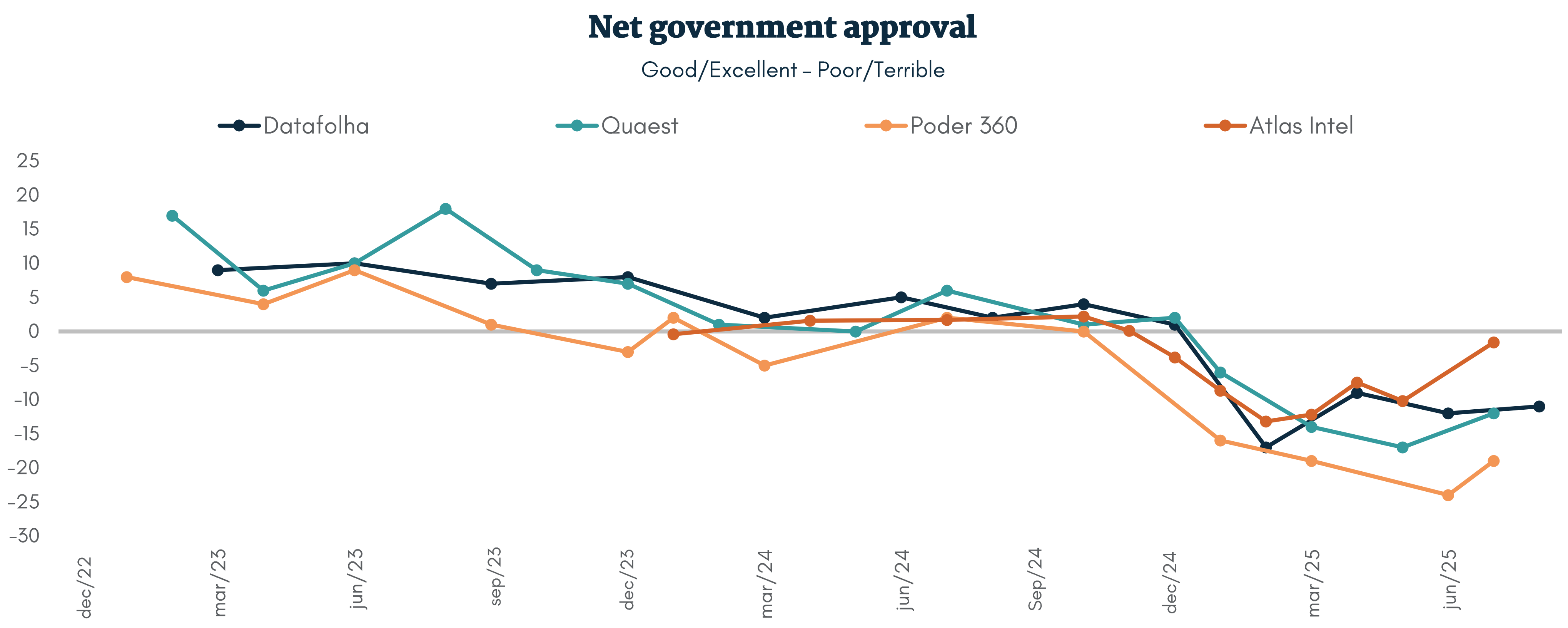
In the first half of July, Trump issued a letter raising the import Rate on goods from Brazil to 50%, effective from August. Weeks later, the U.S. government released a broad list of exemptions, with more than 700 items — including sensitive sectors such as agriculture and aircraft production. Preliminary estimates indicate that the effective Rate should be close to 30%, although projections still carry a high degree of uncertainty

Source: SECEX, Goldman Sachs, Turim

Politics:

