



Economic Report

November 2021

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Global Economy 03

Brazilian Economy 06

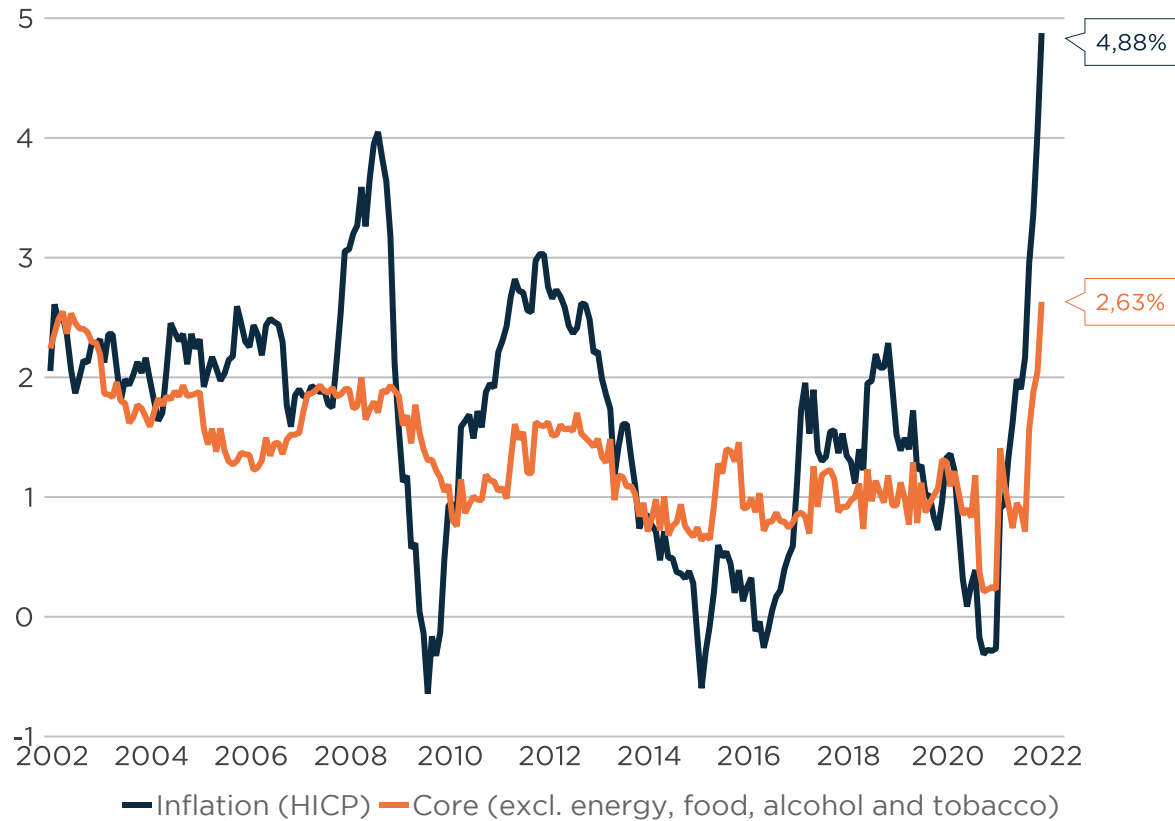
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Inflation remains under pressure worldwide

