Market Update: July

International:

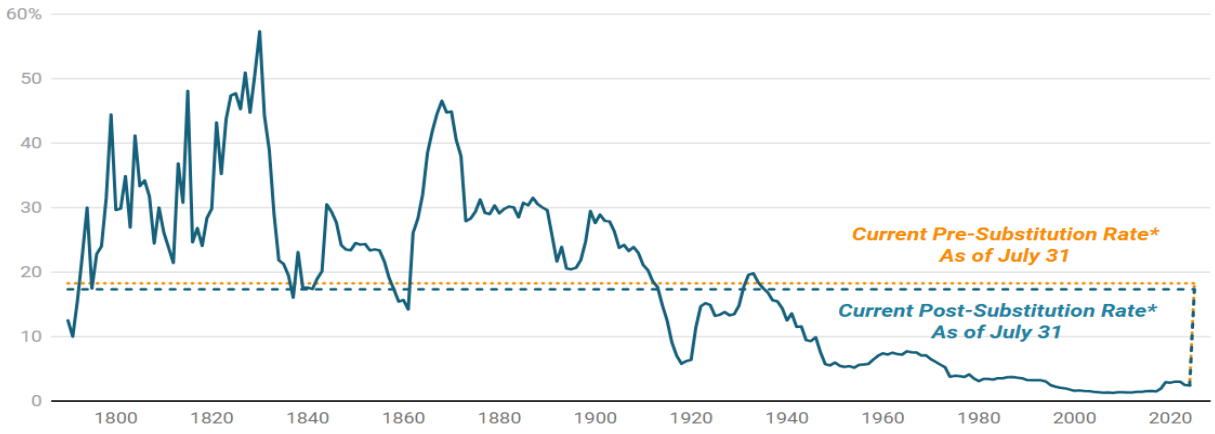
In July, most financial assets showed a trend reversal compared to the first half of the year. The key theme was American exceptionalism, driven by strong earnings from technology companies and bilateral negotiations surrounding import tariffs imposed by the U.S. During the month, the U.S. dollar appreciated 3.2% against its peers—its largest monthly gain since 2022—while the Nasdaq recorded 14 all-time highs in the same period. Oil prices rose 7.3%, supported by a reduced likelihood of a recession and the threat of sanctions on importers of Russian oil.

In the second half of the year, the market is expected to more clearly absorb the effects of tariffs on the economy. After a prolonged period of threats, delays, and negotiations, the average tariff on U.S. imports is rising quickly, now surpassing the level that caused significant market stress in April (Figure 1), when Trump first announced the new tariffs on "Liberation Day."

Current asset prices seem to reflect a scenario of moderate growth, U.S. inflation slightly above target, and low recession probability. Even so, this backdrop would allow the U.S. Federal Reserve to cut rates up to four more times starting in September. However, the risk premium associated with these assumptions remains low, as evidenced by tight credit spreads, low implied equity volatility, and anchored long-term inflation expectations—warranting a cautious stance in portfolio allocations.

In the U.S., annualized GDP growth for Q2 reached 3.0%, although there were clear signs of a slowdown in consumption and investment. The economy is becoming increasingly polarized between the strong technology sector (which includes investments in artificial intelligence) and the U.S. consumer, who appears less capable of sustaining the post-pandemic growth momentum. Inflation data now clearly shows the impact of tariffs, especially in the apparel and furniture sectors. The Fed held interest rates steady in a split decision, with two members advocating for cuts. This decision, however, came before the release of weak labor market data, which reinforced expectations for a rate cut in September, despite inflation hovering near 3%.

In Europe, business confidence surveys (PMIs) surprised to the upside, supporting a more hawkish tone from the European Central Bank (ECB), which kept rates at 2% and signaled stability ahead. While awaiting the full implementation of Germany's promised fiscal stimulus, the most impactful event in July was the announcement of a trade agreement between the EU and the U.S. Under the deal, European products will face a 15% tariff when imported into the U.S., and steel and aluminum will be taxed at 50%. In addition, Europe pledged to invest $600 billion in the U.S. and purchase $750 billion in energy. Still, the agreement faces significant uncertainty regarding implementation and has not unified the major European economies around a common stance on the U.S. administration.