Government approval shows slight recovery at the margin

Brazil

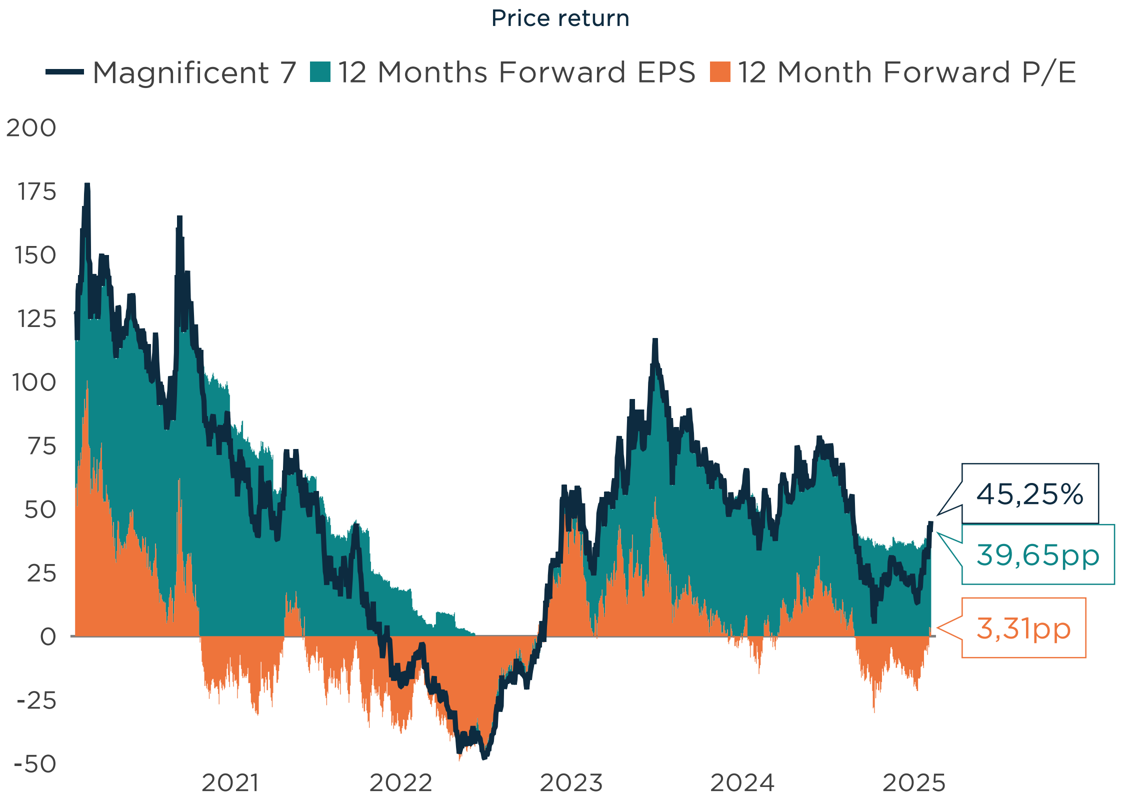


Although still at a low level, the main government approval metrics showed some recovery starting in July, as shown in the chart above. This improvement, albeit marginal, appears to be linked to escalating tensions between the U.S. and Brazil. In particular, the connection between the increase in Rates and Donald Trump's declared support for former president Jair Bolsonaro seems to have been a predominant driver.

Source: Atlas Intel, Datafolha, Poder 360, Quaest, Turim

Equities:
Performance of the Magnificent 7 is primarily driven by earnings growth
Markets

