Market Update: May

May was marked by a meaningful improvement in global risk appetite, driven by expectations of an agreement between the United States and Iran and a sharp decline in oil prices, with Brent crude falling approximately 19% during the month. The easing of fears surrounding a stagflationary shock (weak growth combined with high inflation) supported global equity markets, particularly technology and artificial intelligence-related assets, while sovereign bond yields, which had reached multi-year highs in the middle of the month, partially retraced as the geopolitical outlook improved.

International

In the **United States**, economic data continued to point to a resilient economy. The labor market showed healthy job creation, albeit accompanied by a slight increase in the unemployment rate, while retail sales came in somewhat stronger than expected. Inflation, on the other hand, remains above target: core PCE inflation stayed elevated for the fifth consecutive month, leaving the Federal Reserve in an uncomfortable position. Minutes from the latest monetary policy meeting indicated that most members would be willing to raise interest rates should inflation remain under pressure, while Kevin Warsh assumed the Fed Chairmanship amid growing debate over the possibility of renewed monetary tightening.

In **Europe**, the environment remained challenging. Economic activity lost momentum, with the slowdown concentrated in the services sector, while inflation surprised to the upside, particularly in its core components (less volatile items). Although longer-term inflation expectations remain relatively well anchored, the European Central Bank continues to monitor the secondary effects of the energy shock closely, maintaining a cautious and potentially restrictive stance for upcoming meetings.

In **Asia**, China once again showed signs of moderate growth, with activity and credit data coming in below expectations. The meeting between Xi Jinping and Donald Trump in Beijing focused on diplomatic stability but produced no meaningful progress on trade-related disagreements. In financial markets, technology and semiconductor-related assets once again stood out positively, with Asian equities delivering strong performance, particularly in Japan and South Korea, benefiting from renewed global enthusiasm surrounding artificial intelligence.