Global Economy

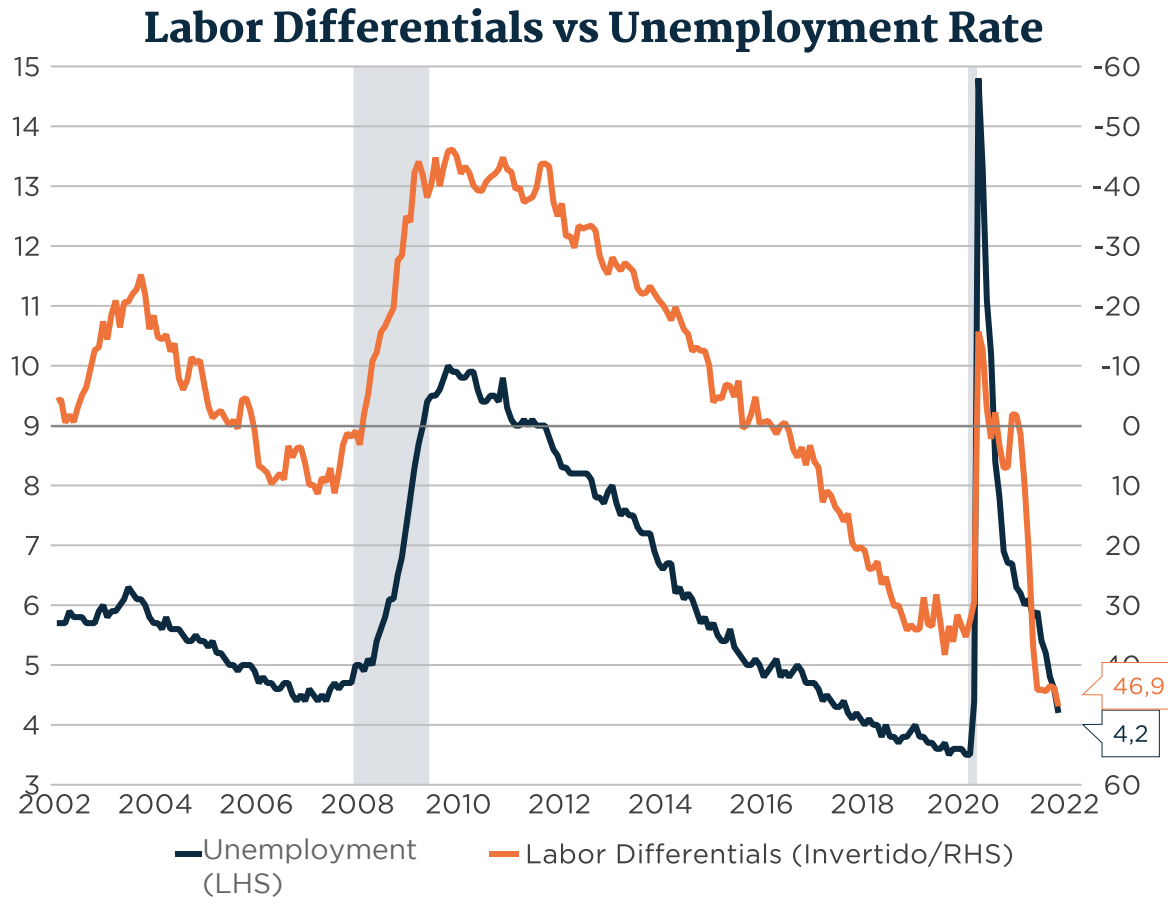
Euro Zone: annual harmonized inflation



Global inflation remains one of the most important elements driving the financial markets. In Europe, the rise in prices already exceeds the target set by the Central Bank. This is due to temporary factors, such as energy prices and bottlenecks between supply and demand as well as the effect of monetary and fiscal stimulus measures implemented by policy makers.

US: Heated job market is a contributory factor in a more "Hawkish" FED

Global Economy



In the United States, besides the high numbers in the price indexes, activity data also stand out, confirming that the economy is already very heated. The labor market figures in particular show a strong recovery from the worst level registered in the pandemic.