Magnificent 7: contributions to the 12-month change



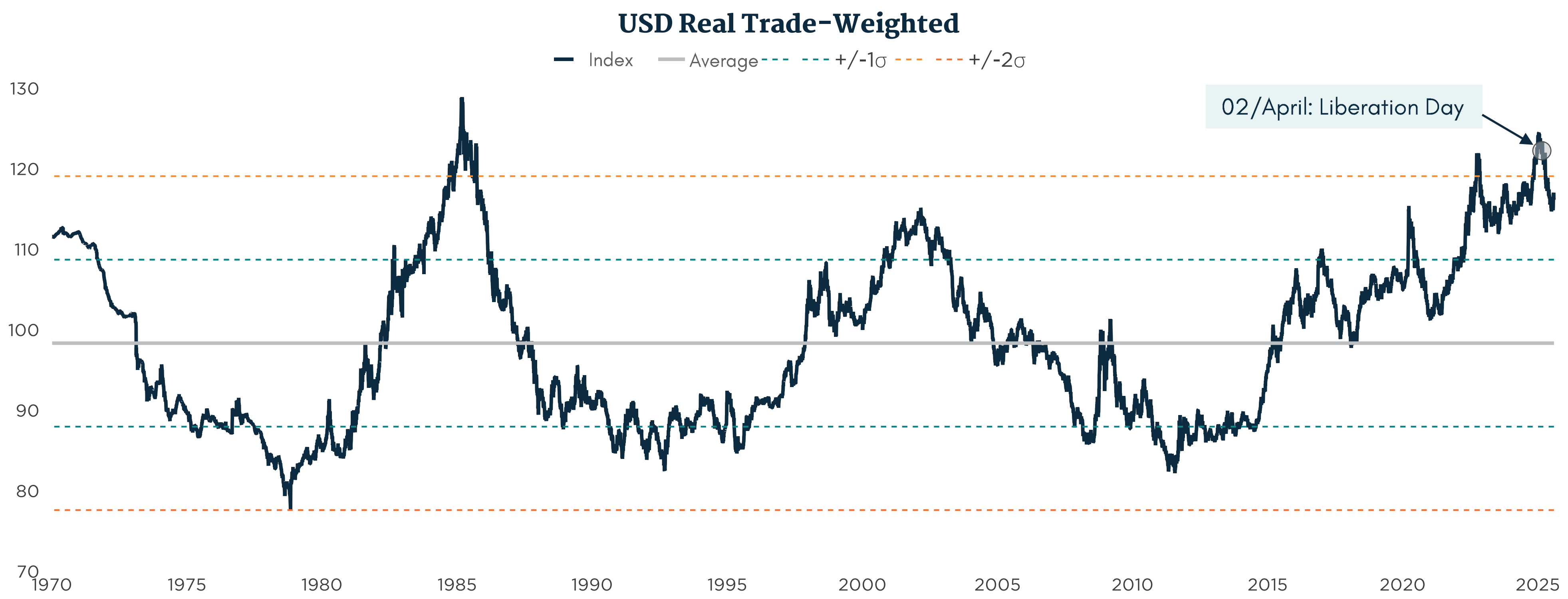
Magnificent 7 = Nvidia, Microsoft, Alphabet (Google), Meta, Apple, Tesla, and Amazon

Source: Bloomberg, Turim

The global equity market continues to deliver strong performance, especially since the start of the earnings season. The Magnificent 7 stood out with robust results, benefiting from positive revenue surprises and sustained growth in capital investment.

The chart illustrates that, over the past 12 months, the performance of the Magnificent 7 was driven mainly by upward revisions to corporate earnings expectations. The recent price increase of around 40% was almost entirely explained by improvements in earnings forecasts, with little influence from changes in the price-to-earnings multiples.