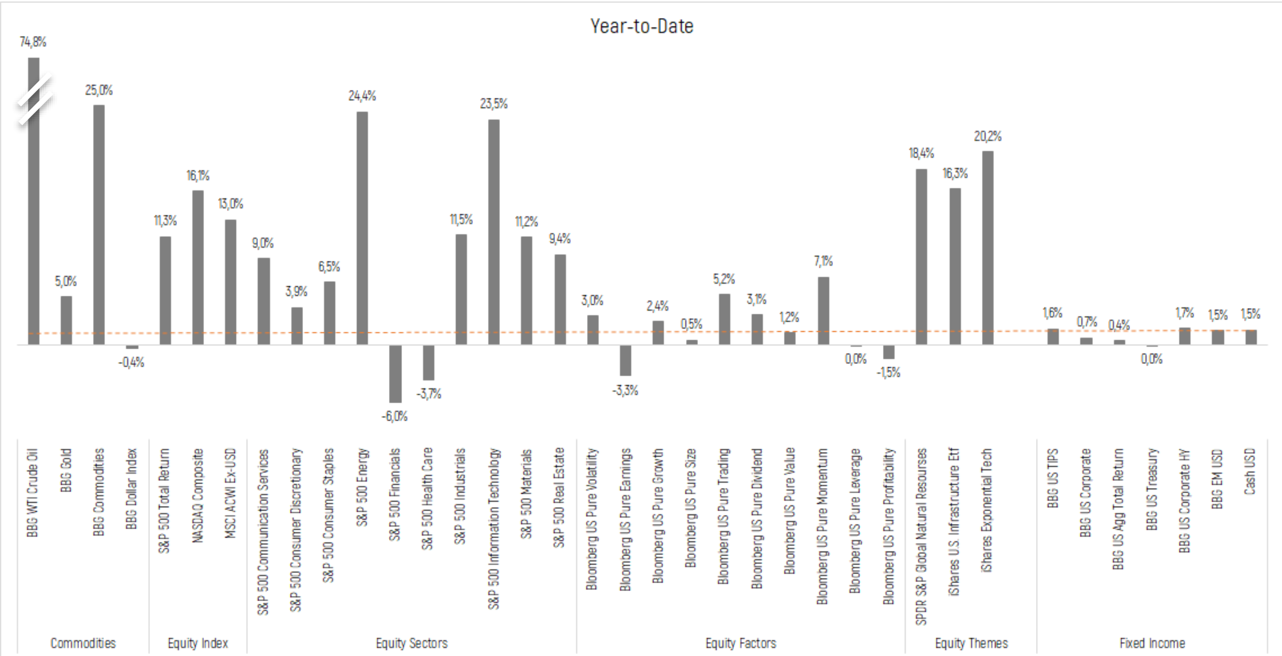
Domestic

In Brazil, May brought a clearer deterioration in the domestic risk outlook. Inflation worsened both in terms of headline levels and composition, with significant pressure coming from food, tradable goods, and services. Higher fertilizer prices, the secondary effects of the oil shock, and climate risks associated with a potential Super El Niño have increased concerns regarding food prices in the second half of the year. At the same time, economic activity remains more resilient than previously expected, with a tight labor market, low unemployment, and strong real wage growth, making it more difficult for service inflation to moderate.

The exchange rate also ceased to act as a disinflationary force. After a strong appreciation in previous months, the Brazilian real depreciated by approximately 1.6% in May, reflecting weaker support from commodities, renewed capital flows toward global growth assets, and the increasing proximity of the presidential election. In this context, the room for further interest rate cuts has narrowed considerably. Markets have begun to consider the possibility of an interruption in the easing cycle, while some asset managers no longer rule out discussions about a potential return to rate hikes should inflation and inflation expectations continue to deteriorate.

Local markets delivered negative performance during the month. The Ibovespa fell 7.2%, with weakness concentrated in domestic sectors and greater pressure on interest-rate-sensitive assets, while long-duration fixed income underperformed amid a repricing of the inflation outlook. The electoral backdrop also began to carry greater weight, with opinion polls showing a relative improvement in Lula's position versus Flávio Bolsonaro following new political controversies. Nevertheless, the primary driver of domestic assets remained the combination of elevated inflation, high interest rates, and resilient economic activity.

Global Assets	1m	3m	6m	12m	24m	36m
Commodities						
BBG WTI Crude Oil	-11,62%	47,83%	72,48%	81,25%	63,43%	107,59%
BBG Gold	-1,25%	-12,99%	7,50%	37,35%	92,03%	126,13%
BBG Commodities	-3,56%	12,05%	24,63%	40,47%	42,84%	58,48%
BBG Dollar Index	0,57%	0,96%	-1,56%	-1,41%	-4,20%	-3,80%
Equity Index						
S&P 500 Total Return	5,26%	10,52%	11,34%	29,78%	47,33%	88,86%
NASDAQ Composite	8,36%	18,99%	15,44%	41,12%	61,17%	108,52%
MSCI ACWI Ex-USD	4,68%	1,72%	16,28%	29,90%	44,07%	63,76%
Equity Sectors						
S&P 500 Communication Services	-0,92%	8,73%	7,85%	39,86%	66,48%	134,10%
S&P 500 Consumer Discretionary	2,56%	7,99%	4,58%	16,63%	40,70%	68,59%
S&P 500 Consumer Staples	-3,29%	-8,14%	4,45%	0,45%	11,80%	21,71%
S&P 500 Energy	-6,08%	-0,02%	24,51%	38,04%	20,74%	45,98%
S&P 500 Financials	-1,18%	0,34%	-3,26%	1,27%	23,93%	62,64%
S&P 500 Health Care	2,31%	-6,68%	-5,11%	12,72%	4,12%	17,06%
S&P 500 Industrials	-0,97%	-2,27%	12,71%	21,22%	40,34%	79,16%
S&P 500 Information Technology	15,91%	30,87%	23,18%	55,20%	76,77%	142,44%
S&P 500 Materials	-0,85%	-5,44%	13,47%	17,31%	11,07%	35,65%
S&P 500 Real Estate	-1,17%	0,26%	6,37%	6,69%	17,25%	23,61%
Equity Factors						
Bloomberg US Pure Volatility	0,96%	2,63%	3,39%	6,54%	9,30%	10,20%
Bloomberg US Pure Growth	0,31%	2,55%	1,69%	-1,17%	2,80%	3,34%
Bloomberg US Pure Size	0,84%	1,63%	0,86%	3,89%	7,34%	10,77%
Bloomberg US Pure Dividend	0,91%	0,89%	2,91%	1,92%	0,42%	0,45%
Bloomberg US Pure Value	-1,78%	-0,76%	2,41%	2,85%	0,41%	5,92%
Bloomberg US Pure Momentum	0,78%	3,88%	6,80%	10,46%	18,51%	26,00%
Equity Themes						
SPDR S&P Global Natural Resourses	-1,64%	-2,65%	22,35%	42,73%	32,59%	59,03%
iShares U.S. Infrastructure Etf	-2,68%	1,43%	14,67%	29,89%	42,94%	79,38%
iShares Exponential Tech	9,55%	15,60%	21,09%	47,69%	56,68%	71,41%
Global X AI	20,47%	33,94%	34,38%	67,38%	102,50%	158,97%
iShares Semiconductor ETF	23,33%	61,64%	92,18%	179,46%	146,35%	265,67%
Fixed Income						
BBG US TIPS	0,21%	0,02%	1,23%	4,90%	10,85%	12,58%
BBG US Corporate	0,76%	-0,79%	0,47%	6,09%	12,05%	16,98%
BBG US Agg Total Return	0,31%	-1,35%	0,23%	5,13%	10,87%	12,32%
BBG US Treasury	0,11%	-1,70%	-0,34%	3,71%	8,94%	8,70%
BBG US Corporate HY	0,49%	0,98%	2,26%	7,57%	17,59%	30,80%
BBG EM USD	0,71%	-0,13%	1,89%	9,48%	18,28%	28,78%
Cash USD	0,29%	0,92%	1,87%	4,05%	9,15%	15,18%



