Market Update: August

International:

August, the peak of summer in the Northern Hemisphere, is usually marked by low activity in global markets. This year, the highlight came from Jackson Hole, where the U.S. central bank (Fed) holds its annual symposium to discuss economic policy. Following weak employment data, the Fed Chair's speech signaled that rate cuts are justified, bringing interest rates to a less restrictive level, despite inflation remaining slightly above the 2% target.

The prospect of lower rates in the U.S. boosted equities, fixed-income securities, and weakened the Dollar against most developed and emerging market currencies. The tone was similar to what was seen in the first half of the year, when international assets outperformed American ones. Noteworthy were Gold, which reached an all-time high with a 4.8% gain in the month, and Chinese technology stocks, which rose nearly 15% over the same period (Figure 1).

After another release of weak job creation in August, the consolidation of a resumed U.S. rate-cutting cycle, and escalating tensions between the American executive branch and the central bank, the most likely scenario for the final months of 2025 seems to be a continued Dollar decline, accompanied by a steepening of the yield curve (Figure 2) and lower real rates, which tend to favor emerging markets.

In the **U.S.**, job creation slowed to a level below that required for unemployment stability, which is expected to start rising in the coming months. Nevertheless, services inflation remains high, and the impact of tariffs on imports is visible in goods prices. On the political front, a meeting between Putin and Trump to discuss the war in Ukraine ended without major implications. More significant was the pressure exerted on the central bank to cut rates, even resorting to conditioning new nominees – and removing current directors – to align with Trump and his team's views on monetary policy. This stance has strongly boosted alternative stores of value to the USD, such as the Euro and Gold.

In **Europe**, inflation remains stable, around the 2% target, and the strengthening Euro may exert downward pressure on prices ahead. Activity indicators show recovery in France and Germany, but the political situation warrants caution. The French prime minister, struggling to pass his budget proposal with public spending cuts, will face a vote of confidence on September 8, which could end with the dissolution of parliament and new elections.

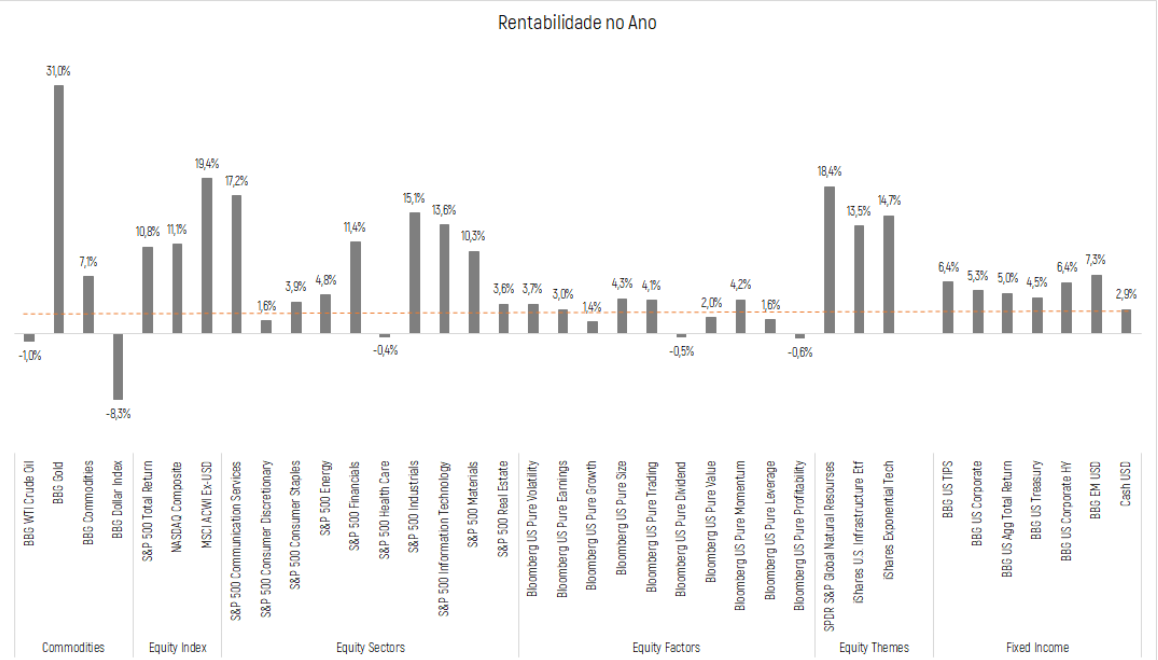
In **China**, industrial production, retail sales, and fixed-asset investment data showed a slowdown in August. Announced stimulus measures do not appear capable of reversing this trend. The positive surprise, in contrast, came from the technology sector. Strong second-quarter results, especially from Alibaba—which also announced plans to develop a new artificial intelligence chip—drove sharp gains in stock indices.

