

Market Update: February

International:

Just over a month after Donald Trump took office as President of the United States, we have witnessed an economic, geopolitical, and asset price upheaval. If the slogan of the Republican campaign was MAGA (Make America Great Again), the acronym trending at the end of February is MEGA (Make Europe Grow Again).

The instability of the newly announced U.S. public policies, combined with the ongoing fiscal contraction, has increased fears of a recession in the U.S., while the withdrawal of military support to Ukraine led Germany, shortly after its elections, to announce a major fiscal stimulus. This stimulus is expected to have a significant impact on growth over the next two years and, consequently, on the prices of financial assets (stocks, fixed-income securities, and currencies). In the month, the S&P 500, the main U.S. stock index, fell 1.3%, while global stocks ex-U.S. rose 1.25%. The same dynamic was seen in currencies, with the dollar losing 0.73% against its trading partners (DXY).

The U.S. swiftly implemented tariffs on imports from its key trading partners. The approach was erratic, with last-minute delays and changes. Mexico and Canada were subjected to a 25% tariff on exports to the U.S., while Chinese products were taxed at 10%. Retaliatory measures so far have been moderate, and discussions are ongoing. Looking at economic data, GDP grew 2.5% in the last quarter of 2024, but recent data indicates marginal weakness in the industrial sector and a loss of momentum in consumption, with direct consequences for future growth (Figure 1).

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q1
Quarterly percent change (SAAR)

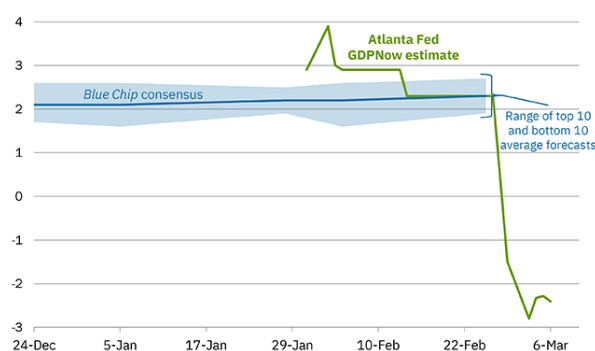


Figure 1) Growth Projection for the First Quarter in the U.S.
Source: FED Atlanta

In Europe, GDP grew only 0.3% in the last quarter of 2024, and inflation ended the year at 2.3%, very close to the target. However, the sluggish growth took a back seat as, following the CDU/CSU coalition's victory in the German elections, an increased spending package focused on defense was announced. This package is expected to add 1.5 percentage points to GDP over the next two years. European stocks, the euro, and government bond interest rates reacted strongly (Figure 2).

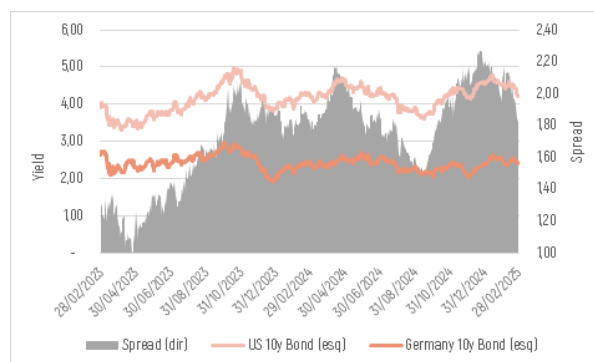


Figura 1) Taxas de juros nos títulos de 10 anos (EUA e Alemanha) e o respectivo spread (EUA-Alemanha). Fonte: BBG/Tera

In China, GDP for 2024 was 4.7%, close to the official target of 5%. The government continues to provide monetary and fiscal support to manage the deleveraging of households and businesses following the significant slowdown in the real estate sector. However, there is a continued concern about not overstimulating the economy to avoid future financial risks. A key highlight in the country is the stock market, which, fueled by strong performance in the chip and artificial intelligence industries, saw a sharp rise in February: the

