

Market update: August

August was marked by a combination of still-resilient global growth and greater pressure on long-term interest rates. In the United States, activity data remained firm and inflation continued to send mixed signals, prompting Federal Reserve Chair Kevin Warsh to strike a more hawkish tone at Jackson Hole. At the same time, concerns about the U.S. fiscal trajectory, the government's heavy financing needs and the strong artificial intelligence investment cycle helped keep long-term yields elevated across other developed economies as well. Adding to the backdrop, the lack of progress in negotiations with Iran and the continued closure of the Strait of Hormuz kept energy and food prices as sources of inflation risk.

Despite this, risk assets had a positive month. The U.S. corporate earnings season surprised to the upside, and technology stocks recovered part of July's losses, once again taking the main U.S. equity indices to record highs. The dollar weakened, while emerging markets also posted positive performance. In fixed income, pressure on longer-dated maturities led the U.S. Treasury to unexpectedly expand its bond buyback program, a move interpreted as an attempt to contain the rise in long-end yields. The measure contributed to some decline in yields toward month-end, but also reinforced demand for safe-haven assets outside the dollar, with gold and silver posting particularly strong gains.

International

In the **US**, the economy continued to expand at a healthy pace. Consumption moderated somewhat but remained at a high level, while investment-related indicators stayed firm, including those tied to the infrastructure and artificial intelligence cycle. The labor market, however, began to show clearer signs of cooling, with weaker job creation and negative revisions to previous months, although still without pointing to a sharp deterioration in the economy.

On inflation, the first releases of the month were more benign, but the indicators most closely watched by the Fed continued to show meaningful pressure in services. At Jackson Hole, Warsh

reaffirmed the commitment to the inflation target, argued that the recent improvement was not yet enough to conclude that the inflation process had been resolved, and highlighted that price increases remained broad-based across much of the consumer basket. As a result, another rate hike in September remained a meaningful possibility at month-end. Even against this more restrictive monetary backdrop, resilient growth and strong corporate earnings supported U.S. equities, particularly technology companies.

In **Europe**, activity indicators surprised to the upside, with improvement in both manufacturing and services. Growth remains moderate, but the data were better than feared and helped ease some concerns about a sharper slowdown in the region. At the same time, energy prices once again added pressure to the inflation outlook, especially amid the sharp rise in European natural gas prices.

The European Central Bank did not meet in August, but communication from its members converged on the possibility of another rate hike in September, which would bring the normalization cycle to an end. Thus, despite better activity, still-persistent inflation and pressure from energy prices kept European yields elevated, with 10-year German government bond yields reaching their highest level in more than a decade. Even so, regional equities advanced moderately during the month, tracking the more favorable global backdrop for risk assets.

In Asia, **China** continued to show an uneven recovery. Industrial production, exports and technology-related segments continued to support growth, while consumption, the property market and private-sector confidence remained weaker. Against this backdrop, the government began to signal a somewhat more proactive fiscal stance, accelerating already-planned disbursements without announcing a new large-scale stimulus package.

In **Japan**, the central bank maintained its bias toward monetary policy normalization. Communication from different committee members became more hawkish over the course of August, with some advocating a faster pace of tightening than previously signaled, increasing expectations of another rate hike in the coming months. Even so, the wide interest-

rate differential versus the United States continued to weigh on the yen, which returned to its weakest levels of the year. Asian equities, meanwhile, recovered part of July's losses, supported by the rebound in technology stocks and improved global risk appetite.