Domestic:

In **Brazil**, the impacts of restrictive monetary policy have become clearer in activity data: the economy slowed sharply in the second quarter, with prospects for further deceleration in the second half. For the year, growth should be close to 2%, supported by a recovery in the agricultural sector. Inflation expectations have been steadily declining, helped by the depreciation of the dollar and its impact on industrial goods and food prices. This has opened room for discussions about rate cuts still in 2025. Inflation projections, however, remain well above the 3% target for both 2025 and 2026.

On the political front, external and internal challenges converge without a clear indication of resolution. The U.S. continues to impose high import tariffs on Brazilian products and has signaled that it could expand the scope of its measures if the trial of Jair Bolsonaro continues. Domestically, potential center-right candidates seek to balance between courting Bolsonaro's support and building coalitions to make their own candidacies viable, particularly with backing from the *centrão (political alliance of parties)*. In August, at least, these developments did not seem to significantly affect the prices of Brazilian assets.

Global	1m	3m	6m	12m	24m	36m
Commodities						
BBG WTI Crude Oil	-6,10%	11,49%	0,31%	1,06%	2,14%	3,65%
BBG Gold	5,36%	5,44%	21,81%	37,72%	76,10%	98,87%
BBG Commodities	1,93%	3,91%	2,20%	11,77%	6,86%	-2,40%
BBG Dollar Index	-1,70%	-1,24%	-7,49%	-2,71%	-3,17%	-7,31%
Equity Index						
S&P 500 Total Return	2,03%	9,62%	9,21%	15,88%	47,32%	70,81%
NASDAQ Composite	1,58%	12,25%	13,84%	21,12%	52,87%	81,58%
MSCI ACWI Ex-USD	3,31%	6,19%	13,43%	12,69%	29,82%	41,28%
Equity Sectors						
S&P 500 Communication Services	3,57%	13,57%	14,78%	33,06%	74,32%	117,12%
S&P 500 Consumer Discretionary	3,35%	8,31%	7,42%	23,99%	38,31%	52,33%
S&P 500 Consumer Staples	1,45%	-3,28%	-3,39%	0,52%	16,13%	16,90%
S&P 500 Energy	2,92%	10,83%	-0,51%	-1,36%	1,31%	12,19%
S&P 500 Financials	2,98%	5,98%	3,43%	18,09%	57,10%	63,65%
S&P 500 Health Care	5,25%	3,54%	-7,85%	-12,66%	3,15%	10,13%
S&P 500 Industrials	-0,15%	6,36%	11,41%	15,60%	40,66%	63,91%
S&P 500 Information Technology	0,27%	15,70%	18,66%	21,78%	67,71%	121,36%
S&P 500 Materials	5,58%	7,25%	4,66%	-1,55%	12,16%	23,43%
S&P 500 Real Estate	2,03%	1,38%	-2,17%	-2,83%	14,32%	1,35%
Equity Factors						
Bloomberg US Pure Volatility	0,54%	2,64%	3,97%	6,23%	4,29%	3,87%
Bloomberg US Pure Growth	0,30%	-0,10%	0,83%	4,20%	3,63%	1,30%
Bloomberg US Pure Size	-0,50%	1,15%	2,52%	5,08%	7,61%	10,87%
Bloomberg US Pure Dividend	0,76%	0,34%	-1,19%	-1,73%	-0,25%	-2,57%
Bloomberg US Pure Value	1,44%	1,30%	2,71%	0,92%	2,73%	6,53%
Bloomberg US Pure Momentum	0,13%	0,12%	3,55%	7,14%	15,61%	11,76%
Equity Themes						
SPDR S&P Global Natural Resourses	6,51%	10,94%	12,61%	6,76%	11,81%	20,81%
iShares U.S. Infrastructure Etf	2,83%	9,31%	12,76%	16,27%	38,86%	51,23%
iShares Exponential Tech	3,41%	11,75%	11,81%	14,97%	24,49%	40,36%
Fixed Income						
BBG US TIPS	1,54%	2,63%	2,81%	4,89%	11,37%	7,28%
BBG US Corporate	1,01%	2,97%	2,63%	3,91%	13,56%	14,58%
BBG US Agg Total Return	1,20%	2,48%	2,19%	3,14%	10,66%	9,34%
BBG US Treasury	1,06%	1,92%	1,75%	2,42%	8,58%	6,33%
BBG US Corporate HY	1,25%	3,58%	4,22%	8,26%	21,85%	30,58%
BBG EM USD	1,33%	4,22%	4,49%	7,61%	20,83%	25,65%
Cash USD	0,35%	1,10%	2,21%	4,64%	10,44%	15,44%