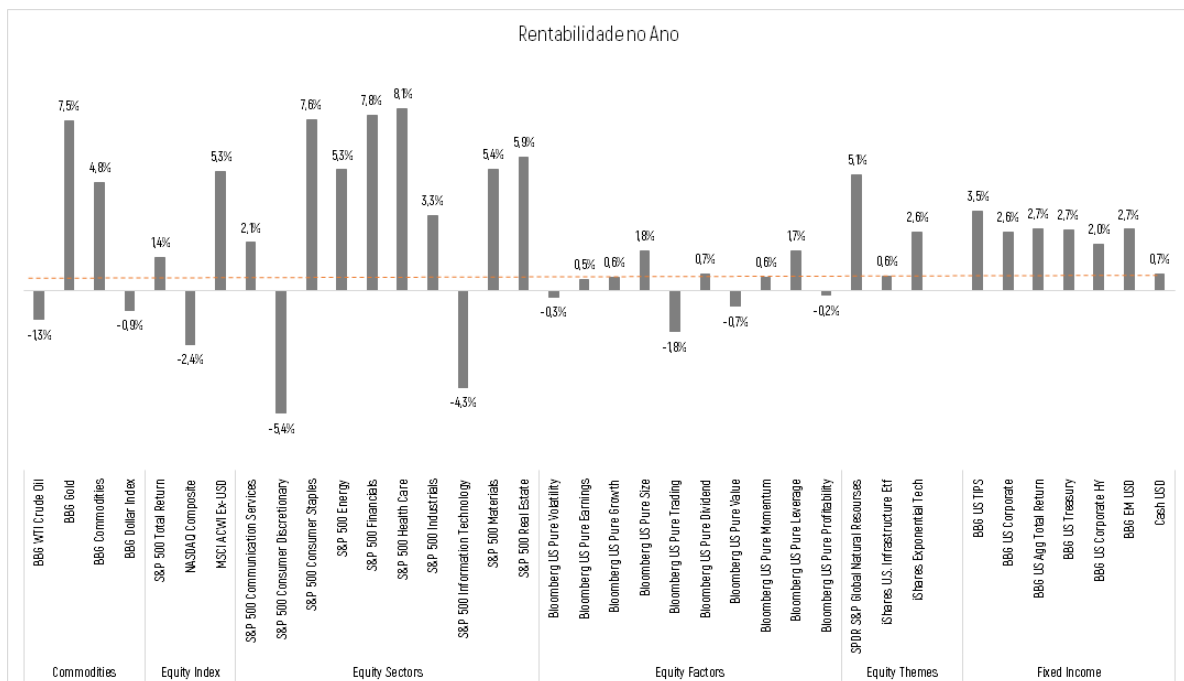
HSI index of the largest companies listed in Hong Kong appreciated by 10.5% during the period, despite Donald Trump's aggressive rhetoric in trade negotiations with China.

Domestic:

In Brazil, the combination of high interest rates, persistent inflation, and fiscal risks continues to weigh on economic expectations. Popularity surveys have shown a substantial decline in positive evaluations of the Lula administration, which has responded with measures that mostly represent increased fiscal and parafiscal spending. On the other hand, the combination of a favorable external environment (portfolio rotation away from the U.S. towards Europe, Asia, and LatAm), heavily discounted assets, and the prospect of a government change in 2026 has limited the deterioration of prices in Brazilian fixed-income and equity markets. Growth projections for 2025 are approaching 1%, positively influenced by the agricultural sector, which is recovering from a very weak 2024.

Looking at recent data, a recession in 2025 is a possibility, which could limit the extent of interest rate hikes the central bank would need to implement after reaching its “forward guidance” of 14.25% for the Selic rate. The earlier-than-expected end of the rate-hiking cycle should benefit more cyclical sectors of the Brazilian stock market, which are currently suffering from high debt costs and economic slowdown.

Ativos Globais	1m	3m	6m	12m	24m	36m
Commodities						
BBG WTI Crude Oil	-3,39%	4,68%	0,75%	2,86%	14,34%	6,65%
BBG Gold	0,81%	6,33%	13,07%	37,37%	52,90%	46,84%
BBG Commodities	0,78%	5,83%	9,36%	11,60%	7,20%	2,14%
BBG Dollar Index	-0,73%	1,82%	5,17%	4,37%	3,46%	9,96%
Equity Index						
S&P 500 Total Return	-1,30%	-0,97%	6,11%	18,41%	54,46%	42,58%
NASDAQ Composite	-3,97%	-1,93%	6,40%	17,12%	64,53%	37,06%
MSCI ACWI Ex-USD	1,25%	3,11%	-0,66%	6,93%	17,10%	5,72%
Equity Sectors						
S&P 500 Communication Services	-6,30%	5,68%	15,93%	28,03%	101,05%	49,79%
S&P 500 Consumer Discretionary	-9,42%	-3,24%	15,42%	16,58%	53,23%	24,08%
S&P 500 Consumer Staples	5,59%	1,94%	4,05%	16,36%	22,16%	17,66%
S&P 500 Energy	3,28%	-4,72%	-0,86%	5,63%	8,13%	28,96%
S&P 500 Financials	1,28%	1,74%	14,18%	29,37%	46,17%	35,48%
S&P 500 Health Care	1,37%	1,20%	-5,22%	2,84%	17,17%	14,61%
S&P 500 Industrials	-1,60%	-5,07%	3,76%	12,71%	35,29%	36,76%
S&P 500 Information Technology	-1,41%	-3,23%	2,62%	17,68%	85,33%	63,31%
S&P 500 Materials	-0,15%	-6,13%	-5,93%	1,32%	8,42%	6,73%
S&P 500 Real Estate	4,10%	-3,78%	-0,68%	10,45%	13,05%	-3,85%
Equity Factors						
Bloomberg US Pure Volatility	-1,34%	-0,56%	2,18%	1,00%	2,09%	-1,72%
Bloomberg US Pure Growth	-0,05%	0,92%	3,34%	2,90%	3,35%	0,52%
Bloomberg US Pure Size	0,88%	2,23%	2,49%	2,39%	8,45%	7,08%
Bloomberg US Pure Dividend	1,25%	0,79%	-0,54%	0,79%	-0,65%	-0,15%
Bloomberg US Pure Value	-0,90%	-1,36%	-1,74%	-2,23%	-1,95%	3,79%
Bloomberg US Pure Momentum	-1,07%	-0,52%	3,47%	5,41%	12,62%	8,64%
Equity Themes						
SPDR S&P Global Natural Resources	0,23%	-2,23%	-5,20%	2,18%	-1,57%	0,93%
iShares U.S. Infrastructure Etf	-1,77%	-9,30%	3,11%	16,25%	27,10%	32,80%
iShares Exponential Tech	-1,39%	-0,32%	2,83%	3,21%	21,73%	7,60%
Fixed Income						
BBG US TIPS	2,18%	1,87%	2,03%	6,36%	9,03%	-2,31%
BBG US Corporate	2,04%	0,62%	1,25%	6,56%	12,92%	1,15%
BBG US Agg Total Return	2,20%	1,06%	0,93%	5,81%	9,33%	-1,30%
BBG US Treasury	2,16%	1,10%	0,66%	4,94%	7,35%	-3,48%
BBG US Corporate HY	0,67%	1,61%	3,88%	10,09%	22,23%	15,55%
BBG EM USD	1,62%	1,48%	2,98%	9,67%	18,35%	8,87%
Cash USD	0,34%	1,11%	2,37%	5,18%	10,85%	13,57%



