Market Update: October

International:

October was a positive month for risk assets, with the main U.S. equity index (S&P 500) rising for the sixth consecutive month. Japanese equities had their best month since the 1990s, and gold continued its upward trend. The U.S. dollar appreciated, driven by strong economic data and solid corporate earnings. However, the currency's strength was more pronounced against developed-market peers, while emerging-market currencies remained broadly stable throughout the month.

Despite the favorable outcome, the month was marked by considerable volatility. Early in October, the U.S. government announced an additional 100% tariff on Chinese imports. A few weeks later, a meeting between Xi Jinping and Donald Trump in South Korea concluded with a 12-month truce that reduced the effective import tariff and loosened controls on Chinese exports of critical metals. Given the interdependence between the two countries in rare earths and semiconductor technology, the agreement is expected to hold during this period. Following the announcement, equities rallied, and gold gave back part of the gains recorded in the first half of the month.

In the **U.S.**, the main economic event occurred at the end of the month. The Federal Reserve cut its benchmark rate by 25 basis points—to a range of 3.75%–4.00%—but signaled that another cut in December was uncertain, contrary to market expectations and the tone of its prior communications. Uncertainty about economic activity remains high, as the government is currently in "shutdown." The standoff between Democrats and Republicans in Congress has prevented new debt issuance, forcing the suspension of payments and essential services—including the publication of economic data—for over 30 days. Among the few data releases, inflation surprised to the downside but remains above target, hovering around 3.5% in seasonally adjusted and annualized quarterly measures (see Figure 1). Over 80% of third-quarter corporate earnings have been reported, showing strong profit growth (15% year over year). With rate cuts already implemented and continued economic resilience, the Fed appears to see more balanced risks ahead—between acceleration and slowdown—making it less inclined to continue cutting rates automatically through 2026. As seen in late October, the Fed's stance, combined with strong corporate results, could support continued dollar appreciation.

In **Europe**, the earnings season did not display the same dynamism as in the U.S., with profits remaining broadly stable from the previous year. Meanwhile, the European Central Bank signaled at its monetary policy meeting that it intends to keep rates unchanged, even though long-term inflation projections remain below target.

In Asia, the highlight was the formation of a new government in **Japan** led by Sanae Takaichi, the first woman to hold the post. Her long-standing support for fiscal and monetary stimulus helped drive a sharp rally in equities—also supported by 17% year-over-year earnings growth—while the yen depreciated more than 4% against the U.S. dollar amid expectations that rate hikes would be postponed.

Domestic (Brazil)

In **Brazil**, the stock market followed the international trend and ended the month up 2.3%. Among economic highlights, labor market data were positive, and inflation figures came in lower and more benign than expected. Even so, the Central Bank remains firm in its intention to keep the policy rate at 15% to bring inflation back to 3% (most analysts now project 2025 inflation within the target tolerance band).

Credit spreads widened during the month—both in international bonds of Brazilian companies and in domestic debentures—driven by concerns around names such as Braskem, Ambipar, and Cosan. It is important to monitor how these events unfold and their indirect effects following the significant inflows into fixed-income funds, especially tax-exempt ones.

On the political front, the government continued to regain popularity, helped by lower inflation, social programs, and the recent meeting between the presidents of Brazil and the United States. However, this

trend seems to have paused after anti-drug operations in Rio de Janeiro brought public security issues back to the center of political debate, which is a less comfortable topic for the current administration. More definitive developments regarding presidential candidacies are not expected in the coming weeks.