** Incorporates US-Vietnam framework and July 7 announcements.*

Figure 1) Average U.S. import tariff. Source: The Budget Lab / Yale

The global backdrop, along with the strong performance of the tech sector, contributed to positive returns in Chinese markets. Donald Trump appears inclined to strike a deal with Xi Jinping, repeatedly delaying new tariff announcements on Chinese goods, while other Asian nations such as Vietnam and the Philippines agreed to tariffs around 20%.

Domestic (Brazil):

In Brazil, following a rate-hiking cycle that took the Selic rate to 15%, the central bank paused monetary tightening but maintained a hawkish tone, indicating limited room for rate cuts before 2026. The global environment weighed on domestic assets through several channels:

1. After being among the most favored countries in trade with the U.S. since April, tariffs of 50% were imposed on Brazilian exports, citing the arbitrariness of Brazil's judicial system.

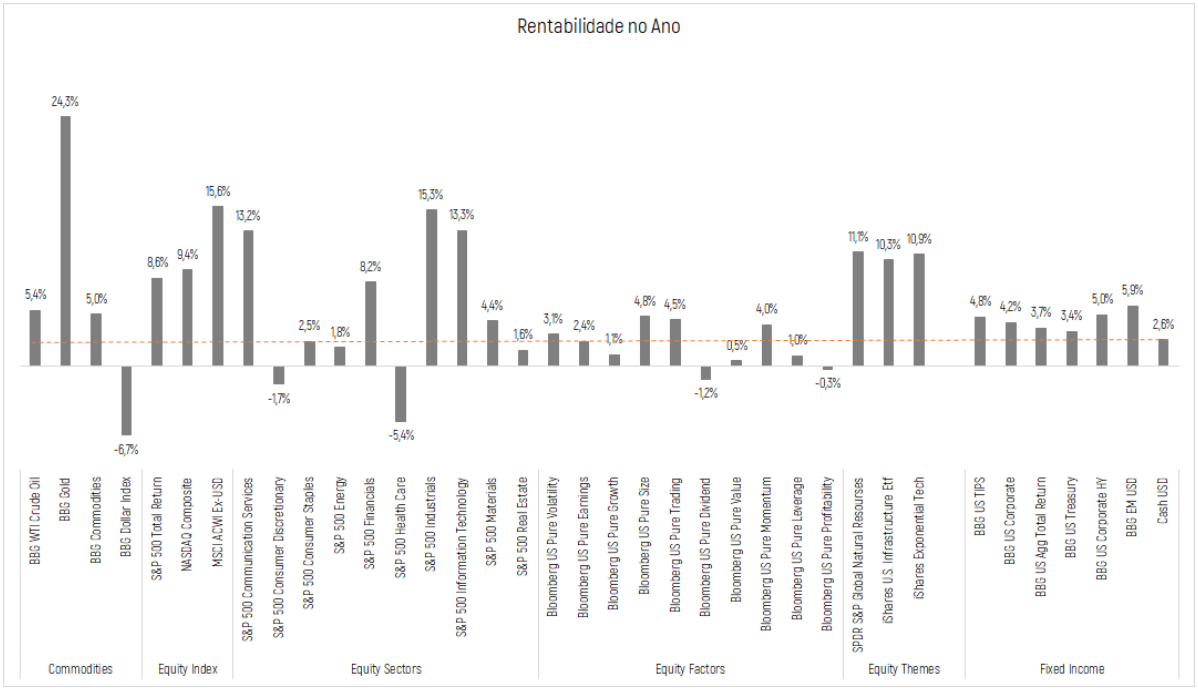
2. The reversal of the U.S. dollar's downward trend makes it harder for Brazil to reduce inflation and, by extension, interest rates.

