Market Update: November

International:

November was marked by the U.S. elections, which resulted in a significant victory for the Republican Party, now controlling the presidency, the House of Representatives, and the Senate. In the weeks following the results, the first key appointments for the new administration were announced, notably Scott Bessent as Secretary of the Treasury, with Elon Musk and Vivek Ramaswamy leading the Department of Government Efficiency (DOGE). The absence of Robert Lighthizer, a prominent advocate for import tariffs, in the government's top tier was also notable.

The initial reactions of the financial markets to the election results were mostly positive. In the coming months, there will be greater clarity on which aspects of Donald Trump's agenda will take precedence. The prospects of deregulation, tax cuts, and increased public sector efficiency have been welcomed by financial agents, while potential import tariffs and the risk of a trade war are met with caution. So far, asset prices suggest the government's positive agenda has dominated: U.S. equities gained value (S&P 500 +5.7%), interest rates declined (10-year U.S. Treasury: -0.12 basis points), and credit spreads narrowed, including those for emerging market debt. The U.S. dollar appreciated on expectations of a stronger economy in the U.S. compared to the rest of the world, while Chinese stocks fell in anticipation of new tariffs on the country's exports (FXI -4.0%). Bitcoin also saw a sharp rise, driven by the support for favorable cryptocurrency regulations among key administration appointees.

In the **U.S.**, economic data shows a resilient labor market and robust GDP growth (2.8% annualized in Q3). Consumer activity interrupted the declining inflation trend seen throughout the year, raising the Fed's preferred price index (PCE) by 0.24% in October, with core inflation increasing by 0.27%. The Federal Reserve cut interest rates by 25 basis points, to a range of 4.50%-4.75%, but signaled a possible pause in December. By the end of November, the market attributed a 70% probability to another cut in December and a 30% probability to maintaining the current rate. For 2025, approximately 100 basis points of additional cuts are expected. This outlook aligns with a "soft landing" scenario, where rate cuts occur without triggering a recession, as reflected in U.S. equity prices (image 1).

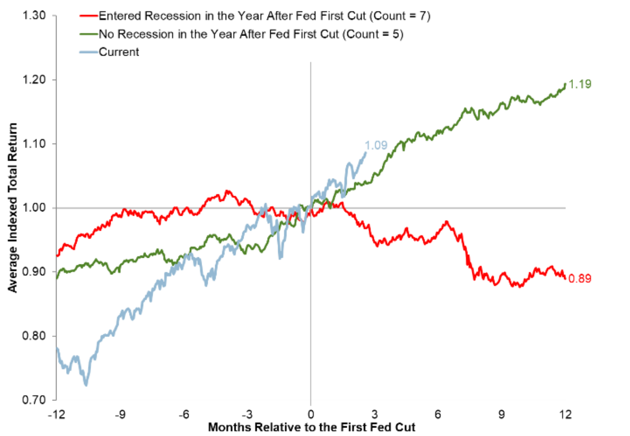


Image 1) SP500: current and average easing cycles (with and without recession). Source: GS

In **Europe**, economic growth is expected to close 2024 with a 0.8% increase, with little improvement projected for 2025. Confidence indices deteriorated further during the month, reaching levels consistent with economic contraction. Political turmoil in Germany and France hampers private investment and consumption growth. Additionally, persistent inflation prevents the European Central Bank from implementing monetary easing through rate cuts. The outlook is further challenged by the potential for new U.S. import tariffs, political instability at Europe's borders (Ukraine), and China's advancing industrial policies competing in sectors traditionally dominated by European countries.

In Asia, **China** announced a fiscal package of 10 trillion renminbi (USD 1.3 trillion) to refinance local debts, continuing its economic support to avoid a sharp slowdown. Growth projections for 2024 were revised from 4.6% to 5% by the IMF, signaling some resilience. In the coming months, markets will watch for announcements from the U.S. government regarding tariffs on Chinese imports.

Domestic:

In **Brazil**, the long-awaited spending cuts package was finally unveiled, but the measures disappointed analysts. While the expected savings for the next two years (BRL 70 billion between 2025 and 2026) align with market expectations, structural reforms were excluded by the government's political core. Furthermore, the government's official savings estimates differ from those of the private sector, and even in the most optimistic scenario, it would not be possible to stabilize public debt as a proportion of GDP.