Domestic

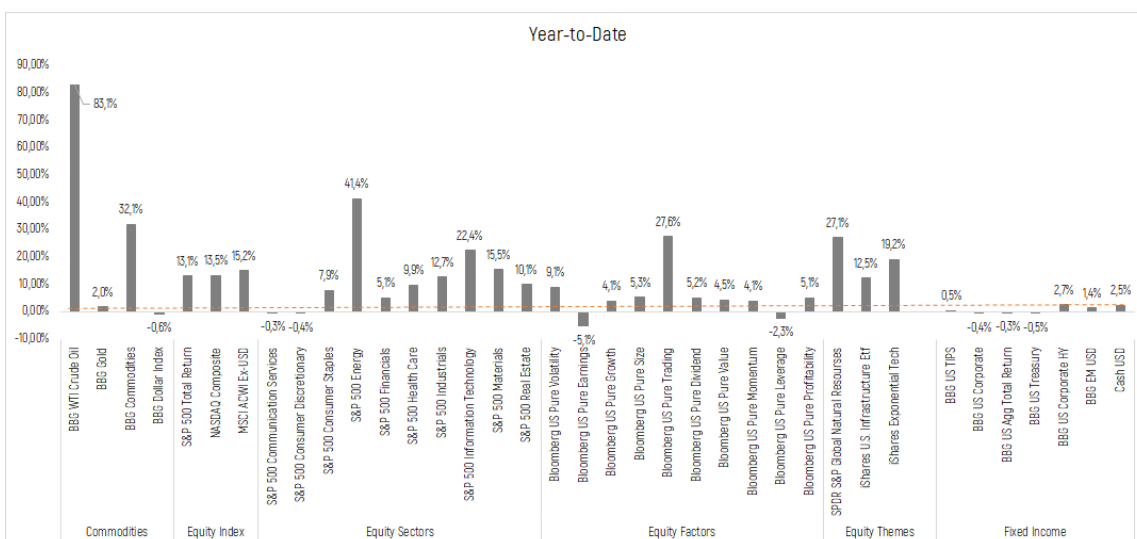
In Brazil, the main macroeconomic development was the continued slowdown in activity. Second-quarter GDP posted positive growth, but its composition showed greater weakness precisely in domestic-demand components such as household consumption and construction, while sectors less sensitive to the cycle, such as agriculture and extractive industries, provided support. Indicators released during the month reinforced the perception of a gradual loss of momentum, while credit data began to show rising delinquency. Against this backdrop, the Central Bank cut the Selic rate by 25 basis points and left the door open to further reductions, while stressing the need to monitor inflation and inflation expectations. These, in turn, remain pressured in services core measures, despite some relief in less cyclical items.

In markets, however, Brazil underperformed other emerging markets. Foreign investors posted a sharp outflow from equities, the largest in several years, the real depreciated, and the Ibovespa ended the month close to flat, despite a relatively supportive global risk environment. Part of this movement appears to reflect profit-taking on positions accumulated previously, but the approaching elections and fiscal uncertainty have become increasingly important in asset pricing. Election polls also began to point to a more balanced race, increasing domestic assets' sensitivity to the outlook for economic policy after the election. New polls released in the second half of the month were already reflected in a partial recovery in equities. Among domestic asset classes, inflation-linked fixed income delivered the strongest performance.

Overall, August reinforced an important divergence between the global and domestic backdrops: while global growth remains relatively firm and continues to support risk assets, elevated interest rates across major economies remain a source of pressure. In Brazil, by contrast, slowing activity is

beginning to create room for lower interest rates, but fiscal and electoral risks limit a more sustained improvement in domestic assets.

Global Assets	1m	3m	6m	12m	24m	36m
Commodities						
BBG WTI Crude Oil	2,68%	4,72%	54,81%	70,25%	72,06%	73,89%
BBG Gold	9,46%	-2,91%	-15,52%	26,48%	74,19%	122,72%
BBG Commodities	7,39%	5,63%	18,36%	42,79%	59,60%	52,59%
BBG Dollar Index	-0,89%	-0,23%	0,73%	-0,40%	-3,10%	-3,56%
Equity Index						
S&P 500 Total Return	2,72%	1,68%	12,37%	20,38%	39,50%	77,35%
NASDAQ Composite	3,93%	-2,23%	16,33%	22,91%	48,87%	87,89%
MSCI ACWI Ex-USD	2,40%	1,86%	3,61%	24,61%	40,42%	61,77%
Equity Sectors						
S&P 500 Communication Services	-1,23%	-8,55%	-0,57%	12,62%	49,85%	96,32%
S&P 500 Consumer Discretionary	-0,09%	-4,11%	3,55%	3,26%	28,03%	42,82%
S&P 500 Consumer Staples	-0,79%	1,30%	-6,94%	5,21%	5,77%	22,19%
S&P 500 Energy	6,48%	13,67%	13,64%	41,58%	39,65%	43,44%
S&P 500 Financials	1,22%	11,87%	12,25%	6,90%	26,23%	67,93%
S&P 500 Health Care	4,78%	14,05%	6,44%	24,16%	8,45%	28,08%
S&P 500 Industrials	-2,69%	1,11%	-1,19%	15,25%	33,22%	62,10%
S&P 500 Information Technology	6,19%	-0,89%	29,71%	32,95%	61,90%	122,98%
S&P 500 Materials	5,82%	3,88%	-1,77%	13,61%	11,85%	27,43%
S&P 500 Real Estate	-2,00%	0,65%	0,90%	5,92%	2,92%	21,08%
Equity Factors						
Bloomberg US Pure Volatility	9,63%	5,87%	8,65%	9,89%	16,74%	14,60%
Bloomberg US Pure Growth	2,04%	1,66%	4,25%	0,58%	4,80%	4,23%
Bloomberg US Pure Size	6,41%	4,83%	6,54%	7,67%	13,14%	15,87%
Bloomberg US Pure Dividend	2,66%	2,07%	2,98%	3,68%	1,89%	3,42%
Bloomberg US Pure Value	0,11%	3,21%	2,43%	4,78%	5,75%	7,64%
Bloomberg US Pure Momentum	0,06%	-2,77%	1,01%	7,27%	14,93%	24,02%
Equity Themes						
SPDR S&P Global Natural Resources	7,85%	7,39%	4,55%	38,16%	47,50%	54,47%
iShares U.S. Infrastructure Etf	-3,02%	-3,29%	-1,91%	14,91%	33,60%	59,56%
iShares Exponential Tech	3,99%	-0,84%	14,62%	31,04%	50,66%	63,13%
Global X AI	9,19%	-4,49%	27,94%	42,76%	82,31%	125,99%
iShares Semiconductor ETF	1,22%	-10,16%	45,22%	109,29%	123,79%	206,27%
Fixed Income						
BBG US TIPS	0,04%	-1,11%	-1,10%	1,08%	6,02%	12,57%
BBG US Corporate	0,43%	-1,06%	-1,84%	1,94%	5,93%	15,77%
BBG US Agg Total Return	0,39%	-0,68%	-2,02%	1,89%	5,09%	12,75%
BBG US Treasury	0,31%	-0,53%	-2,22%	1,22%	3,66%	9,90%
BBG US Corporate HY	0,97%	0,99%	1,98%	4,88%	13,55%	27,80%
BBG EM USD	0,74%	-0,01%	-0,14%	5,03%	13,02%	26,91%
Cash USD	0,31%	0,95%	1,88%	3,90%	8,72%	14,75%