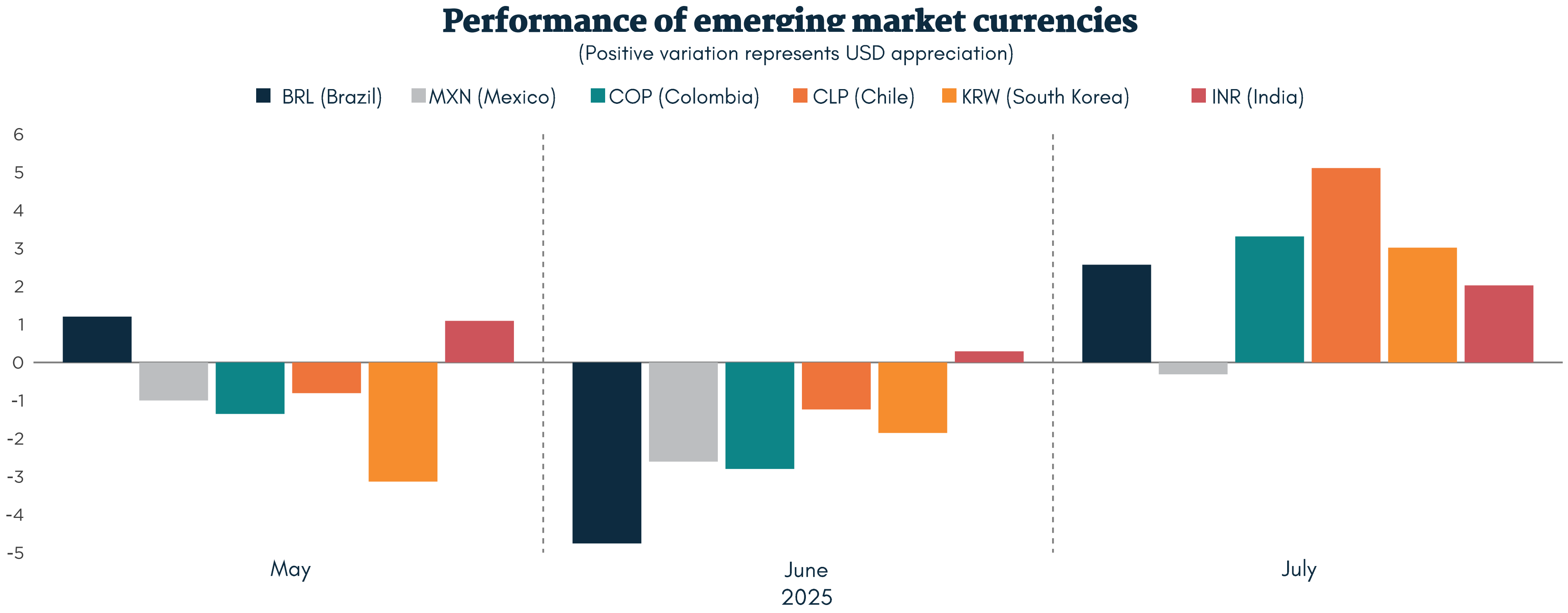
Dollar:
DXY posts first monthly gain of the year
Markets



The DXY (an index that measures the dollar's appreciation against a basket of developed-market currencies) recorded its first monthly increase of the year in July, rising 3.3%. This was the index's largest monthly gain since April 2022. Despite the move in the month and the high uncertainty surrounding this variable, the prospect of interest rate cuts in the relatively near future, combined with the still-elevated valuation of the currency (at least in historical terms), may contribute to a resumption of the dollar's depreciation trend in the coming months.