The package also included an income tax exemption for those earning up to BRL 5,000 per month, partially offset by increased taxation on incomes above BRL 50,000. The political tone of the announcement made it clear that the government is prioritizing popularity gains ahead of the 2026 elections.

The lack of robust measures to ensure fiscal sustainability, coupled with stimulus to consumption amidst rising inflation, eroded confidence in the government's economic policies, leading to significant devaluation of domestic assets, especially the exchange rate. The memory of the final years of Dilma Rousseff's administration remains fresh. However, unlike that period, the current Central Bank is independent and may react more swiftly through interest rate hikes. Futures markets are pricing in a Selic rate above 15%, while yields on NTN-B bonds have already surpassed 7%, approaching levels seen before Rousseff's impeachment. Despite higher U.S. interest rates, the current spread remains narrower than 10 years ago (image 2).

The government is focused on securing approval for its proposals, which still face the risk of further dilution in Congress, despite assurances from the House Speaker and Senate President to defend fiscal sustainability and reject measures that threaten financial stability. Given the December legislative calendar, significant improvements to the proposed measures in 2024 appear unlikely, making it difficult for Brazilian asset prices to recover substantially. While it seems unlikely that the current dynamics will persist until the 2026 elections, there is no clear catalyst for restoring confidence and improving prices for an already heavily discounted domestic financial assets.

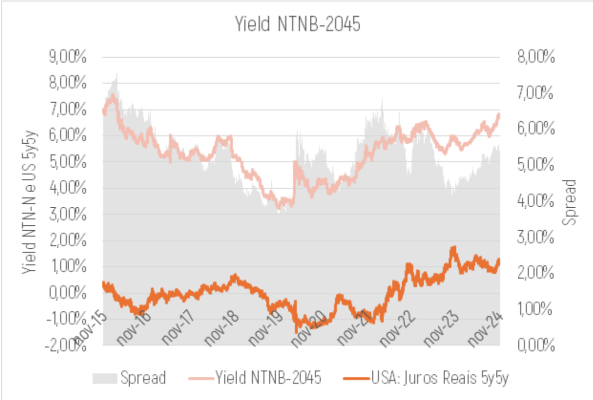
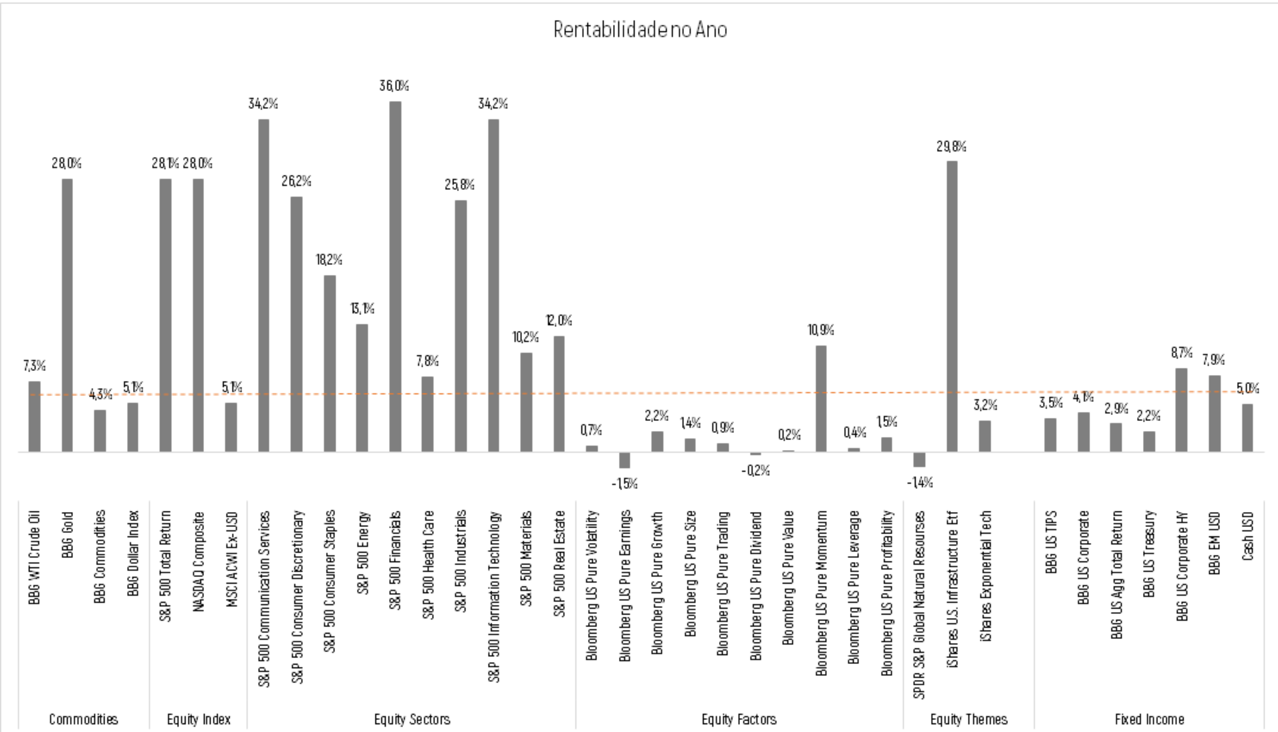


