

Market Update: January

Internacional:

January saw significant developments in the global economy. Key events included the inauguration of Donald Trump as President of the United States, the rise of DeepSeek—an artificial intelligence tool developed in China that delivered strong results using less advanced chips than those found in Silicon Valley—and the U.S. Federal Reserve meeting, which paused its interest rate cuts. On the geopolitical front, a ceasefire was reached between Israel and Gaza.

Most financial assets appreciated over the month, despite the aggressive rhetoric of the new U.S. president, who initially imposed but later rolled back some high tariffs on American imports. Notably, international stocks outperformed U.S. equities, in contrast to the trend observed at the end of 2024. We attribute much of this shift to the rise of DeepSeek, a Chinese AI technology similar to ChatGPT, which achieved highly satisfactory results at a significantly lower cost than the solutions used by leading American AI companies. The impact was particularly strong on U.S. tech firms, especially Nvidia, the market leader in advanced AI chip manufacturing.

In the **U.S.**, economic activity data indicates that the economy entered 2025 on solid footing, with 2.3% growth in the last quarter, driven by a 3.2% increase in domestic demand despite elevated nominal and real interest rates. The labour market once again exceeded expectations, with the unemployment rate reaching again 4.1%. Given the combination of a strong economy, inflation still above target, and uncertainty surrounding the policies of the new administration, the Federal Reserve kept interest rates unchanged at its January meeting (holding within the 4.25%–4.50% range). In its official statement, the Fed signalled no urgency to resume rate cuts until there is greater confidence that inflation will converge to target levels.

In **Europe**, political uncertainty surrounding the formation of governing coalitions in the

Eurozone’s two largest economies—Germany and France—persists, while growth remains weak. The main driver to reverse or at least mitigate the weakness in the industrial sector comes from the European Central Bank, which has signalled further interest rate cuts ahead. The recent slowdown in inflation should support this effort.

In **China**, economic activity exceeded expectations, growing 4.7% in 2024. The government continues to provide monetary and fiscal stimulus to mitigate the effects of corporate and household deleveraging following the sharp downturn in the real estate sector. In addition to domestic challenges, the country faces rising tensions with the U.S. government, which has vowed to take a tougher stance and has already imposed a 10% tariff on Chinese imports. So far, China's retaliation has been measured and highly targeted.

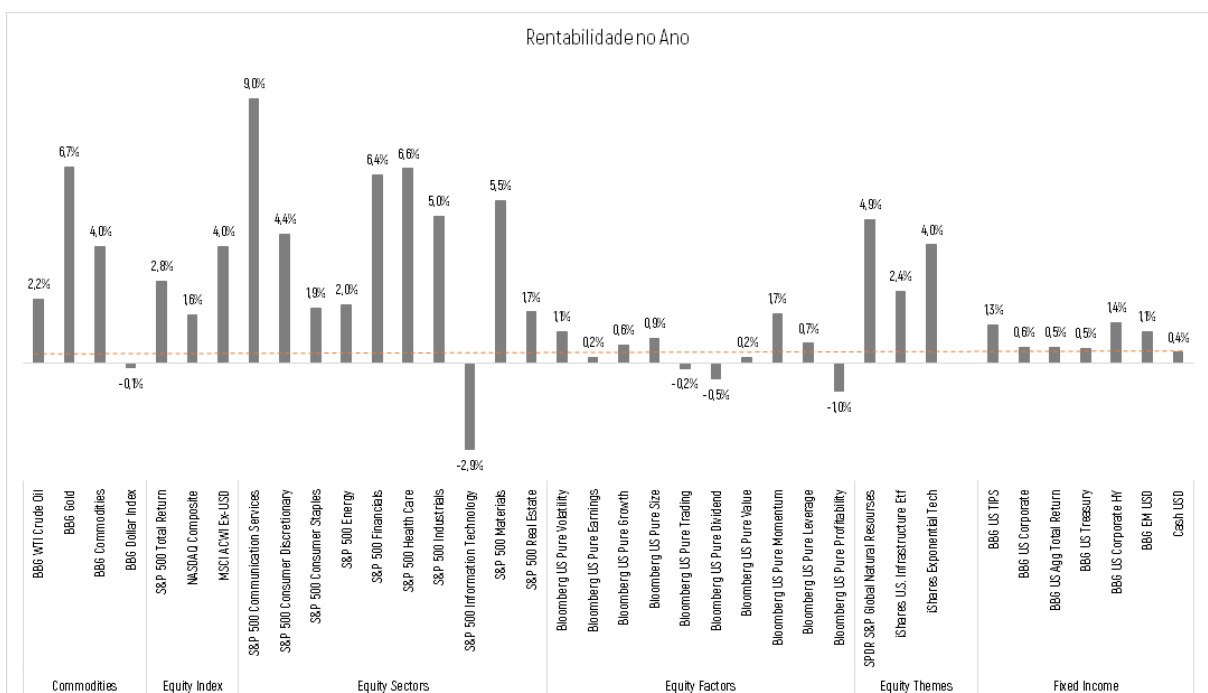
Beyond the rally in equity markets, **commodities** saw significant gains in January, likely reflecting a response to a higher-inflation environment driven by expansionary fiscal policies and elevated debt levels. The BBG Commodities Index rose nearly 4% for the month, while gold appreciated 6.7%.