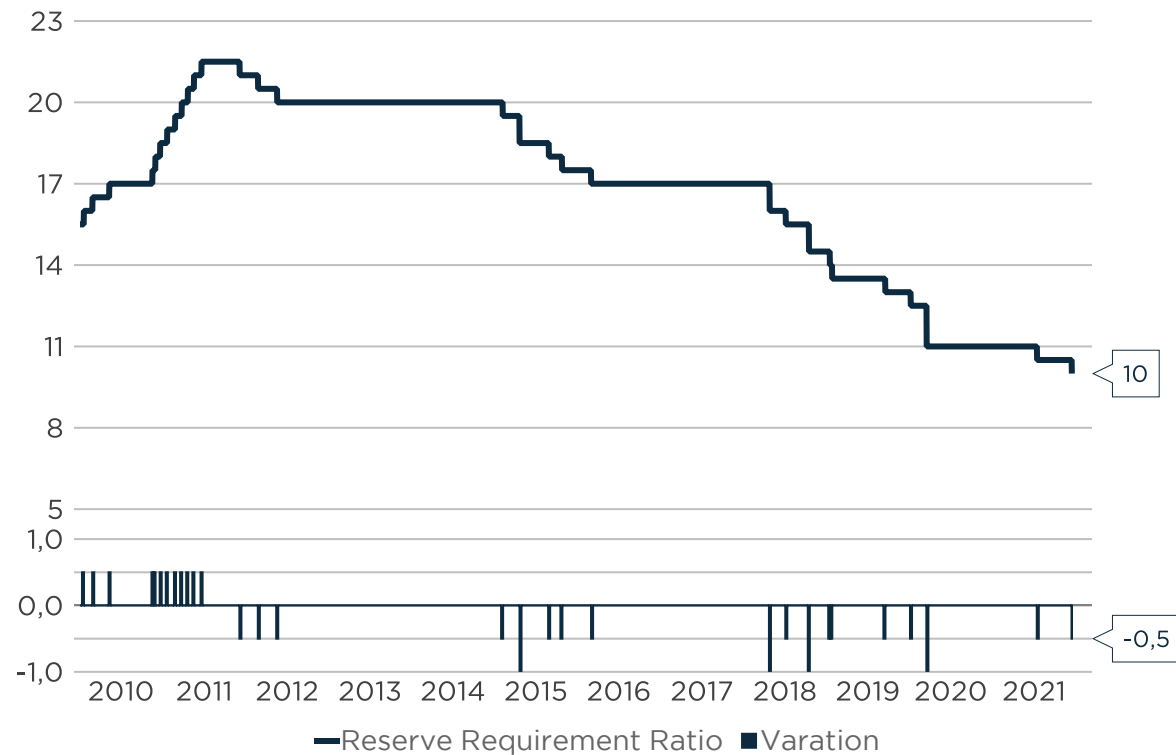
Unemployment has reached its lowest level since February 2020, while job availability is increasing, according to the Conference Board survey.

Dovish & Hawkish: These terms are used as a benchmark for the conduct of an economy's monetary policy. When a Central Bank is "dovish", there is a downward bias for interest rates. The opposite is the case when it is "hawkish" and there is an upward bias for interest rates.

