



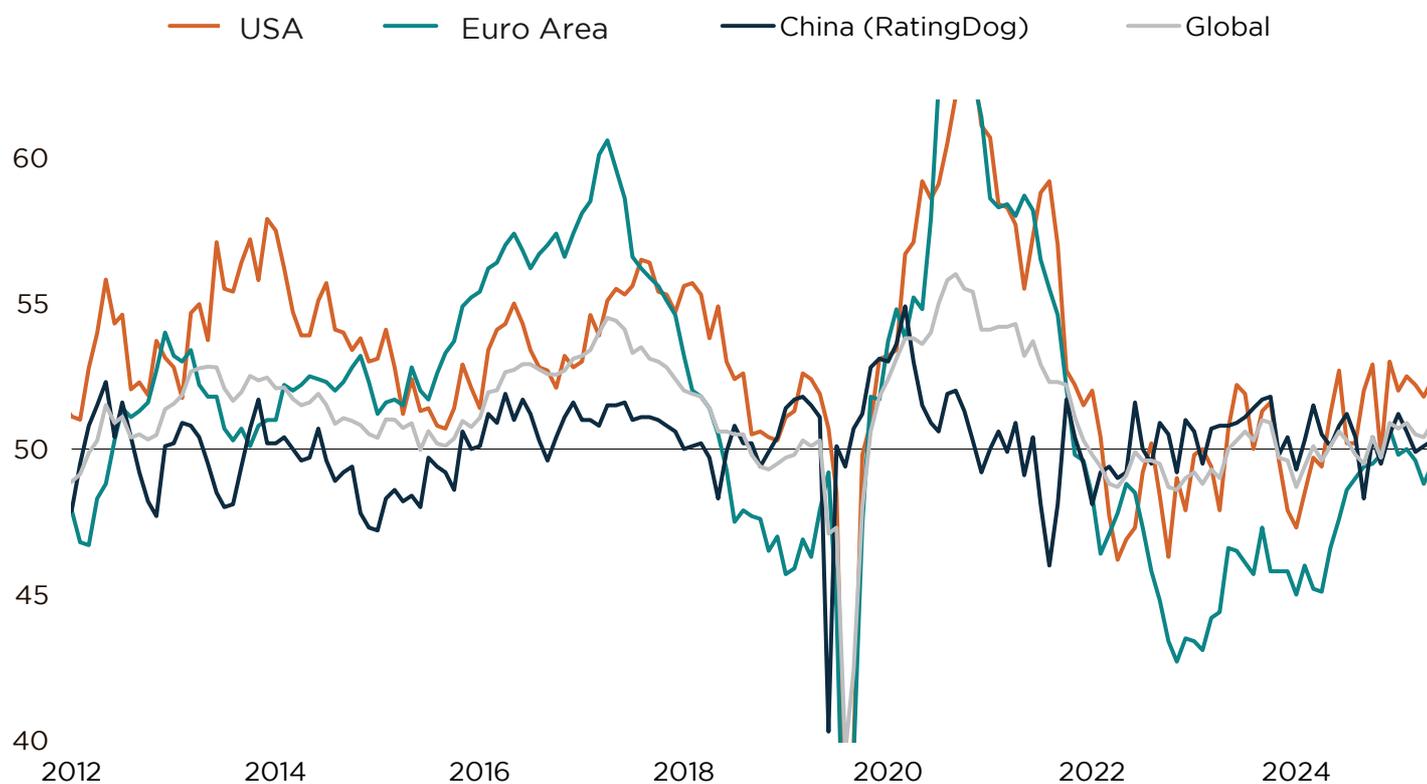
# Economic Report

February  
2026

## Activity

Signs of reacceleration in global growth

### Manufacturing PMIs of selected economies



Nearly one year after Liberation Day (April 2025), concerns surrounding the risk of a global recession have eased, and markets are now assessing the possibility of a reacceleration in global activity. The chart above presents manufacturing PMIs for several major economies, providing a snapshot of the recent dynamics in global growth.

In the United States, the index remains at levels consistent with an expansion in activity, above the 50-point threshold, which tends to support demand and underpin a scenario of stronger global growth momentum. China and Europe, in turn, show more moderate readings, but benefit from prospects of acceleration, supported by fiscal and monetary stimulus measures already in place for this year.