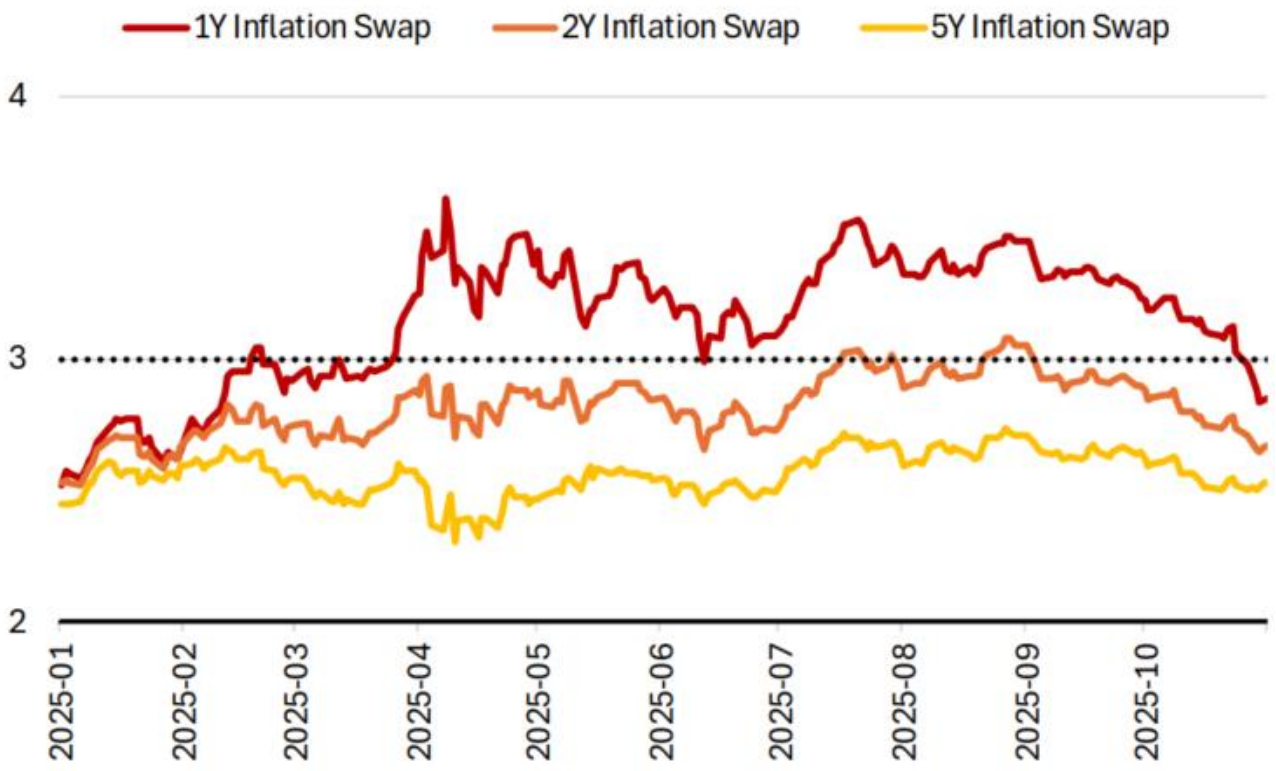
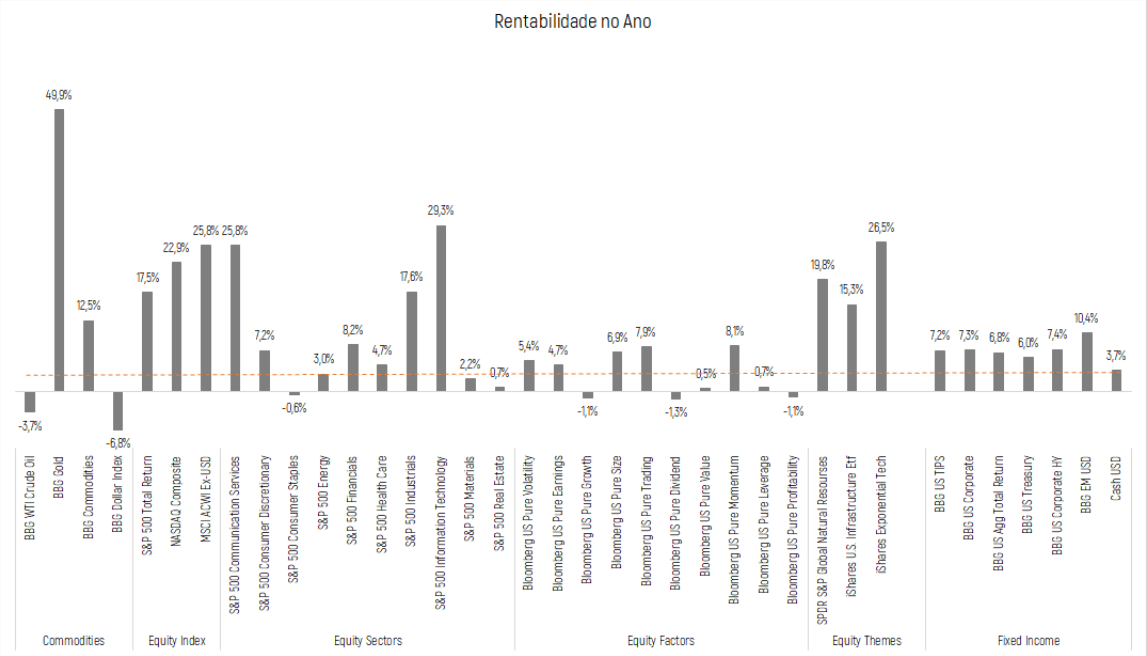