China: Monetary policy reacts to slowdown in the real estate sector

Global Economy

Compulsory reserves for large financial institutions

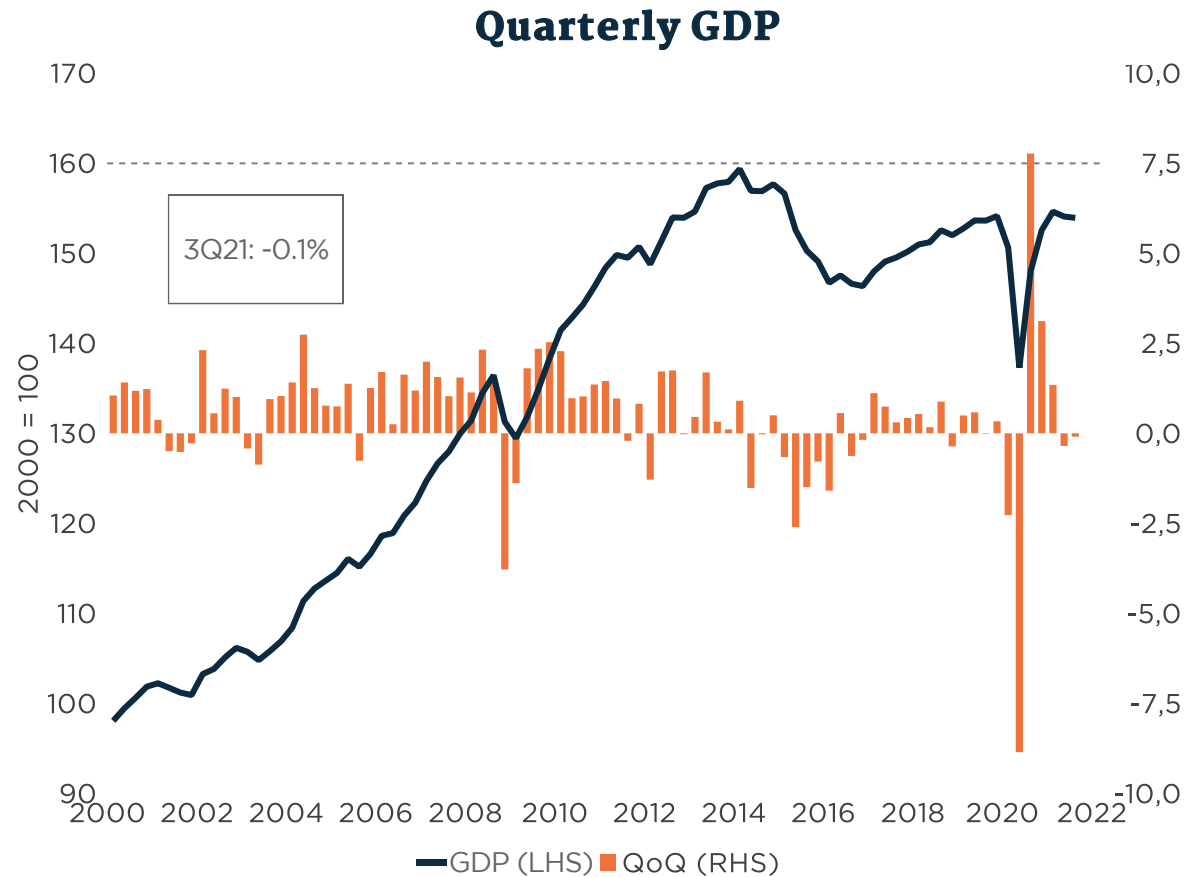


Reversing the trend of the rest of the world, China has made an expansionary move in its economic policy. It was the first country to recover from the initial shock caused by Covid-19 but government decisions ended up slowing down the local real estate sector.

Despite some inflationary pressure in the region, the government opted to cut compulsory reserves in a bid to essentially boost the small companies in the sector.

GDP: Brazil enters a technical recession

Brazilian Economy



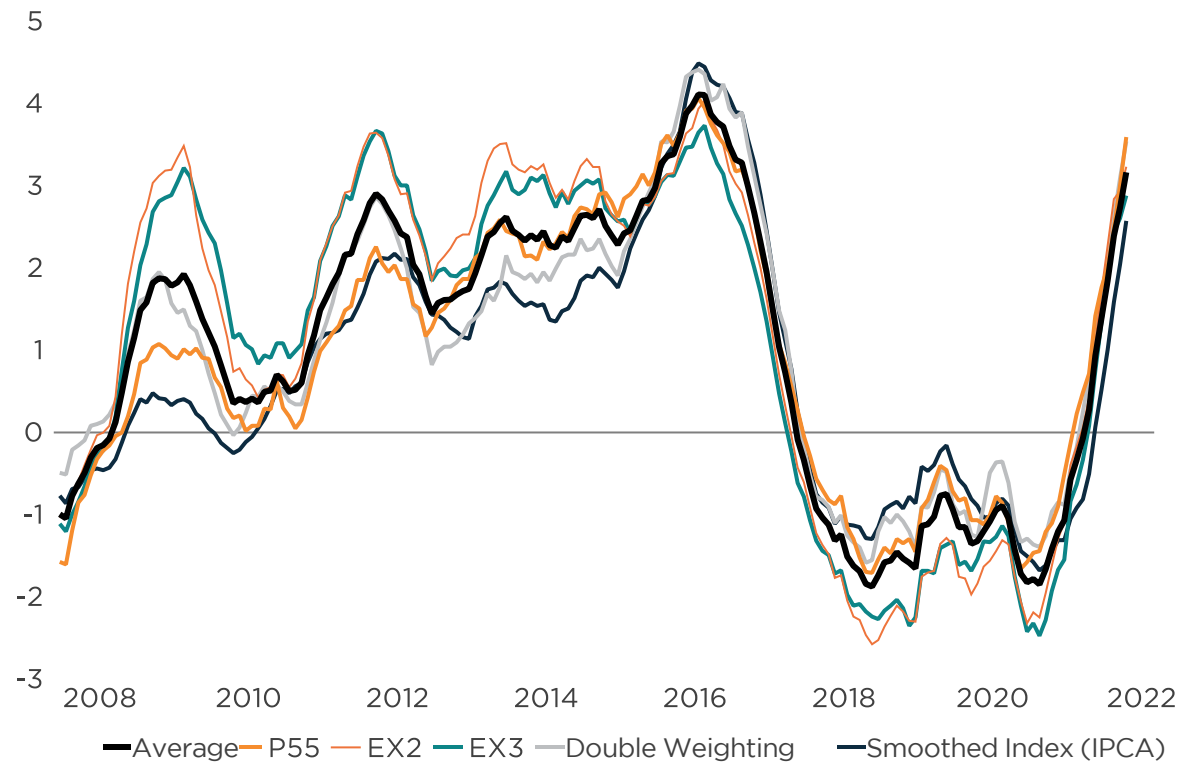
In Brazil, the figures for the second quarter came in once again below expectations, slipping by 0.1% in the quarter and revising the second quarter to -0.4%. This took GDP back to a level below the pre-pandemic. The second consecutive drop in the national accounts amounts to a technical recession.