Ativos Brasileiros	1m	3m	6m	12m	24m	36m
Pós-Fixado						
Brazil CETIP DI Rate Accumulat	0,99%	2,95%	5,60%	11,12%	25,28%	41,57%
Anbima IMA-S	0,99%	2,98%	5,77%	11,43%	25,81%	42,36%
Anbima Debentures Index IDA DI	1,29%	2,79%	5,69%	12,85%	31,16%	46,80%
Prêmio de Crédito	0,30%	-0,15%	0,08%	1,55%	4,70%	3,70%
Pré-Fixado						
Anbima IRF-M 1	1,01%	3,02%	5,34%	10,21%	24,22%	40,13%
Anbima IRF-M	0,61%	1,49%	1,52%	3,94%	20,42%	32,61%
Anbima IRF-M 1+	0,36%	0,71%	-0,47%	0,96%	18,98%	29,76%
Indexado Inflação						
Anbima IMA-B 5	0,65%	2,26%	3,80%	7,49%	18,71%	32,45%
Anbima IMA-B	0,50%	-1,08%	-2,36%	-1,00%	13,55%	22,57%
Anbima IMA-B5+	0,41%	-3,57%	-6,73%	-6,96%	10,03%	15,37%
Anbima Debentures Index IDA IP	1,32%	0,56%	-0,31%	2,70%	23,88%	23,65%
Prêmio de Crédito (s/ média B5 e B)	0,73%	-0,03%	-1,02%	-0,53%	6,67%	-3,02%
Inflação IPCA*	0,16%	1,07%	2,07%	4,56%	9,27%	15,58%
Imobiliário						
Bovespa Real Est In Fund	3,34%	-0,51%	-8,02%	-7,10%	11,15%	13,87%
Hedge Funds*						
Anbima Hedge Funds Index	0,11%	1,35%	4,19%	6,99%	15,64%	29,49%
Renda Variável						
BRAZIL IBOVESPA INDEX	-2,64%	-2,28%	-9,71%	-4,82%	17,03%	8,54%
BOVESPA Dividend Index	-2,78%	-4,29%	-6,68%	0,64%	26,97%	33,37%
BM&FBOVESPA Small Cap	-3,87%	-5,98%	-15,33%	-18,55%	-2,75%	-22,41%
BRAZIL Financial Index	-3,11%	5,23%	-10,57%	-3,90%	29,30%	19,39%
BOVESPA Utilities Index	1,85%	2,36%	-5,07%	2,24%	32,91%	32,50%
BM&FBOVESPA REAL ESTATE	-3,57%	-2,86%	-12,78%	-13,17%	20,85%	9,45%
BM&FBOVESPA Consumption	-5,51%	-10,75%	-19,99%	-18,75%	-14,15%	-40,29%
BOVESPA INDUSTRIAL INDEX	-4,35%	-7,35%	-4,30%	13,36%	28,47%	11,91%
BOVESPA Basic Mat Index	-5,40%	-11,12%	-6,62%	-10,28%	-8,40%	-14,38%
BRAZIL ELECTRIC.ENERGY IX	2,62%	1,92%	-9,94%	-8,28%	13,89%	7,16%
FX						
USD-BRL Carry Return	0,06%	-3,24%	1,78%	12,62%	0,72%	-7,12%

