Market Update – May

International:

In May, risk assets posted strong gains, continuing the rally that began in the second half of April and approaching this year's (and all-time) highs. The temporary pause in the trade war — with a 90-day negotiation window following the Trump administration's rollback of much of the tariff increases — combined with economic data that eased fears of an imminent recession and solid earnings from U.S. companies (particularly in the technology sector), helped restore investor confidence and drive renewed interest in equities and credit markets.

While U.S. equities led the rally, global assets also benefited from improving risk appetite, with emerging market currencies and fixed-income assets seeing broad-based gains. The euro and Japanese yen continued their appreciation trend observed throughout the year. After April's turbulence and the sharp recovery that followed, risk assets — particularly U.S. equities — now appear to offer more limited upside, as upcoming economic data may reveal some softness and the current tariff truce is set to expire.

In the U.S., inflation data came in below expectations, marking a welcome surprise after several months of elevated inflation readings. On an annualized basis, price levels are now hovering near the Federal Reserve's target (Figure 1). However, the recent tariff increases are expected to place upward pressure on prices, leaving the Fed in a challenging position. Recent comments from Fed officials suggest that interest rates are likely to remain on hold until there is greater clarity on the outlook for both economic activity and inflation. At the same time, the government unveiled the Big Beautiful Bill, which points to a significant fiscal expansion, adding another layer of uncertainty to the policy landscape.

In the Eurozone, activity indicators remain soft, prompting the European Central Bank (ECB) to deliver its eighth consecutive rate cut in early June, bringing the benchmark rate to 2%. The ECB also signaled that the current easing cycle may be nearing its end. Looking ahead, increased government spending on defense and infrastructure is expected to provide some support for growth — a dynamic that has already begun to boost European equities in sectors exposed to these themes.

China's economy lost momentum in May, as credit data pointed to weak demand for new financing and the Caixin PMI (a key gauge of business sentiment) indicated stagnation — largely driven by falling exports in response to higher U.S. tariffs. The services sector showed somewhat better resilience, though not enough to offset a broader picture of low inflation (running at just 0.3% over the past 12 months), which is putting pressure on the government to announce further stimulus measures.

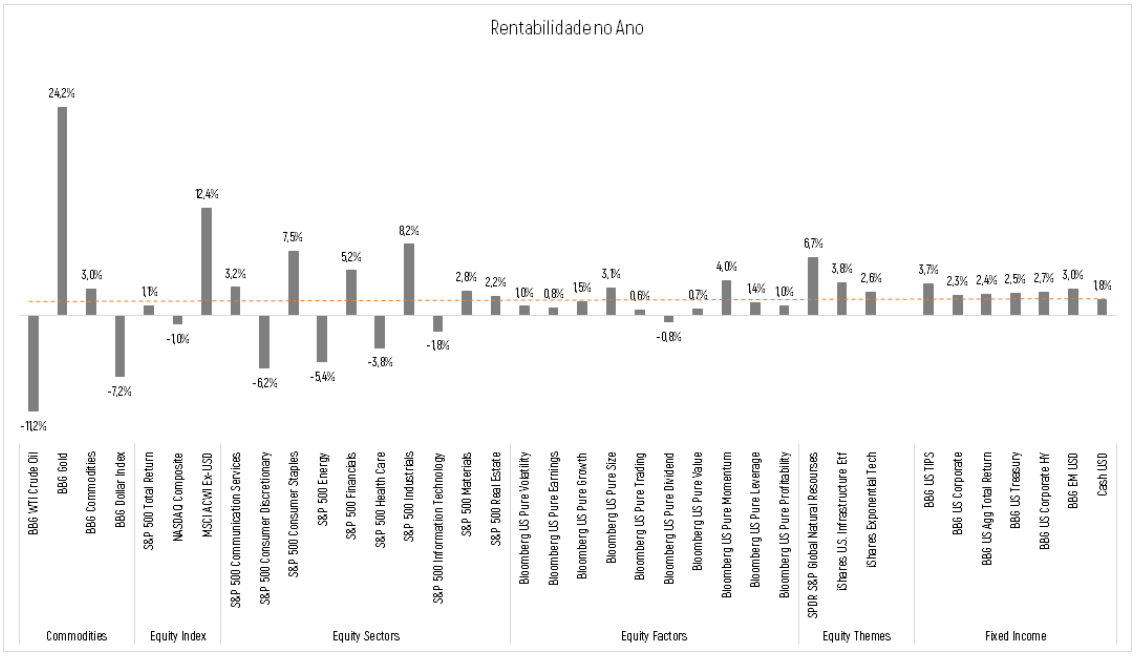
Brazil:

Brazilian assets largely tracked the positive performance of global risk markets in May, with small caps and domestically oriented stocks standing out. Economic activity and employment continue to show resilience, prompting analysts to revise their GDP forecasts for 2025 slightly higher, now hovering just below 2.5%, despite still-elevated interest rates.

On the political front, a proposed increase in the IOF tax on credit and foreign exchange transactions triggered a strong backlash from both lawmakers and the business community. Part of the decree was rolled back in under 24 hours, and there is a high likelihood that it will be fully repealed, following clear signals from Congress that it will not tolerate higher tax burdens.

The government continues to face significant challenges in reversing its declining approval ratings, which have now fallen to their lowest levels since the start of President Lula's third term. As a result, markets are increasingly pricing in the potential for a more reform-minded government going forward, while placing less emphasis on the current fiscal deterioration — even as public debt continues to rise at an unsustainable pace.

Global Assets	1m	3m	6m	12m	24m	36m
Commodities						
BBG WTI Crude Oil	5,88%	-10,03%	-5,82%	-9,83%	14,53%	-22,83%
BBG Gold	-0,61%	15,52%	22,83%	39,82%	64,64%	75,12%
BBG Commodities	-0,58%	-1,64%	4,10%	1,69%	12,82%	-12,54%
BBG Dollar Index	-0,62%	-6,33%	-4,62%	-2,83%	-2,42%	-0,88%
Equity Index						
S&P 500 Total Return	6,29%	-0,37%	-1,35%	13,52%	45,52%	49,77%
NASDAQ Composite	9,56%	1,41%	-0,54%	14,21%	47,76%	58,21%
MSCI ACWI Ex-USD	4,11%	6,82%	10,15%	10,91%	26,07%	20,83%
Equity Sectors						
S&P 500 Communication Services	9,62%	1,07%	6,80%	19,03%	67,38%	74,94%
S&P 500 Consumer Discretionary	9,38%	-0,82%	-4,03%	20,64%	44,55%	41,97%
S&P 500 Consumer Staples	1,66%	-0,11%	1,83%	11,30%	21,17%	18,80%
S&P 500 Energy	0,30%	-10,22%	-14,46%	-12,53%	5,75%	-5,88%
S&P 500 Financials	4,29%	-2,41%	-0,71%	22,37%	60,60%	43,75%
S&P 500 Health Care	-5,72%	-11,00%	-9,94%	-7,63%	3,85%	0,36%
S&P 500 Industrials	8,63%	4,75%	-0,55%	15,77%	47,80%	51,24%
S&P 500 Information Technology	10,79%	2,56%	-0,75%	13,90%	56,22%	84,45%
S&P 500 Materials	2,80%	-2,42%	-8,40%	-5,32%	15,64%	1,04%
S&P 500 Real Estate	0,85%	-3,50%	-7,14%	9,90%	15,86%	-5,38%
Equity Factors						
Bloomberg US Pure Volatility	1,76%	1,29%	0,73%	2,59%	3,43%	1,44%
Bloomberg US Pure Growth	0,72%	0,94%	1,86%	4,02%	4,57%	3,20%
Bloomberg US Pure Size	0,97%	1,36%	3,62%	3,32%	6,62%	8,63%
Bloomberg US Pure Dividend	-0,96%	-1,53%	-0,75%	-1,48%	-1,44%	-3,29%
Bloomberg US Pure Value	1,33%	1,38%	0,01%	-2,37%	2,99%	1,57%
Bloomberg US Pure Momentum	1,51%	3,42%	2,89%	7,30%	14,08%	12,88%
Equity Themes						
SPDR S&P Global Natural Resourses	3,57%	1,51%	-0,76%	-7,10%	11,42%	-4,70%
iShares U.S. Infrastructure Etf	5,64%	3,15%	-6,44%	10,05%	38,11%	33,61%
iShares Exponential Tech	5,70%	0,05%	-0,28%	6,09%	16,06%	19,80%
Fixed Income						
BBG US TIPS	-0,59%	0,17%	2,04%	5,67%	7,32%	2,81%
BBG US Corporate	-0,01%	-0,33%	0,28%	5,61%	10,26%	8,39%
BBG US Agg Total Return	-0,72%	-0,29%	0,77%	5,46%	6,84%	4,55%
BBG US Treasury	-1,03%	-0,17%	0,93%	5,04%	4,81%	2,45%
BBG US Corporate HY	1,68%	0,62%	2,24%	9,32%	21,60%	21,65%
BBG EM USD	0,67%	0,26%	1,75%	8,04%	17,63%	16,84%
Cash USD	0,36%	1,10%	2,23%	4,90%	10,70%	14,69%