Image 2) Brazilian CPI-Linked bonds e US Treasuries. Source: Tera

Glabal Assets	1m	3m	6m	12m	24m	36m	YTD
Commodities							
BBG WTI Crude Oil	-0,82%	-3,75%	-4,26%	1,22%	4,91%	49,61%	7,26%
BBG Gold	-3,02%	6,34%	13,83%	29,51%	50,45%	47,62%	28,05%
BBG Commodities	0,41%	3,34%	-2,31%	1,51%	-6,29%	15,45%	4,32%
BBG Dollar Index	1,28%	3,29%	1,88%	2,91%	0,40%	7,80%	5,12%
Equity Index							
S&P 500 Total Return	5,87%	7,15%	15,07%	33,89%	52,42%	38,38%	28,07%
NASDAQ Composite	6,21%	8,49%	14,84%	35,09%	67,58%	23,69%	28,02%
MSCI ACWI Ex-USD	-1,04%	-3,66%	0,69%	10,21%	17,21%	0,47%	5,07%
Equity Sectors							
S&P 500 Communication Services	3,09%	9,70%	11,45%	40,63%	90,90%	26,54%	34,21%
S&P 500 Consumer Discretionary	13,24%	19,28%	25,71%	33,85%	57,85%	10,74%	26,19%
S&P 500 Consumer Staples	4,55%	2,07%	9,30%	21,04%	12,02%	23,11%	18,18%
S&P 500 Energy	6,28%	4,05%	2,26%	12,91%	4,29%	76,30%	13,13%
S&P 500 Financials	10,16%	12,22%	23,25%	43,17%	41,42%	35,16%	36,02%
S&P 500 Health Care	0,13%	-6,34%	2,56%	12,22%	5,87%	13,46%	7,76%
S&P 500 Industrials	7,33%	9,30%	16,41%	34,46%	41,49%	42,74%	25,84%
S&P 500 Information Technology	4,57%	6,05%	14,76%	39,28%	92,19%	54,17%	34,19%
S&P 500 Materials	1,45%	0,21%	3,36%	14,97%	14,41%	12,05%	10,19%
S&P 500 Real Estate	3,98%	3,22%	18,36%	20,89%	14,59%	-4,82%	11,97%
Equity Factors							
Bloomberg US Pure Volatility	1,73%	2,75%	1,85%	2,47%	2,40%	-4,61%	0,66%
Bloomberg US Pure Growth	1,20%	2,40%	2,11%	2,05%	1,86%	-2,99%	2,16%
Bloomberg US Pure Size	-0,23%	0,25%	-0,29%	0,70%	5,56%	4,31%	1,39%
Bloomberg US Pure Dividend	-1,61%	-1,32%	-0,73%	-0,65%	-2,45%	-0,35%	-0,17%
Bloomberg US Pure Value	-0,15%	-0,39%	-2,38%	0,14%	2,10%	13,10%	0,20%
Bloomberg US Pure Momentum	1,53%	4,01%	4,28%	9,25%	8,71%	8,29%	10,93%
Equity Themes							
SPDR S&P Global Natural Resourses	-0,65%	-3,04%	-6,39%	2,24%	-2,18%	19,68%	-1,37%
iShares U.S. Infrastructure Etf	10,02%	13,69%	17,63%	39,64%	40,78%	53,39%	29,83%
iShares Exponential Tech	4,99%	3,16%	6,38%	11,52%	21,97%	-3,11%	3,22%
Fixed Income							
BBG US TIPS	0,48%	0,16%	3,56%	6,26%	6,41%	-4,93%	3,47%
BBG US Corporate	1,34%	0,63%	5,32%	8,66%	12,52%	-4,88%	4,14%
BBG US Agg Total Return	1,06%	-0,13%	4,65%	6,88%	8,14%	-5,75%	2,93%
BBG US Treasury	0,78%	-0,44%	4,08%	5,59%	5,74%	-7,43%	2,15%
BBG US Corporate HY	1,15%	2,23%	6,92%	12,71%	22,50%	11,53%	8,66%
BBG EM USD	1,11%	1,48%	6,19%	12,39%	18,67%	0,68%	7,86%
Cash USD	0,38%	1,24%	2,61%	5,43%	10,82%	12,34%	4,98%