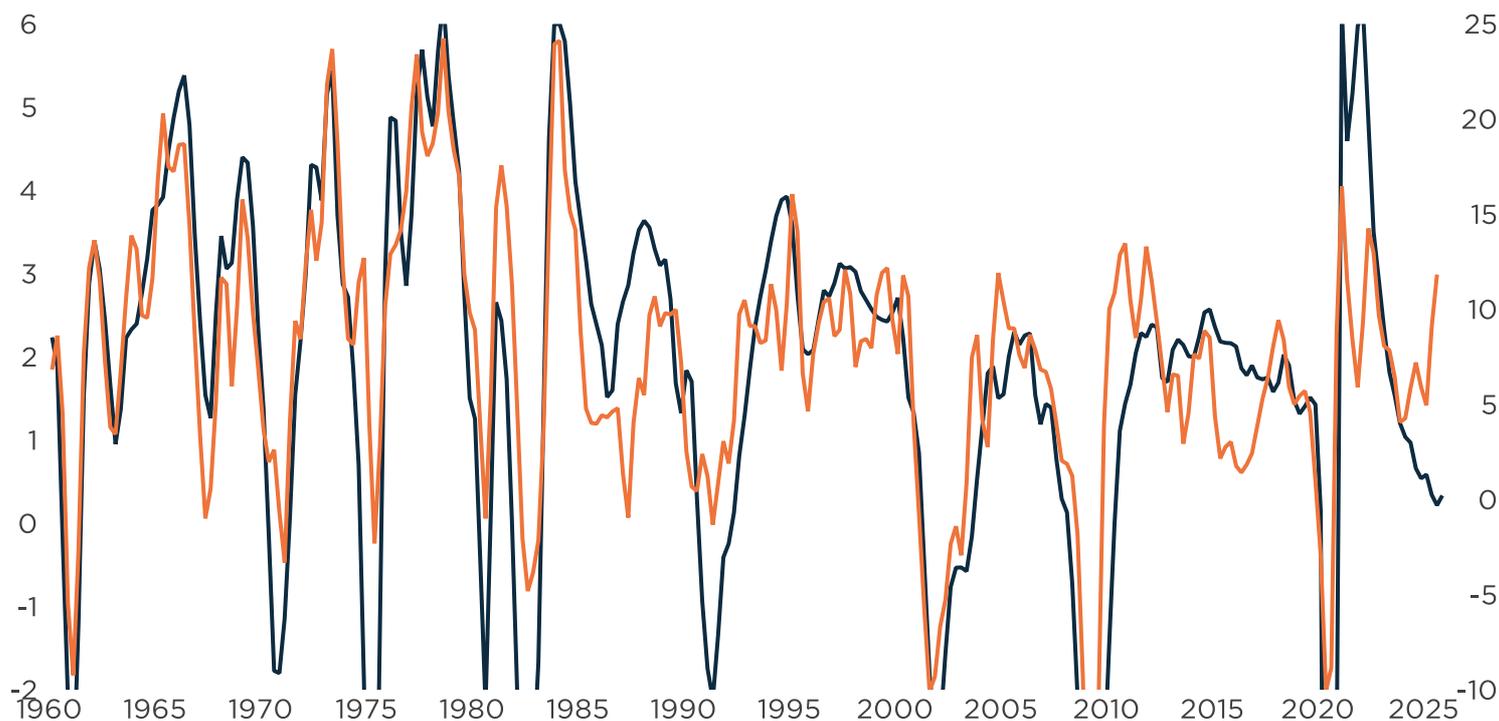
## United States

Economic growth remains decoupled from employment

### Employment vs Private Investment

Seasonally adjusted annualized | Semiannual change

— Private Payroll — Investment in equipment & IPP (right axis)



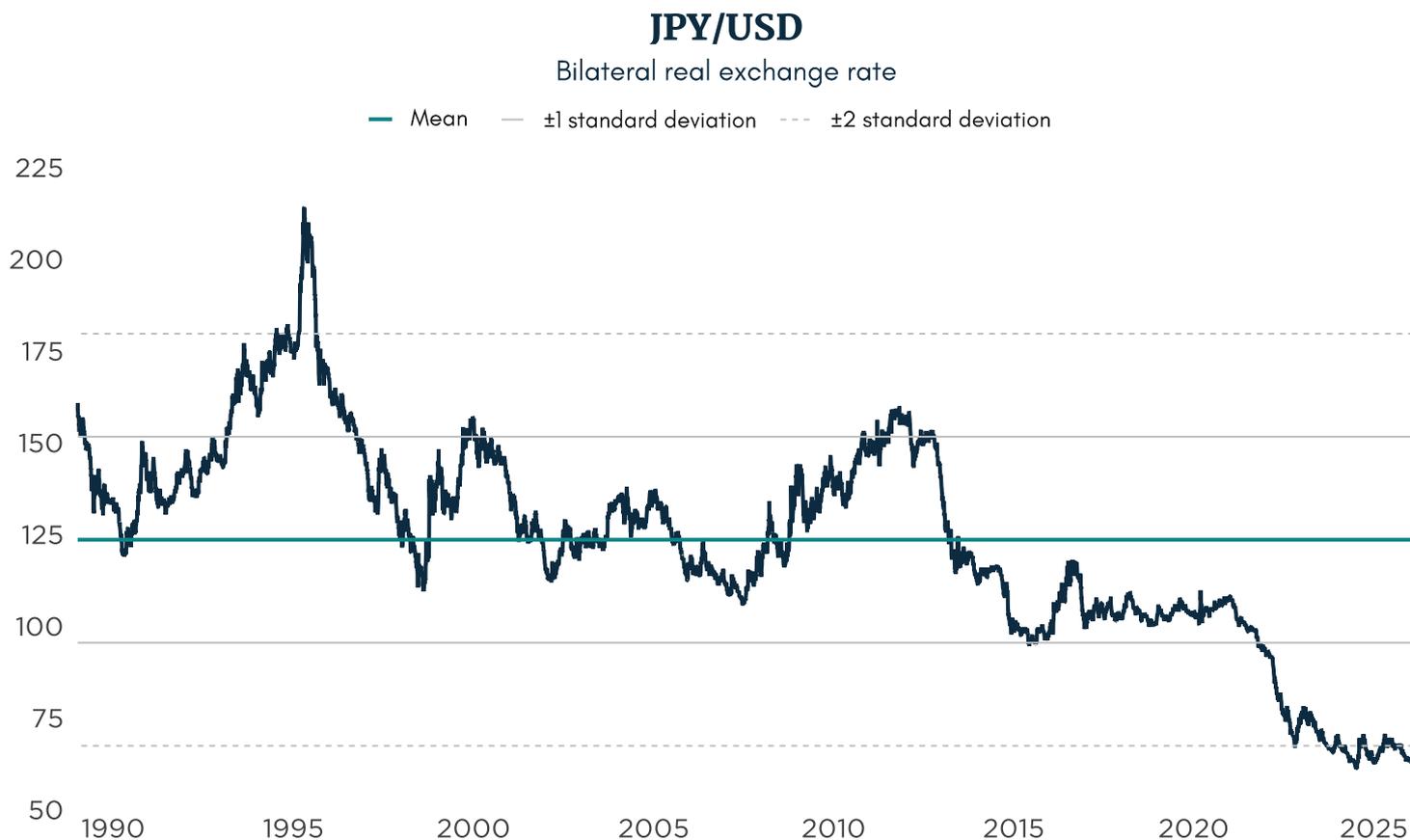
In the United States, the dichotomy between robust economic growth and a moderating labor market persists. The chart highlights the recent breakdown in the historical correlation between changes in private investment and private-sector employment.