Brazil	1m	3m	6m	12m	24m	36m
Floating Rate						
Brazil CETIP DI Rate Accumulat	1,09%	3,47%	7,00%	14,63%	29,38%	43,89%
Anbima IMA-S	1,11%	3,50%	7,11%	14,83%	29,89%	44,70%
Anbima Debentures Index IDA DI	1,09%	3,80%	7,49%	14,92%	30,90%	50,36%
Credit Premium	-0,00%	0,32%	0,45%	0,25%	1,17%	4,50%
Fixed Rate						
Anbima IRF-M 1	1,17%	3,61%	6,84%	14,48%	29,08%	42,50%
Anbima IRF-M	1,04%	2,61%	3,97%	12,06%	24,50%	34,78%
Anbima IRF-M 1+	1,00%	2,24%	2,88%	11,18%	22,36%	31,40%
Inflation-Linked						
Anbima IMA-B 5	1,28%	2,75%	6,58%	13,28%	23,39%	33,43%
Anbima IMA-B	1,58%	1,49%	3,83%	11,00%	16,12%	22,29%
Anbima IMA-B5+	1,81%	0,48%	1,70%	9,20%	10,74%	14,19%
Anbima Debentures Index ID	1,26%	2,23%	0,50%	7,41%	16,83%	28,53%
Credit Premium (ex avg. B5/B)	-0,17%	0,11%	-4,47%	-4,22%	-2,44%	0,52%
IPCA Inflation*	0,07%	0,81%	3,10%	4,44%	9,90%	14,84%
Real Estate						
Bovespa Real Est In Fund	-1,46%	-2,96%	-3,81%	8,24%	10,88%	17,12%
Hedge Funds						
Anbima Hedge Funds Index	1,61%	1,95%	1,10%	9,98%	24,62%	33,29%
Equities						
BRAZIL IBOVESPA INDEX	-0,33%	2,09%	-6,02%	25,45%	30,45%	53,29%
BOVESPA Dividend Index	-1,65%	3,11%	-6,09%	21,18%	30,64%	59,30%
BM&FBOVESPA Small Cap	-1,26%	-5,23%	-16,68%	-2,49%	1,44%	-0,77%
BRAZIL Financial Index	-3,15%	2,11%	-11,22%	17,52%	28,78%	58,02%
BOVESPA Utilities Index	-3,40%	-2,05%	-7,81%	26,42%	50,17%	82,19%
BM&FBOVESPA REAL ESTATE	3,04%	-3,56%	-18,94%	9,27%	38,72%	45,34%
BM&FBOVESPA Consumption	-1,52%	-5,31%	-17,97%	-3,97%	-3,51%	-3,09%
BOVESPA INDUSTRIAL INDEX	2,12%	5,21%	-6,86%	15,51%	15,97%	47,07%
BOVESPA Basic Mat Index	0,72%	1,40%	-6,90%	22,52%	14,83%	16,40%
BRAZIL ELECTRIC.ENERGY IX	-1,35%	-0,86%	-4,81%	20,86%	35,32%	47,69%
FX						
USD-BRL Carry Return	1,51%	0,69%	-3,33%	-12,96%	-21,89%	-15,29%