3. Increased interference from Donald Trump in local politics boosted government approval ratings (as seen in Canada, Mexico, and Australia), frustrating expectations of an early definition of the 2026 electoral landscape.

4. Foreign investors, who were the main buyers of equities in the first half of the year, have recently withdrawn negatively impacting the Ibovespa, which fell 4.2% in July.

Looking ahead, rate cuts in the U.S. could lead to a renewed global depreciation of the dollar, which would benefit Brazilian assets—still trading at attractive multiples. However, a broader repricing seems to depend on the election of a reformist candidate in the 2026 presidential race, which remains highly uncertain. For now, we highlight growing concern over Brazil's external accounts, with a current account deficit approaching 4% of GDP despite a real-dollar exchange rate around 5.50, which limits real gains going forward.

Ativos Globais	1m	3m	6m	12m	24m	36m
Commodities						
BBG WTI Crude Oil	8,87%	25,71%	3,20%	3,75%	12,31%	1,69%
BBG Gold	-0,06%	-0,54%	16,55%	34,18%	64,30%	83,31%
BBG Commodities	-0,45%	1,36%	1,05%	9,71%	4,04%	-4,16%
BBG Dollar Index	2,65%	-0,16%	-6,58%	-2,56%	0,29%	-3,60%
Equity Index						
S&P 500 Total Return	2,24%	14,21%	5,64%	16,33%	42,10%	60,59%
NASDAQ Composite	3,70%	21,07%	7,62%	20,02%	47,24%	70,47%
MSCI ACWI Ex-USD	-0,41%	7,01%	11,17%	11,94%	19,67%	31,96%
Equity Sectors						
S&P 500 Communication Services	2,30%	20,20%	3,85%	30,06%	67,64%	100,80%
S&P 500 Consumer Discretionary	2,62%	14,63%	-5,85%	18,67%	32,09%	40,44%
S&P 500 Consumer Staples	-2,51%	-3,08%	0,56%	4,82%	10,10%	13,07%
S&P 500 Energy	2,81%	8,01%	-0,16%	-6,39%	-0,31%	11,39%
S&P 500 Financials	-0,16%	7,33%	1,71%	19,67%	48,18%	55,45%
S&P 500 Health Care	-3,44%	-7,25%	-11,24%	-12,87%	-2,78%	-1,52%
S&P 500 Industrials	2,95%	15,70%	9,78%	18,86%	37,68%	59,10%
S&P 500 Information Technology	5,16%	27,85%	16,68%	22,87%	64,84%	106,96%
S&P 500 Materials	-0,51%	4,42%	-1,03%	-4,69%	2,56%	12,61%
S&P 500 Real Estate	-0,16%	0,20%	-0,18%	0,60%	8,52%	-6,34%
Equity Factors						
Bloomberg US Pure Volatility	0,82%	3,89%	2,02%	4,78%	3,00%	3,85%
Bloomberg US Pure Growth	-0,15%	0,32%	0,49%	4,27%	3,62%	1,19%
Bloomberg US Pure Size	0,67%	2,64%	3,95%	5,93%	8,35%	11,56%
Bloomberg US Pure Dividend	0,28%	-1,37%	-0,71%	-1,93%	-1,80%	-2,85%
Bloomberg US Pure Value	-0,27%	1,19%	0,33%	-1,42%	2,15%	3,94%
Bloomberg US Pure Momentum	-0,17%	1,50%	2,30%	8,42%	15,85%	13,60%
Equity Themes						
SPDR S&P Global Natural Resourses	0,52%	7,87%	5,97%	0,11%	1,21%	13,04%
iShares U.S. Infrastructure Etf	2,85%	12,30%	7,72%	11,73%	30,26%	44,04%
iShares Exponential Tech	1,07%	14,22%	6,62%	12,16%	14,16%	29,05%
Fixed Income						
BBG US TIPS	0,12%	0,48%	3,46%	4,12%	8,70%	2,84%
BBG US Corporate	0,07%	1,92%	3,67%	4,49%	11,55%	10,10%
BBG US Agg Total Return	-0,26%	0,54%	3,20%	3,38%	8,65%	5,00%
BBG US Treasury	-0,39%	-0,18%	2,85%	2,64%	6,89%	2,61%
BBG US Corporate HY	0,45%	4,02%	3,62%	8,67%	20,68%	26,00%
BBG EM USD	0,92%	3,54%	4,79%	8,42%	17,81%	23,32%
Cash USD	0,37%	1,11%	2,20%	4,74%	10,57%	15,29%