Despite the moderation in labor market conditions, investment has reaccelerated since 2023. Other related metrics capture a similar dynamic, suggesting that the degree of labor market tightness has become less closely associated with overall economic growth and the investment cycle.

The central question now concerns the sustainability of this decoupling, given that a significant share of U.S. economic growth is driven by domestic consumption. In this context, a loss of momentum in the labor market is likely to translate into weaker household consumption growth.

# Japan

## Election results expand room for fiscal policy

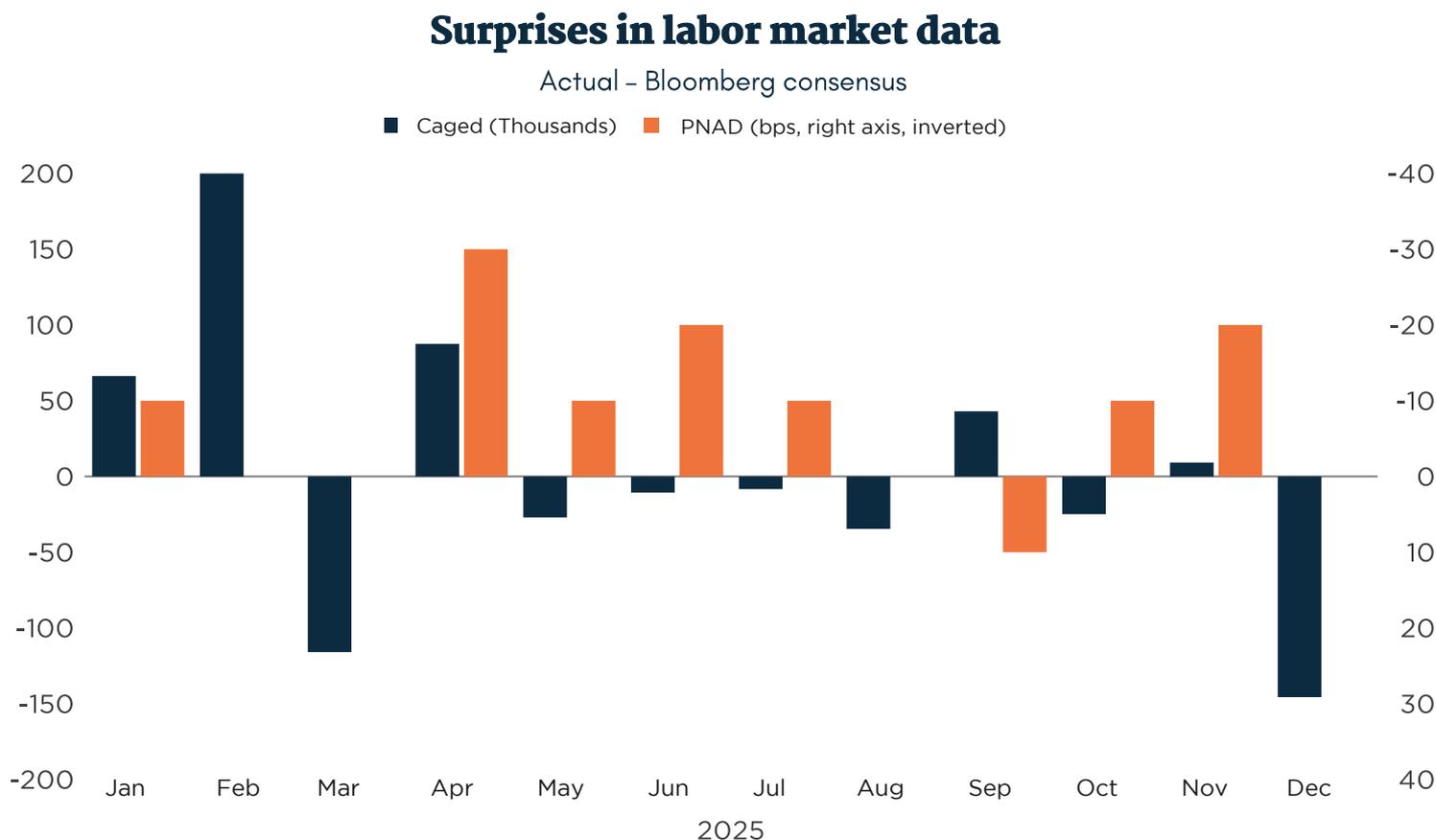


Japan's Lower House elections resulted in a decisive victory for the ruling coalition, composed of the LDP and the JIP. Prior to the vote, the coalition held 232 seats, short of an absolute majority, constraining the passage of legislation. With the new outcome, the coalition now controls 352 seats, surpassing the two-thirds threshold. In practical terms, this new balance materially enhances the government's capacity to advance its legislative agenda, including fiscal expansion measures, by reducing its reliance on Upper House approval for a substantial portion of proposed initiatives.