Figure 1) One, two-, and five-year inflation swaps declined after the CPI release. Source: BBG / Tera

Global Assets	1m	3m	6m	12m	24m	36m
Commodities						
BBG WTI Crude Oil	-1,38%	-8,66%	14,82%	1,29%	-2,02%	1,42%
BBG Gold	3,52%	20,57%	19,92%	43,73%	96,86%	138,08%
BBG Commodities	2,89%	7,13%	8,58%	14,15%	12,81%	9,46%
BBG Dollar Index	1,71%	-0,06%	-0,22%	-3,01%	-4,35%	-8,50%
Equity Index						
S&P 500 Total Return	2,34%	8,23%	23,60%	21,45%	67,63%	84,63%
NASDAQ Composite	4,70%	12,32%	35,99%	31,11%	84,61%	115,91%
MSCI ACWI Ex-USD	1,95%	8,86%	16,49%	21,96%	47,82%	61,24%
Equity Sectors						
S&P 500 Communication Services	1,74%	11,20%	33,66%	34,26%	97,45%	165,64%
S&P 500 Consumer Discretionary	2,36%	9,08%	25,03%	24,23%	62,64%	74,58%
S&P 500 Consumer Staples	-2,57%	-2,96%	-5,94%	-1,51%	18,30%	12,08%
S&P 500 Energy	-1,18%	1,17%	9,27%	-0,96%	3,49%	-2,19%
S&P 500 Financials	-2,95%	-0,01%	7,31%	12,55%	61,89%	54,36%
S&P 500 Health Care	3,45%	10,64%	2,63%	-1,84%	15,77%	8,62%
S&P 500 Industrials	0,43%	2,00%	18,02%	15,97%	57,64%	64,43%
S&P 500 Information Technology	6,20%	14,16%	45,95%	36,71%	105,27%	165,94%
S&P 500 Materials	-5,10%	-2,11%	2,22%	-7,60%	13,15%	16,19%
S&P 500 Real Estate	-2,72%	-0,88%	-0,68%	-4,91%	24,11%	11,88%
Equity Factors						
Bloomberg US Pure Volatility	0,67%	2,19%	6,16%	6,90%	9,09%	6,29%
Bloomberg US Pure Growth	-0,99%	-2,16%	-1,85%	0,46%	2,11%	0,18%
Bloomberg US Pure Size	1,41%	1,95%	4,65%	7,15%	8,87%	14,11%
Bloomberg US Pure Dividend	0,01%	-0,10%	-1,47%	-2,86%	-1,89%	-3,83%
Bloomberg US Pure Value	-0,62%	-0,05%	1,14%	-0,33%	-0,60%	3,37%
Bloomberg US Pure Momentum	0,80%	3,87%	5,43%	8,49%	18,47%	13,52%
Equity Themes						
SPDR S&P Global Natural Resourses	-0,73%	7,81%	16,30%	10,72%	19,06%	20,56%
iShares U.S. Infrastructure Etf	-0,32%	4,51%	17,36%	14,35%	55,63%	56,32%
iShares Exponential Tech	4,52%	14,01%	30,23%	29,00%	55,23%	62,50%
Fixed Income						
BBG US TIPS	0,35%	2,34%	2,84%	6,06%	15,19%	14,36%
BBG US Corporate	0,38%	2,92%	4,90%	6,62%	21,15%	24,51%
BBG US Agg Total Return	0,62%	2,94%	3,50%	6,16%	17,35%	17,77%
BBG US Treasury	0,62%	2,54%	2,36%	5,19%	14,04%	13,33%
BBG US Corporate HY	0,16%	2,24%	6,34%	8,16%	25,98%	33,83%
BBG EM USD	1,72%	4,22%	7,90%	10,27%	29,08%	38,00%
Cash USD	0,35%	1,08%	2,21%	4,50%	10,25%	15,74%