Ativos Brasileiros	1m	3m	6m	12m	24m	36m
Pós-Fixado						
Brazil CETIP DI Rate Accumulat	1,14%	3,19%	6,23%	11,78%	25,21%	42,08%
Anbima IMA-S	1,16%	3,20%	6,28%	12,06%	25,75%	43,01%
Anbima Debentures Index IDA DI	1,38%	3,87%	6,77%	13,61%	32,08%	47,44%
Prêmio de Crédito	0,24%	0,66%	0,50%	1,63%	5,49%	3,77%
Pré-Fixado						
Anbima IRF-M 1	1,09%	3,36%	6,48%	11,45%	24,33%	41,15%
Anbima IRF-M	1,00%	5,46%	7,03%	8,89%	20,33%	38,05%
Anbima IRF-M 1+	0,95%	6,55%	7,31%	7,58%	18,57%	37,35%
Indexado Inflação						
Anbima IMA-B 5	0,62%	2,95%	5,28%	8,90%	18,63%	29,84%
Anbima IMA-B	1,70%	5,74%	4,59%	4,92%	11,81%	23,51%
Anbima IMA-B5+	2,45%	7,81%	3,97%	2,26%	6,59%	18,64%
Anbima Debentures Index IDA IP	1,35%	6,03%	6,62%	8,64%	22,02%	24,35%
Prêmio de Crédito (s/ média B5 e B)	0,19%	1,62%	1,61%	1,61%	5,90%	-1,84%
*Inflação IPCA**	0,43%	2,32%	3,41%	5,53%	9,42%	14,00%
Imobiliario						
Bovespa Real Est In Fund	1,44%	10,91%	10,35%	2,35%	14,88%	22,74%
Hedge Funds*						
Anbima Hedge Funds Index	1,13%	5,11%	6,53%	12,88%	19,76%	28,25%
Renda Variável						
BRAZIL IBOVESPA INDEX	1,45%	11,59%	9,04%	12,23%	26,48%	23,06%
BOVESPA Dividend Index	1,31%	11,05%	6,28%	14,90%	37,36%	36,20%
BM&FBOVESPA Small Cap	5,94%	22,66%	15,32%	9,73%	4,92%	-2,78%
BRAZIL Financial Index	1,56%	21,06%	27,39%	27,08%	38,68%	43,69%
BOVESPA Utilities Index	3,20%	20,76%	23,61%	32,68%	46,51%	46,56%
BM&FBOVESPA REAL ESTATE	7,18%	31,05%	27,30%	28,19%	27,49%	52,09%
BM&FBOVESPA Consumption	2,37%	29,50%	15,59%	13,07%	4,37%	-12,12%
BOVESPA INDUSTRIAL INDEX	-1,46%	4,67%	-3,03%	18,19%	32,43%	23,26%
BOVESPA Basic Mat Index	-1,77%	-4,56%	-15,17%	-9,13%	-3,55%	-18,01%
BRAZIL ELECTRIC.ENRGY IX	4,60%	20,16%	22,47%	15,13%	20,93%	21,30%
FX						
USD-BRL Carry Return	0,10%	-4,88%	-7,97%	2,44%	1,19%	-1,04%