The chart depicts the bilateral real JPY/USD exchange rate, indicating that the Yen remains at historically depreciated levels in real terms—approximately two standard deviations below its long-term average. In a context of fiscal expansion and higher Interest Rates, the Exchange Rate could gradually move toward a more balanced valuation.

## Labor Market

Despite mixed surprises, the labor market still appears highly resilient

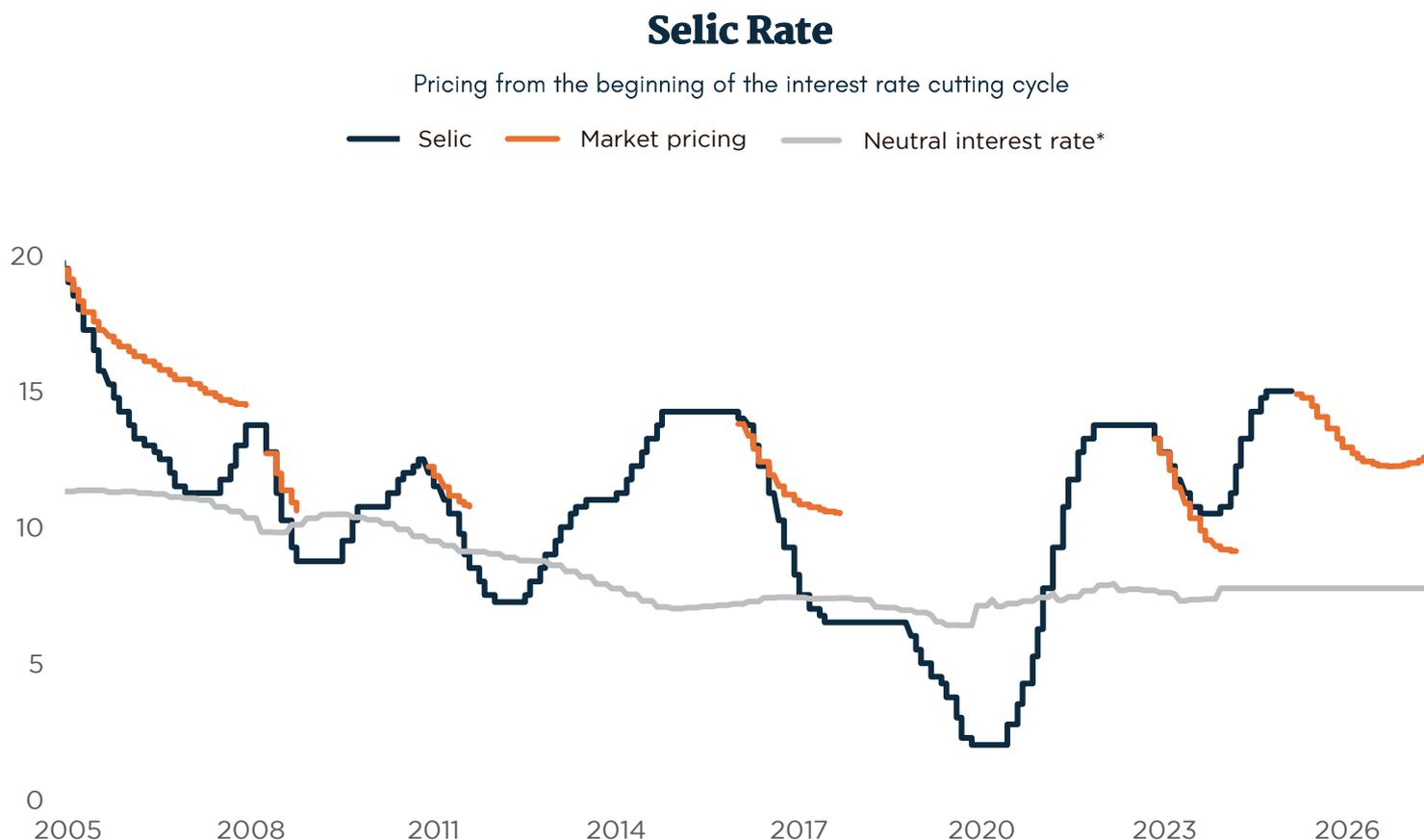


In Brazil, labor market indicators continue to point to mixed signals. In the latest release, CAGED recorded the destruction of 618 thousand formal jobs, compared with a consensus expectation of -472 thousand. Net job creation has also decelerated when considering seasonally adjusted data, declining from levels close to 100 thousand to around 10 thousand per month, reinforcing the moderation trend observed throughout 2025. On the other hand, the unemployment rate continues to post historical lows, according to PNAD Contínua data. In December, the seasonally adjusted rate declined to 5.3%, maintaining the downward trajectory seen over the course of 2025.