Br Assets	1m	3m	6m	12m	24m	36m	YTD
Pós-Fixado							
Brazil CETIP DI Rate Accumulat	0,79%	2,58%	5,23%	10,84%	25,58%	40,62%	9,85%
Anbima IMA-S	0,83%	2,70%	5,44%	11,18%	26,14%	41,75%	10,16%
Anbima Debentures Index IDA DI	0,87%	2,82%	6,40%	13,70%	28,49%	46,59%	12,59%
Prêmio de Crédito	0,07%	0,23%	1,12%	2,58%	2,32%	4,25%	2,49%
Pré-Fixado							
Anbima IRF-M 1	0,57%	2,25%	4,67%	9,69%	24,55%	39,10%	8,70%
Anbima IRF-M	-0,52%	0,03%	1,73%	5,11%	22,46%	33,80%	3,57%
Anbima IRF-M 1+	-1,13%	-1,16%	0,25%	2,94%	21,88%	31,77%	1,19%
Indexado Inflação							
Anbima IMA-B 5	0,36%	1,51%	3,44%	8,02%	20,49%	32,08%	6,46%
Anbima IMA-B	0,02%	-1,29%	0,32%	2,94%	16,04%	23,95%	0,19%
Anbima IMA-B5+	-0,23%	-3,28%	-1,64%	-0,68%	12,61%	17,33%	-4,45%
Anbima Debentures Index IDA IP	-0,45%	-0,86%	1,89%	7,82%	17,29%	24,24%	5,25%
Prêmio de Crédito (s/ média B5 e B)	-0,64%	-0,97%	0,01%	2,22%	-0,82%	-2,95%	1,87%
*Inflação IPCA**	0,56%	0,98%	2,05%	4,76%	9,81%	16,91%	4,47%
Imobiliario							
Bovespa Real Est In Fund	-2,11%	-7,55%	-7,24%	-1,23%	9,42%	21,68%	-5,26%
Hedge Funds*							
Anbima Hedge Funds Index	1,40%	2,80%	5,97%	8,18%	15,65%	32,57%	5,38%
Renda Variável							
BRAZIL IBOVESPA INDEX	-3,12%	-7,60%	2,92%	-1,31%	11,72%	23,31%	-6,35%
BOVESPA Dividend Index	-0,07%	-2,50%	8,11%	9,45%	27,77%	48,64%	2,38%
BM&FBOVESPA Small Cap	-4,48%	-9,94%	-4,85%	-12,93%	-7,61%	-16,01%	-18,66%
BRAZIL Financial Index	-7,81%	-15,01%	-0,24%	-6,07%	17,75%	26,10%	-12,55%
BOVESPA Utilities Index	-2,97%	-7,26%	7,34%	4,73%	14,27%	37,06%	-1,90%
BM&FBOVESPA REAL ESTATE	-10,50%	-10,21%	0,70%	-9,94%	21,96%	23,06%	-17,14%
BM&FBOVESPA Consumption	-5,91%	-10,36%	-2,17%	-11,49%	-15,37%	-33,32%	-16,48%
BOVESPA INDUSTRIAL INDEX	2,81%	3,29%	21,88%	26,14%	29,78%	17,77%	19,04%
BOVESPA Basic Mat Index	2,09%	5,06%	7,12%	0,21%	-1,56%	5,88%	-6,37%
BRAZIL ELECTRIC.ENRGY IX	-5,08%	-11,65%	-6,00%	-7,75%	1,62%	8,16%	-13,57%
FX							
USD-BRL Carry Return	2,73%	5,19%	11,31%	16,34%	2,98%	-14,17%	18,23%