Local:

In **Brazil**, GDP grew by 3.5% in 2024; however, the revenue generated from this expansion was not sufficient to support a meaningful fiscal adjustment. The government's continued reliance on public spending to stimulate consumption, despite a structural deficit exceeding 1% of GDP, has kept inflation elevated, pressured future interest rates, and added risk premiums to the currency. There were no signs of a policy shift in January, but a more favorable global backdrop, deeply discounted asset prices following the late-2024 downturn, and a pessimistic positioning by local funds—coupled with the government's declining popularity—led to a strong appreciation of Brazilian assets.

The political and economic agenda for the month was largely dominated by the expected ministerial reform in February. The Lula administration appears focused on restructuring its legislative base following the leadership changes in the House and Senate, aiming to advance key policy initiatives—most notably, tax reform and income tax exemptions for those earning up to five minimum wages—while also shaping its electoral strategy for 2026. Although the election is still more than 18 months away, monitoring the government's approval ratings—likely to decline amid persistent inflation and a slowing economy—will be essential in assessing the probability of a political shift in 2027. With local assets still trading at discounted levels and positioning relatively light, the narrative of a potential new administration with a more disciplined fiscal stance could set the stage for a market repricing.

Ativos Globais	1m	3m	6m	12m	24m	36m
Commodities						
BBG WTI Crude Oil	2,17%	7,46%	0,53%	9,54%	15,74%	20,90%
BBG Gold	6,66%	2,29%	15,13%	36,01%	43,73%	54,16%
BBG Commodities	3,95%	5,44%	8,57%	9,11%	1,38%	7,66%
BBG Dollar Index	-0,15%	3,88%	4,30%	5,62%	6,91%	10,51%
Equity Index						
S&P 500 Total Return	2,78%	6,22%	10,12%	26,38%	52,69%	40,14%
NASDAQ Composite	1,64%	8,47%	11,52%	29,43%	69,43%	37,83%
MSCI ACWI Ex-USD	3,95%	0,77%	0,69%	8,12%	11,45%	2,19%
Equity Sectors						
S&P 500 Communication Services	8,98%	16,26%	25,24%	44,36%	104,53%	48,69%
S&P 500 Consumer Discretionary	4,39%	20,97%	26,04%	39,77%	65,33%	31,43%
S&P 500 Consumer Staples	1,88%	0,93%	4,24%	12,54%	12,81%	9,76%
S&P 500 Energy	2,00%	-1,95%	-6,24%	4,90%	-3,28%	32,81%
S&P 500 Financials	6,40%	10,67%	17,66%	32,79%	40,80%	31,78%
S&P 500 Health Care	6,61%	-0,04%	-1,83%	4,60%	10,13%	11,78%
S&P 500 Industrials	4,99%	3,56%	8,26%	22,54%	35,89%	37,43%
S&P 500 Information Technology	-2,93%	2,63%	5,30%	26,75%	88,52%	57,33%
S&P 500 Materials	5,52%	-4,63%	-3,70%	7,84%	4,81%	5,36%
S&P 500 Real Estate	1,74%	-3,89%	0,79%	8,70%	2,00%	-12,34%
Equity Factors						
Bloomberg US Pure Volatility	1,07%	2,54%	2,70%	3,10%	2,96%	-0,44%
Bloomberg US Pure Growth	0,62%	2,18%	3,77%	3,14%	3,35%	0,88%
Bloomberg US Pure Size	0,86%	1,11%	1,90%	1,60%	7,39%	4,86%
Bloomberg US Pure Dividend	-0,54%	-2,06%	-1,23%	-0,88%	-2,42%	-1,79%
Bloomberg US Pure Value	0,20%	-0,61%	-1,75%	-1,85%	-0,28%	5,76%
Bloomberg US Pure Momentum	1,69%	2,10%	5,98%	9,40%	14,31%	10,81%
Equity Themes						
SPDR S&P Global Natural Resources	4,88%	-3,09%	-5,53%	2,10%	-7,95%	4,71%
iShares U.S. Infrastructure Etf	2,44%	1,59%	3,72%	24,74%	26,67%	38,97%
iShares Exponential Tech	4,02%	6,12%	5,19%	9,43%	18,57%	62,9%
Fixed Income						
BBG US TIPS	1,29%	0,17%	0,64%	2,97%	5,24%	-3,57%
BBG US Corporate	0,55%	-0,07%	0,79%	2,86%	7,14%	-2,86%
BBG US Agg Total Return	0,53%	-0,07%	0,18%	2,07%	4,21%	-4,50%
BBG US Treasury	0,52%	-0,26%	-0,21%	1,38%	2,62%	-6,14%
BBG US Corporate HY	1,37%	2,10%	4,87%	9,68%	19,85%	13,60%
BBG EM USD	1,06%	0,97%	3,46%	8,33%	13,86%	2,26%
Cash USD	0,37%	1,15%	2,48%	5,28%	10,87%	13,19%