The chart above presents the surprises (actual data minus the median of expectations) for both indicators. Overall, unemployment rate surprises have pointed to a tighter labor market, while job creation figures have generated surprises in the opposite direction, albeit generally of smaller magnitude. In December, this dichotomy became even more pronounced.

## Monetary Policy

The priced-in easing cycle remains modest relative to historical standards

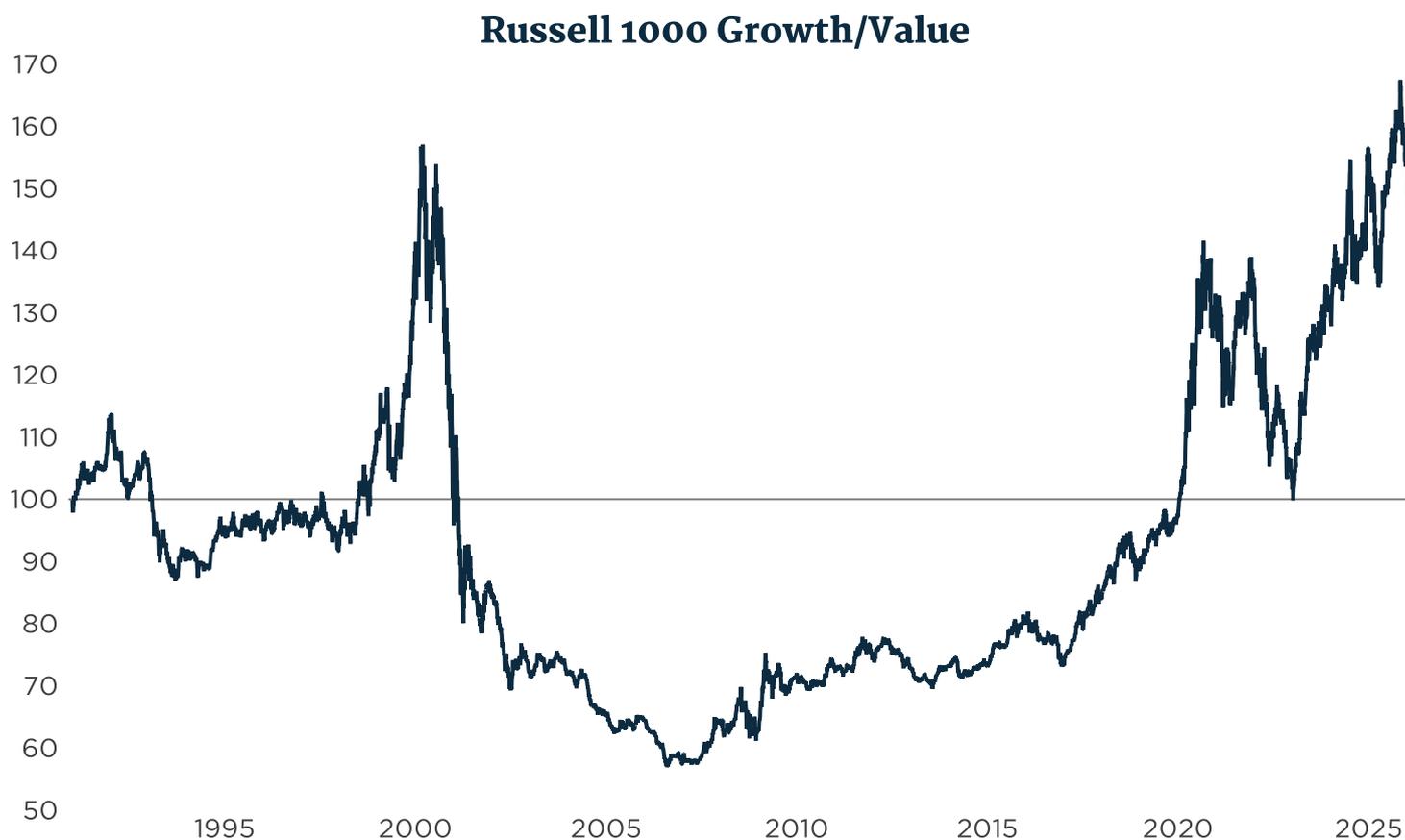


In the statement following its latest meeting, Copom signaled its intention to begin a Selic rate cutting cycle as early as the next meeting (March), while preserving a degree of restrictiveness to ensure the continued convergence of Inflation toward the target. The market currently operates under a baseline scenario of an initial 50 basis point cut, reaching a cumulative easing of close to 300 bps by the end of 2026, which would bring the Selic rate to approximately 12% per annum.