Source: Bloomberg, Turim

Exchange Rate:
July’s depreciation was not limited to Brazil
Markets



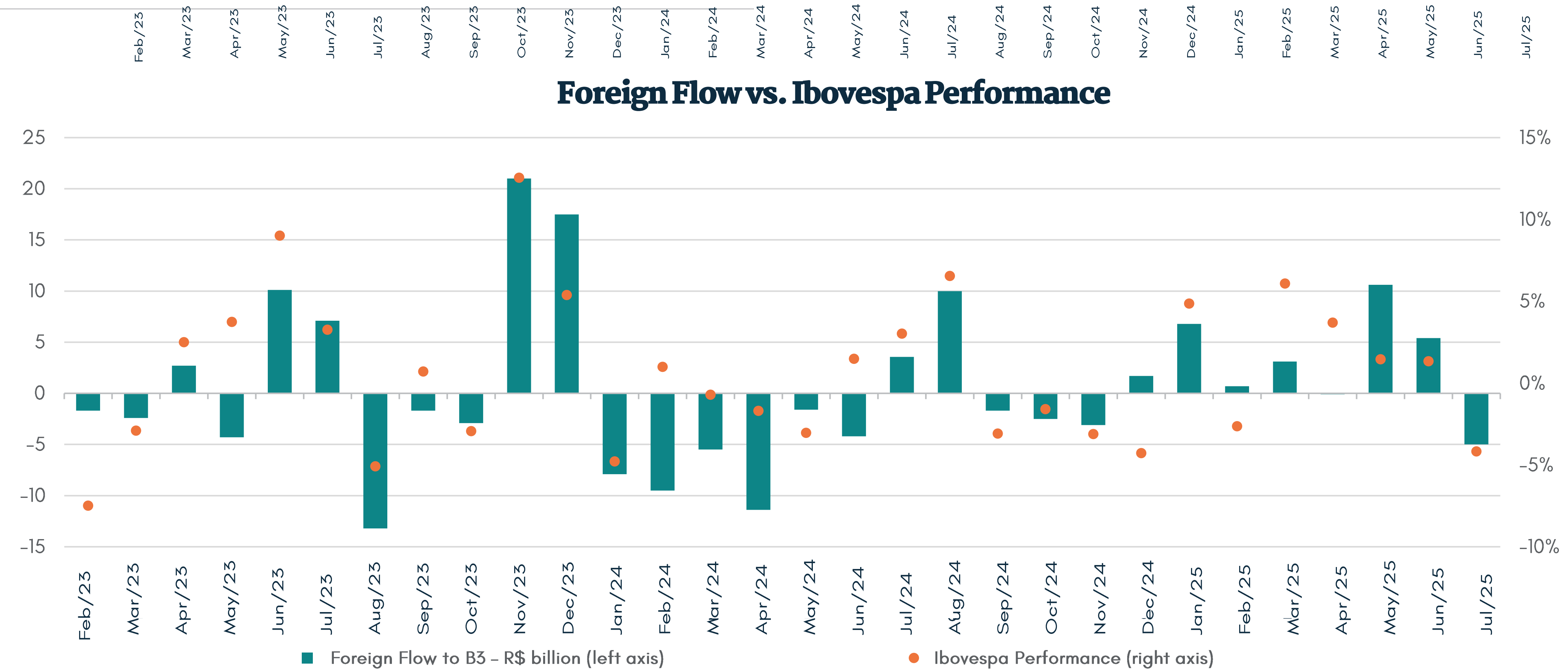
In line with the global movement, the Brazilian real recorded in July its largest monthly depreciation of the year (-3.2%). Although local noise and the escalation of rates may have contributed to the month’s decline, the movement did not significantly diverge from the performance of other emerging market currencies, as illustrated in the chart above.