Ativos Brasileiros	1m	3m	6m	12m	24m	36m
Pós-Fixado						
Brazil CETIP DI Rate Accumulat	1,01%	2,75%	5,48%	10,92%	25,20%	41,24%
Anbima IMA-S	1,10%	2,82%	5,67%	11,24%	25,78%	42,25%
Anbima Debentures Index IDA DI	1,58%	2,36%	5,52%	12,70%	29,10%	46,28%
Prêmio de Crédito	0,56%	-0,38%	0,04%	1,60%	3,11%	3,57%
Pré-Fixado						
Anbima IRF-M 1	1,28%	2,57%	5,09%	9,94%	24,18%	39,76%
Anbima IRF-M	2,58%	0,35%	1,57%	3,79%	20,72%	32,58%
Anbima IRF-M 1+	3,41%	-0,79%	-0,23%	0,94%	19,48%	29,91%
Indexado Inflação						
Anbima IMA-B 5	1,88%	1,96%	3,74%	7,43%	19,61%	32,99%
Anbima IMA-B	1,07%	-1,56%	-2,35%	-0,95%	14,43%	22,62%
Anbima IMA-B5+	0,43%	-4,17%	-6,39%	-6,87%	10,86%	14,91%
Anbima Debentures Index IDA IP	1,53%	-1,20%	-0,43%	3,79%	21,00%	22,85%
Prêmio de Crédito (s/ média B5 e B)	0,05%	-1,39%	-1,11%	0,54%	3,40%	-3,88%
Inflação IPCA*	0,52%	1,48%	2,29%	4,83%	9,68%	16,02%
Imobiliário						
Bovespa Real Est In Fund	-3,07%	-5,75%	-10,23%	-9,39%	7,07%	8,76%
Hedge Funds*						
Anbima Hedge Funds Index	0,88%	2,66%	4,90%	7,04%	15,29%	30,91%
Renda Variável						
BRAZIL IBOVESPA INDEX	4,86%	-2,76%	-1,19%	-1,27%	11,20%	12,48%
BOVESPA Dividend Index	3,50%	-1,62%	2,40%	4,45%	20,73%	34,00%
BM&FBOVESPA Small Cap	6,11%	-6,58%	-7,95%	-14,88%	-9,48%	-23,48%
BRAZIL Financial Index	10,83%	0,13%	4,57%	-0,43%	26,03%	21,61%
BOVESPA Utilities Index	6,15%	-2,49%	-0,92%	1,17%	19,74%	31,79%
BM&FBOVESPA REAL ESTATE	11,23%	-9,84%	-4,24%	-8,82%	19,50%	5,62%
BM&FBOVESPA Consumption	1,87%	-11,12%	-10,03%	-13,93%	-18,03%	-38,39%
BOVESPA INDUSTRIAL INDEX	0,70%	-0,41%	6,65%	23,62%	29,03%	11,17%
BOVESPA Basic Mat Index	-0,15%	-4,08%	-0,25%	-2,61%	-10,76%	-10,66%
BRAZIL ELECTRIC.ENERGY IX	5,25%	-5,73%	-8,59%	-10,26%	3,96%	4,08%
FX						
USD-BRL Carry Return	-6,02%	-0,66%	0,57%	12,51%	3,21%	-10,68%