As suggested by the chart, a cutting cycle of this magnitude would still fall well short of those observed in previous cycles, and would even be smaller than the “no landing” episode under the previous administration, which was interrupted following a reacceleration in Inflation. In this scenario, the policy rate would also remain materially above estimates of the neutral Interest Rates (between 8% and 10% in nominal terms).

## Global Equities

The relative performance between growth and value equities reversed in November



The past three months have been marked by an apparent reversal in the relative performance trend between growth and value equities, following an extended period of growth outperformance associated with optimism surrounding advances in Artificial Intelligence.

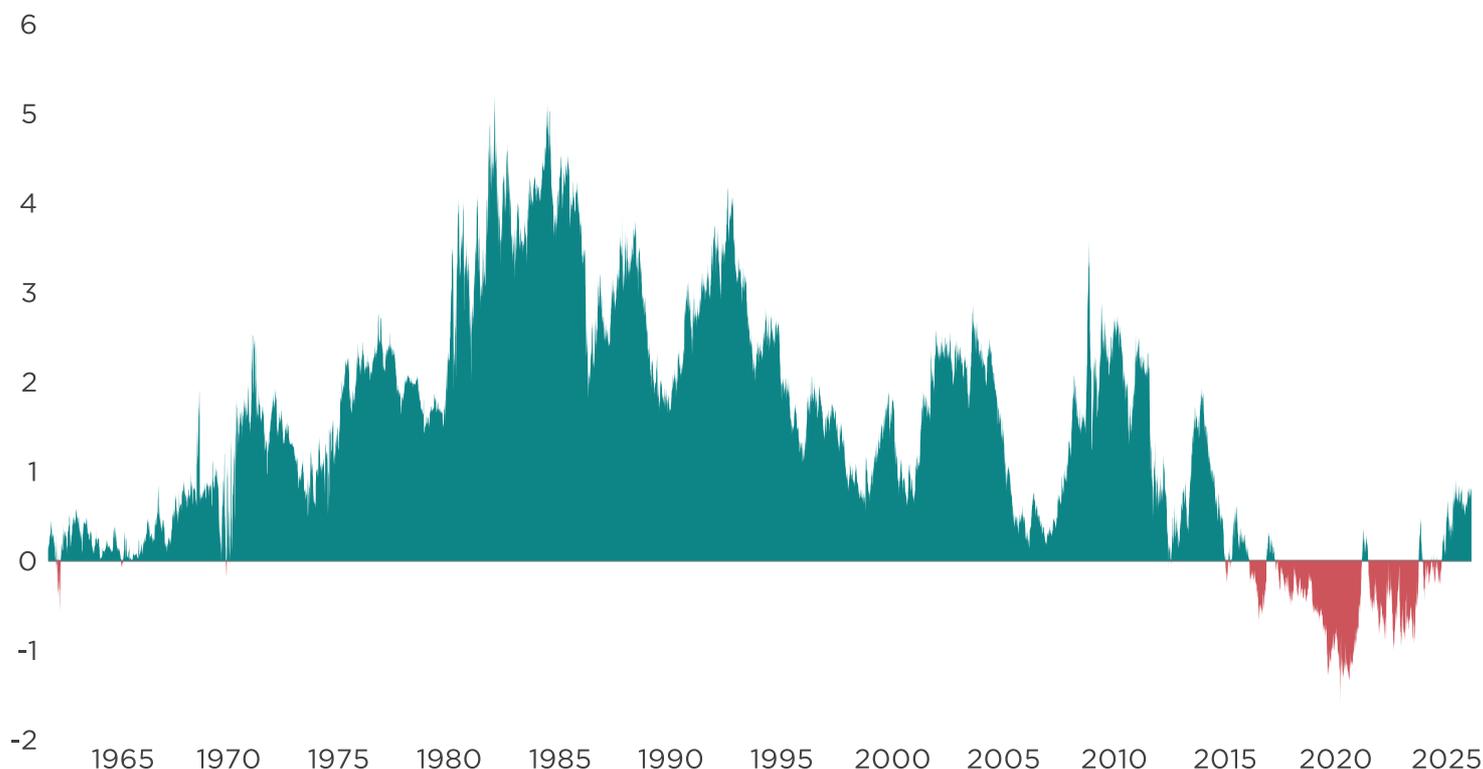
The chart above illustrates this shift through the ratio between the Russell 2000 Growth and Value indices. The adjustment was driven not only by a correction in technology stocks, which declined by more than 5% over the period, but also by a simultaneous appreciation in the value index, which gained nearly 10%. The move may be linked to structural factors, such as the prospect of a reacceleration in economic activity, as well as idiosyncratic considerations, including the risk of disruption affecting certain segments within the technology sector.

# Global Interest Rates

Warsh’s nomination was well received by the market

## Term premium on government bonds

10-year nominal yield



At the end of January, President Trump announced the nomination of Kevin Warsh as successor to Chair Powell at the helm of the Federal Reserve. Warsh is widely regarded as a technically oriented profile, presumably less susceptible to political pressure. He is also known for his criticism of the extensive use of the Fed’s balance sheet (quantitative easing) and for favoring less frequent committee communication, including speeches and economic projections. In more recent remarks, however, Warsh expressed support for further reductions in Interest Rates, citing productivity gains enabled by the diffusion of artificial intelligence.