Brasil	1m	3m	6m	12m	24m	36m
Pós-Fixado						
Brazil CETIP DI Rate Accumulat	1,07%	3,42%	6,95%	14,76%	28,28%	43,68%
Anbima IMA-S	1,09%	3,49%	7,07%	14,97%	28,84%	44,58%
Anbima Debentures Index IDA DI	1,82%	3,55%	7,07%	14,88%	30,51%	51,73%
Prêmio de Crédito	0,74%	0,13%	0,11%	0,11%	1,74%	5,61%
Pré-Fixado						
Anbima IRF-M 1	1,07%	3,12%	6,65%	14,43%	27,53%	42,27%
Anbima IRF-M	0,68%	1,33%	4,65%	13,33%	23,40%	36,36%
Anbima IRF-M 1+	0,52%	0,63%	3,87%	12,85%	21,40%	33,80%
Indexado Inflação						
Anbima IMA-B 5	0,97%	3,72%	7,26%	12,37%	22,37%	33,31%
Anbima IMA-B	0,31%	2,30%	5,50%	10,82%	16,28%	23,91%
Anbima IMA-B5+	-0,20%	1,21%	4,14%	9,60%	12,08%	16,82%
Anbima Debentures Index ID	0,18%	-1,69%	1,76%	8,11%	17,45%	31,92%
Prêmio de Crédito (s/ média B5 e B)	-0,46%	-4,57%	-4,34%	-3,12%	-1,57%	2,58%
*Inflação IPCA**	0,67%	2,27%	3,13%	4,39%	10,16%	14,23%
Imobiliario						
Bovespa Real Est In Fund	-1,33%	-0,88%	5,93%	12,00%	14,64%	28,67%
Hedge Funds						
Anbima Hedge Funds Index	0,62%	-0,83%	3,29%	11,63%	26,01%	33,69%
Renda Variável						
BRAZIL IBOVESPA INDEX	-7,22%	-7,95%	9,25%	26,83%	42,33%	60,42%
BOVESPA Dividend Index	-7,62%	-8,92%	6,64%	22,26%	40,48%	67,94%
BM&FBOVESPA Small Cap	-3,66%	-12,08%	-4,87%	3,06%	13,09%	8,13%
BRAZIL Financial Index	-7,32%	-13,05%	1,62%	16,49%	48,04%	61,54%
BOVESPA Utilities Index	-10,97%	-5,88%	6,89%	33,74%	77,45%	95,94%
BM&FBOVESPA REAL ESTATE	-3,63%	-15,95%	-4,90%	25,84%	61,32%	60,43%
BM&FBOVESPA Consumption	-3,35%	-13,37%	-7,07%	-1,65%	11,20%	2,65%
BOVESPA INDUSTRIAL INDEX	0,32%	-11,47%	1,73%	10,05%	30,07%	45,74%
BOVESPA Basic Mat Index	0,66%	-8,19%	11,91%	27,07%	15,47%	22,56%
BRAZIL ELECTRIC.ENRGY IX	-8,79%	-3,98%	3,40%	26,14%	45,22%	52,55%
FX						
USD-BRL Carry Return	0,86%	-3,99%	-9,95%	-19,87%	-17,92%	-18,92%