Brasil	1m	3m	6m	12m	24m	36m
Pós-Fixado						
Brazil CETIP DI Rate Accumulat	1,16%	3,58%	6,88%	12,87%	25,52%	42,53%
Anbima IMA-S	1,17%	3,62%	6,94%	13,11%	26,01%	43,41%
Anbima Debentures Index IDA DI	1,10%	3,76%	7,77%	13,90%	30,84%	47,59%
Prêmio de Crédito	-0,06%	0,18%	0,84%	0,92%	4,24%	3,55%
Pré-Fixado						
Anbima IRF-M 1	1,24%	3,56%	7,04%	12,76%	24,48%	41,58%
Anbima IRF-M	1,66%	3,77%	9,43%	11,10%	20,28%	38,27%
Anbima IRF-M 1+	1,90%	3,77%	10,57%	10,06%	18,19%	37,15%
Indexado Inflação						
Anbima IMA-B 5	1,18%	1,93%	4,94%	8,92%	17,79%	31,89%
Anbima IMA-B	0,84%	1,33%	7,15%	4,62%	10,18%	25,34%
Anbima IMA-B5+	0,54%	0,85%	8,73%	1,42%	4,57%	20,26%
Anbima Debentures Index ID	1,80%	2,90%	9,11%	8,77%	19,66%	28,38%
Prêmio de Crédito (s/ média B5 e B)	0,79%	1,25%	2,89%	1,87%	4,98%	-0,18%
*Inflação IPCA**	0,26%	0,76%	3,10%	5,23%	9,96%	14,35%
Imobiliario						
Bovespa Real Est In Fund	1,16%	0,42%	11,37%	2,44%	8,20%	16,80%
Hedge Funds*						
Anbima Hedge Funds Index	2,24%	3,47%	8,75%	13,30%	21,19%	29,13%
Renda Variável						
BRAZIL IBOVESPA INDEX	6,28%	3,21%	15,17%	3,98%	22,19%	29,13%
BOVESPA Dividend Index	5,36%	4,03%	15,52%	7,80%	31,45%	45,44%
BM&FBOVESPA Small Cap	5,86%	0,16%	22,86%	4,03%	1,77%	-0,21%
BRAZIL Financial Index	8,26%	1,21%	22,52%	9,58%	34,46%	46,40%
BOVESPA Utilities Index	11,01%	3,62%	25,13%	18,79%	44,12%	48,82%
BM&FBOVESPA REAL ESTATE	13,52%	11,06%	45,54%	26,95%	33,01%	65,21%
BM&FBOVESPA Consumption	8,29%	-3,02%	25,58%	0,48%	0,91%	-14,61%
BOVESPA INDUSTRIAL INDEX	1,75%	0,24%	4,92%	0,40%	27,33%	33,06%
BOVESPA Basic Mat Index	2,32%	5,16%	0,37%	-6,28%	-5,00%	7,77%
BRAZIL ELECTRIC.ENRGY IX	7,60%	3,47%	24,33%	11,96%	22,20%	26,45%
FX						
USD-BRL Carry Return	-3,78%	-7,31%	-11,83%	-10,26%	-2,68%	-13,94%