Brasil	1m	3m	6m	12m	24m	36m
Pós-Fixado						
Brazil CETIP DI Rate Accumulat	1,28%	3,70%	7,39%	13,69%	26,17%	43,10%
Anbima IMA-S	1,29%	3,75%	7,49%	13,87%	26,71%	43,90%
Anbima Debentures Index IDA DI	1,08%	3,41%	7,59%	14,29%	30,42%	47,25%
Prêmio de Crédito	-0,20%	-0,29%	0,19%	0,53%	3,37%	2,90%
Pré-Fixado						
Anbima IRF-M 1	1,29%	3,78%	7,31%	13,68%	25,22%	42,11%
Anbima IRF-M	1,37%	4,35%	7,58%	13,41%	22,79%	38,69%
Anbima IRF-M 1+	1,41%	4,66%	7,60%	13,09%	21,44%	37,42%
Indexado Inflação						
Anbima IMA-B 5	1,03%	2,89%	4,29%	9,51%	19,99%	31,04%
Anbima IMA-B	1,05%	2,44%	4,69%	7,69%	13,74%	23,95%
Anbima IMA-B5+	1,06%	2,05%	4,88%	6,19%	9,30%	18,45%
Anbima Debentures Index ID	-0,54%	3,58%	6,12%	11,13%	23,29%	29,32%
Prêmio de Crédito (s/ média B5 e B)	-1,56%	0,89%	1,56%	2,33%	5,49%	1,43%
*Inflação IPCA**	0,48%	0,63%	1,57%	5,17%	9,83%	15,52%
Imobiliario						
Bovespa Real Est In Fund	0,12%	4,57%	5,30%	12,13%	13,88%	20,13%
Hedge Funds*						
Anbima Hedge Funds Index	1,25%	5,34%	7,81%	15,15%	25,94%	29,34%
Renda Variável						
BRAZIL IBOVESPA INDEX	2,26%	12,38%	10,72%	15,29%	32,17%	28,87%
BOVESPA Dividend Index	1,78%	10,26%	10,29%	15,63%	40,18%	48,99%
BM&FBOVESPA Small Cap	0,43%	7,99%	8,26%	12,56%	15,39%	-3,35%
BRAZIL Financial Index	0,18%	13,04%	7,33%	24,11%	47,16%	38,73%
BOVESPA Utilities Index	2,63%	22,15%	17,66%	36,75%	64,69%	54,26%
BM&FBOVESPA REAL ESTATE	-1,44%	19,30%	25,09%	32,97%	53,68%	51,18%
BM&FBOVESPA Consumption	0,45%	10,40%	1,21%	7,52%	17,66%	-17,11%
BOVESPA INDUSTRIAL INDEX	5,82%	6,81%	3,69%	4,92%	43,29%	29,64%
BOVESPA Basic Mat Index	8,75%	11,06%	12,13%	-1,13%	7,05%	8,15%
BRAZIL ELECTRIC.ENRGY IX	3,15%	15,95%	16,62%	29,60%	39,16%	33,94%
FX						
USD-BRL Carry Return	0,20%	-6,24%	-9,59%	-14,61%	-5,93%	-14,81%