Ativos Brasileiros	1m	3m	6m	12m	24m	36m
Pós-Fixado						
Brazil CETIP DI Rate Accumulat	1,28%	3,55%	6,69%	12,54%	25,49%	42,53%
Anbima IMA-S	1,30%	3,61%	6,75%	12,80%	26,01%	43,43%
Anbima Debentures Index IDA DI	1,42%	4,04%	7,97%	13,94%	31,86%	47,92%
Prêmio de Crédito	0,14%	0,48%	1,20%	1,24%	5,08%	3,78%
Pré-Fixado						
Anbima IRF-M 1	1,21%	3,40%	6,79%	12,23%	24,36%	41,57%
Anbima IRF-M	0,29%	3,10%	8,30%	10,00%	19,22%	38,81%
Anbima IRF-M 1+	-0,25%	2,81%	8,91%	8,65%	16,68%	38,09%
Indexado Inflação						
Anbima IMA-B 5	0,29%	1,36%	4,38%	8,28%	17,12%	30,34%
Anbima IMA-B	-0,79%	2,20%	6,80%	4,29%	8,86%	25,68%
Anbima IMA-B5+	-1,52%	2,78%	8,59%	1,65%	2,70%	22,59%
Anbima Debentures Index ID	-0,49%	2,45%	8,58%	8,12%	18,21%	26,79%
Prêmio de Crédito (s/ média B5 e B)	-0,23%	0,66%	2,84%	1,73%	4,62%	-0,95%
*Inflação IPCA**	0,24%	0,93%	2,99%	5,35%	9,81%	13,28%
Imobiliario						
Bovespa Real Est In Fund	-1,36%	0,69%	13,76%	2,13%	7,48%	22,11%
Hedge Funds*						
Anbima Hedge Funds Index	-0,90%	2,35%	6,48%	11,70%	17,67%	29,37%
Renda Variável						
BRAZIL IBOVESPA INDEX	-4,17%	-1,48%	5,50%	4,25%	9,13%	28,99%
BOVESPA Dividend Index	-2,97%	0,03%	6,60%	9,16%	21,23%	43,93%
BM&FBOVESPA Small Cap	-6,36%	0,24%	11,57%	2,70%	-11,01%	4,54%
BRAZIL Financial Index	-7,91%	-5,05%	9,65%	14,66%	16,14%	48,75%
BOVESPA Utilities Index	-6,45%	-3,67%	14,81%	13,75%	23,62%	36,81%
BM&FBOVESPA REAL ESTATE	-6,07%	4,86%	23,64%	18,39%	8,21%	55,73%
BM&FBOVESPA Consumption	-8,83%	-8,33%	9,57%	-1,42%	-16,52%	-15,90%
BOVESPA INDUSTRIAL INDEX	-3,29%	-2,92%	-1,37%	5,18%	17,86%	29,84%
BOVESPA Basic Mat Index	2,28%	0,96%	-7,20%	-7,43%	-11,16%	1,59%
BRAZIL ELECTRIC.ENRGY IX	-4,58%	0,58%	18,56%	8,38%	7,10%	18,95%
FX						
USD-BRL Carry Return	2,26%	-3,57%	-8,31%	-7,79%	5,48%	-11,20%