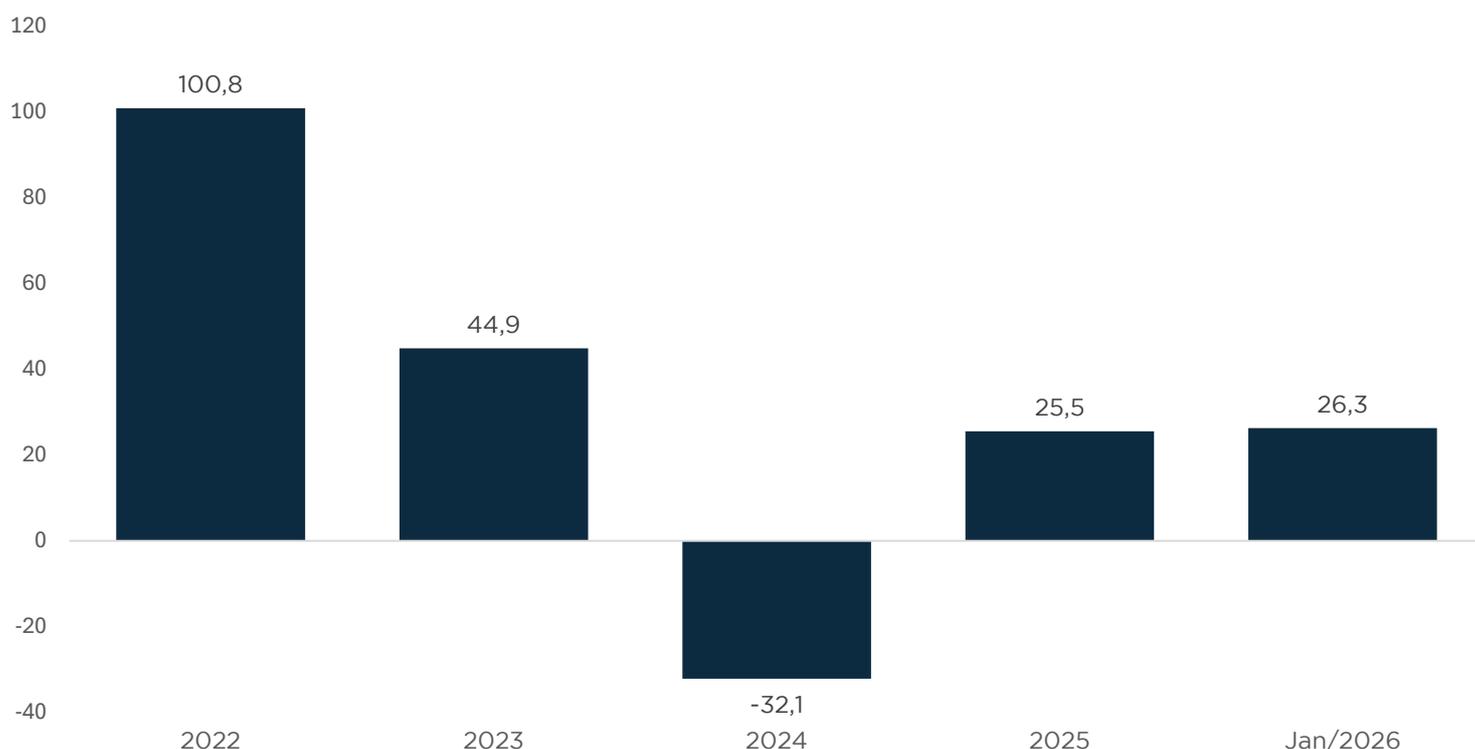
Despite a somewhat more dovish outlook for the central bank’s leadership, the market is pricing in only two cuts through year-end. That said, the overall perception has been constructive, mitigating concerns regarding the institution’s independence. Absent such credibility, Inflation expectations could become unanchored, potentially triggering a significant increase in the term premium on government bonds, whose historical evolution is shown above.

## Local Equities

Foreign inflows in January exceeded the total for full-year 2025

### Foreign inflows into Brazilian equities

BRL billions



The beginning of 2026 extended the trend initiated in 2025, with meaningful global inflows into emerging markets, supporting the appreciation of both Equities and currencies—particularly across Latin America. In this context, EWZ (MSCI Brazil, USD-denominated) delivered gains of nearly 50% year-to-date—an expressive performance, albeit still below the average observed among regional peers.

The chart above presents foreign investment flows into Brazilian Equities over recent years. Notably, inflows in January (BRL 26.3 billion) have already surpassed the total recorded throughout 2025 (BRL 25.5 billion), helping to explain the strong monthly performance. The Ibovespa rose 12.6% in the period, marking its largest monthly increase since November 2023.