Source: Bloomberg, Turim

Stock Markets

Flows to local assets worsened with rate escalation

Markets

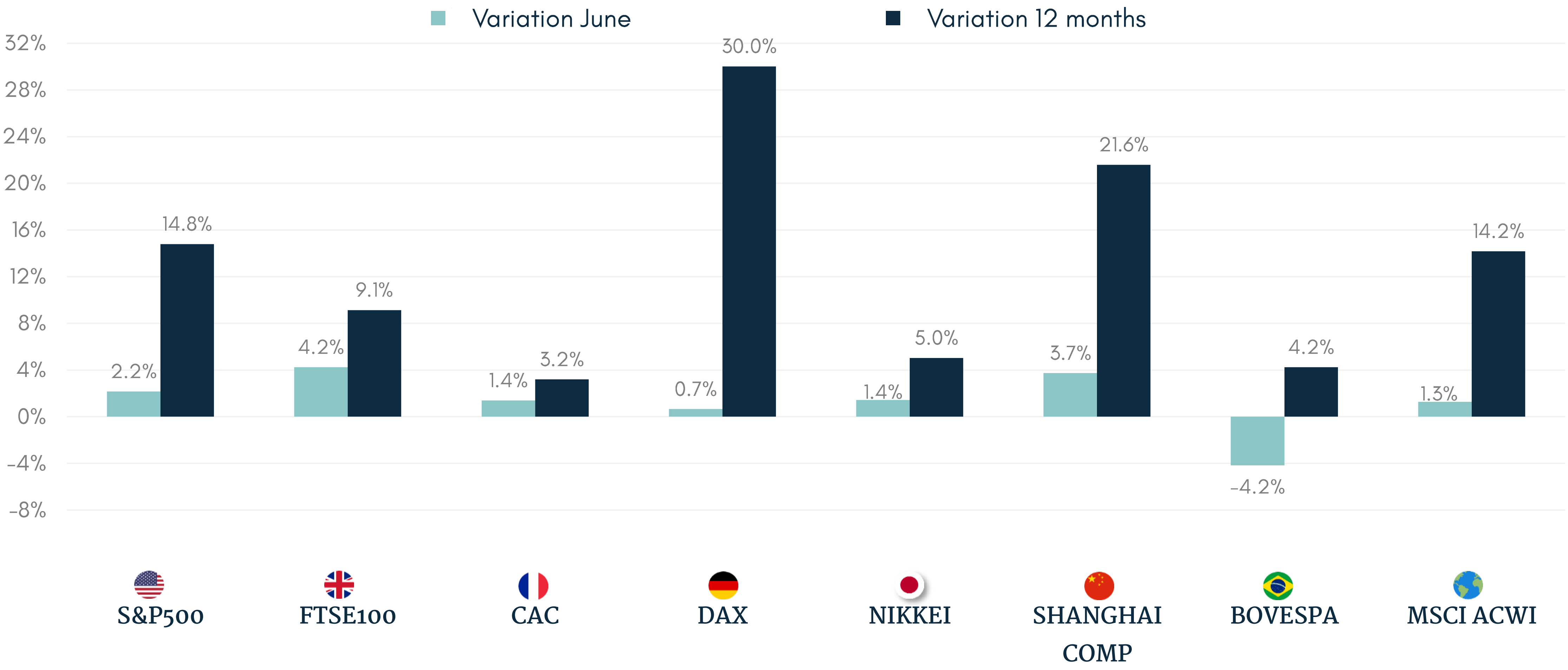


Without a clear signal of interest rate cuts in the short term and amid threats from the U.S. government, July was marked by the withdrawal of foreign investment from the Brazilian stock market, after two consecutive months of positive flows for the asset class. As a result, the local equity market once again delivered negative performance, with a 4.2% drop in the Ibovespa and a 6.4% decline in the small caps index.

Source: B3, Turim

Stock Markets

Markets



Fonte: Bloomberg

Indices

	Variation July	Value in 31/07/2025	Variation in 2025	Variation in 12 meses
COMMODITIES				
OIL WTI	3.4%	67.33	-6.1%	-13.6%
GOLD	-0.4%	3.289,93	25.4%	34.4%
CURRENCIES (AGAINST USD)				
EURO	-3.2%	1.14	10.2%	5.4%
LIBRA	-3.8%	1.32	5.5%	2.7%
YEN	-4.5%	150,75	4.3%	-0.5%
REAL	-3.0%	5.6	10.3%	0.9%
INDICES				
S&P500	2.2%	6.339,39	7.8%	14.8%
FTSE100	4.2%	9.132,81	11.7%	9.1%
CAC	1.4%	7.771,97	5.3%	3.2%
DAX	0.7%	24.065,47	20.9%	30,00%
NIKKEI	1.4%	41.069,82	2.9%	5,00%
SHANGHAI COMP	3.7%	3.573,21	6.6%	21.6%
BOVESPA	-4.2%	133.071,05	10.6%	4.2%
MSCI ACWI	1.3%	929,62	10.5%	14.2%

*Amounts and results in local currency

Fonte: Bloomberg

Disclaimer

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