## Exchange Rates

The Brazilian Real's performance remains closely tied to global dynamics

### Performance of LATAM currencies

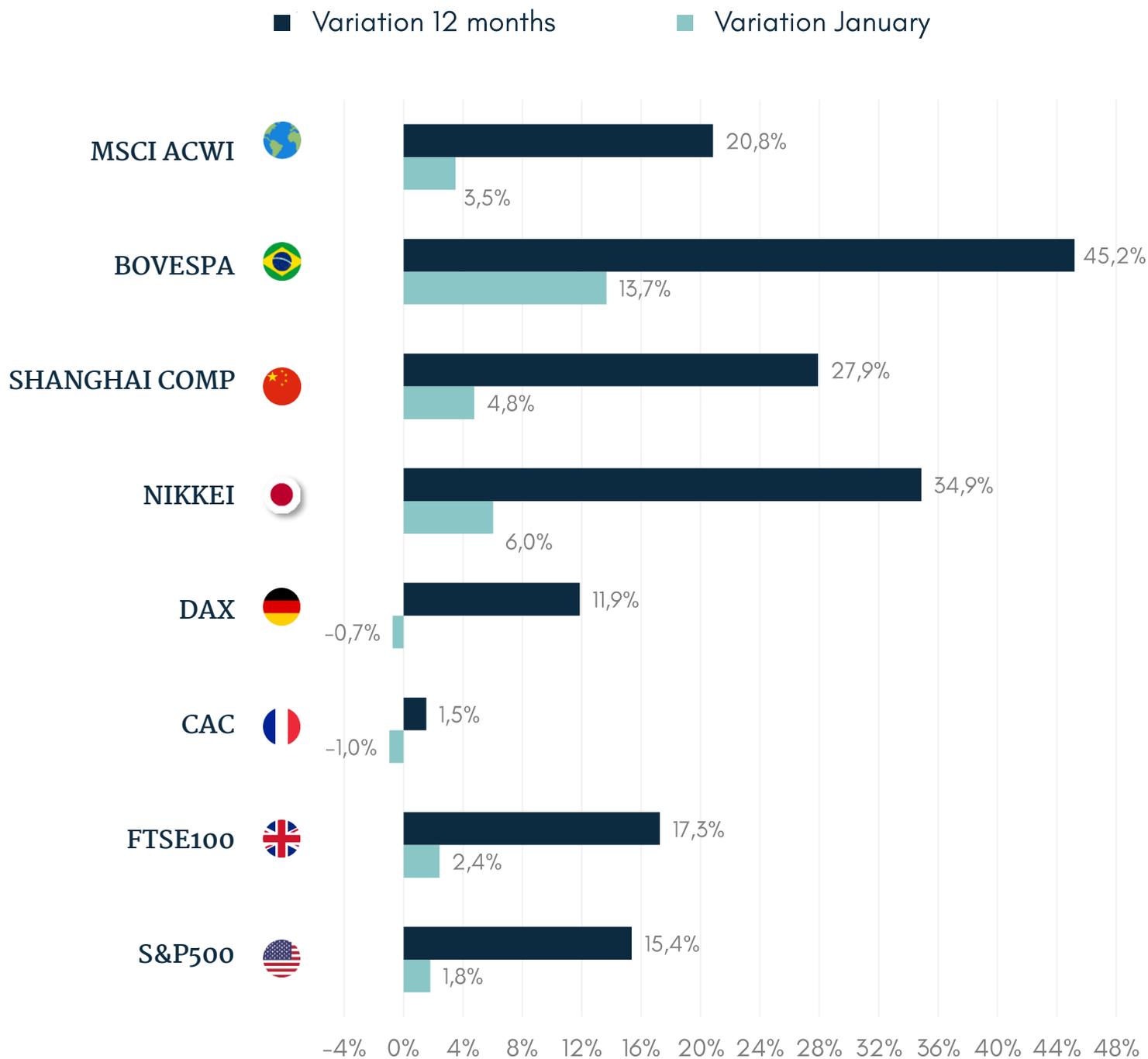
Base 100 = 12 months ago



As in Equities, the Brazilian Real's performance has continued to track that of peer currencies, within a broader context of global U.S. Dollar depreciation. The approximately 11% appreciation over the past 12 months, despite the strong move observed in January (around 4%), still lags behind gains recorded by comparable currencies.

It is worth noting that still-elevated Interest Rates in Brazil have sustained a significantly wider interest rate differential relative to other currencies. However, the prospect of a new easing cycle beginning in March is likely to narrow this gap, which in turn could exert downward pressure on the Exchange Rate.

## Stock Markets



	January Change	Value on 31/01/2026	Change in 2026	12-month Change
<b>COMMODITIES</b>				
OIL WTI	13.6%	65.21	13.6%	-10.1%
GOLD	24.4%	5,375.24	24.4%	92.1%
<b>CURRENCIES (VS. USD)</b>				
EURO	1.9%	1.20	1.9%	15.5%
LIBRA	2.5%	1.38	2.5%	11.4%
YEN	2.4%	153.11	2.4%	1.4%
REAL	5.5%	5.19	5.5%	12.6%
<b>INDICES</b>				
S&P 500	1.8%	6,969.01	1.8%	15.4%
FTSE 100	2.4%	10,171.76	2.4%	17.3%
CAC 40	-1.0%	8,071.36	-1.0%	1.5%
DAX	-0.7%	24,309.46	-0.7%	11.9%
NIKKEI	6.0%	53,575.60	6.0%	34.9%
SHANGHAI COMP	4.8%	4,157.98	4.8%	27.9%
BOVESPA	13.7%	185,133.75	13.7%	45.2%
MSCI ACWI	3.5%	1,050.19	3.5%	20.8%

\*Figures and results presented in local currency

Source: Bloomberg



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