Inflation: Rising prices continue to surprise

Brazilian Economy

Deviation of inflation cores from the target

Surplus variation accumulated in the 12 months until October



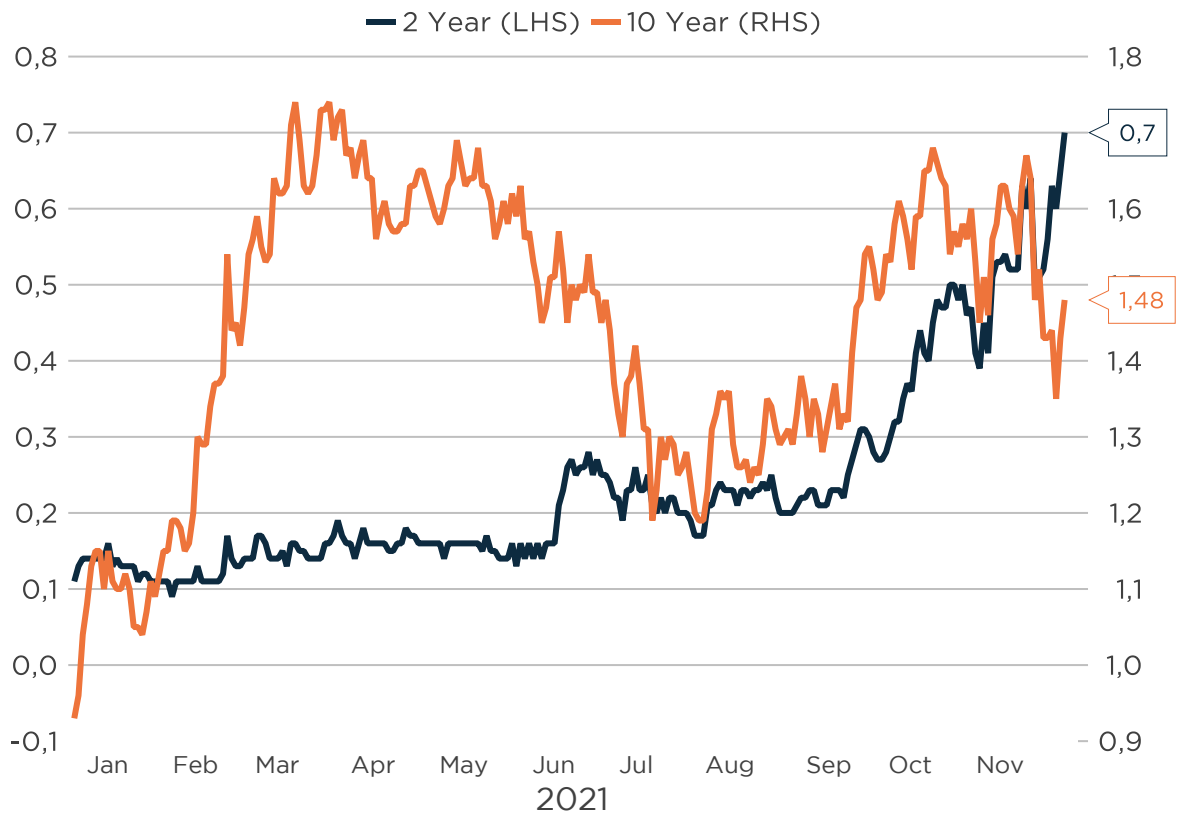
Despite an activity slowdown, inflation continues to rise and presents figures above the market consensus, not only in the more volatile components but also in the items associated with underlying inflation.

The accompanying graph shows the difference between the inflation cores monitored by the Central Bank and the target being pursued. Note that the current level is already close to the recent maximum, registered in early 2016.

Interest Rates: Despite signs of faster tapering, long end of curve under control

Markets

US: 2 and 10-year Interest Rates



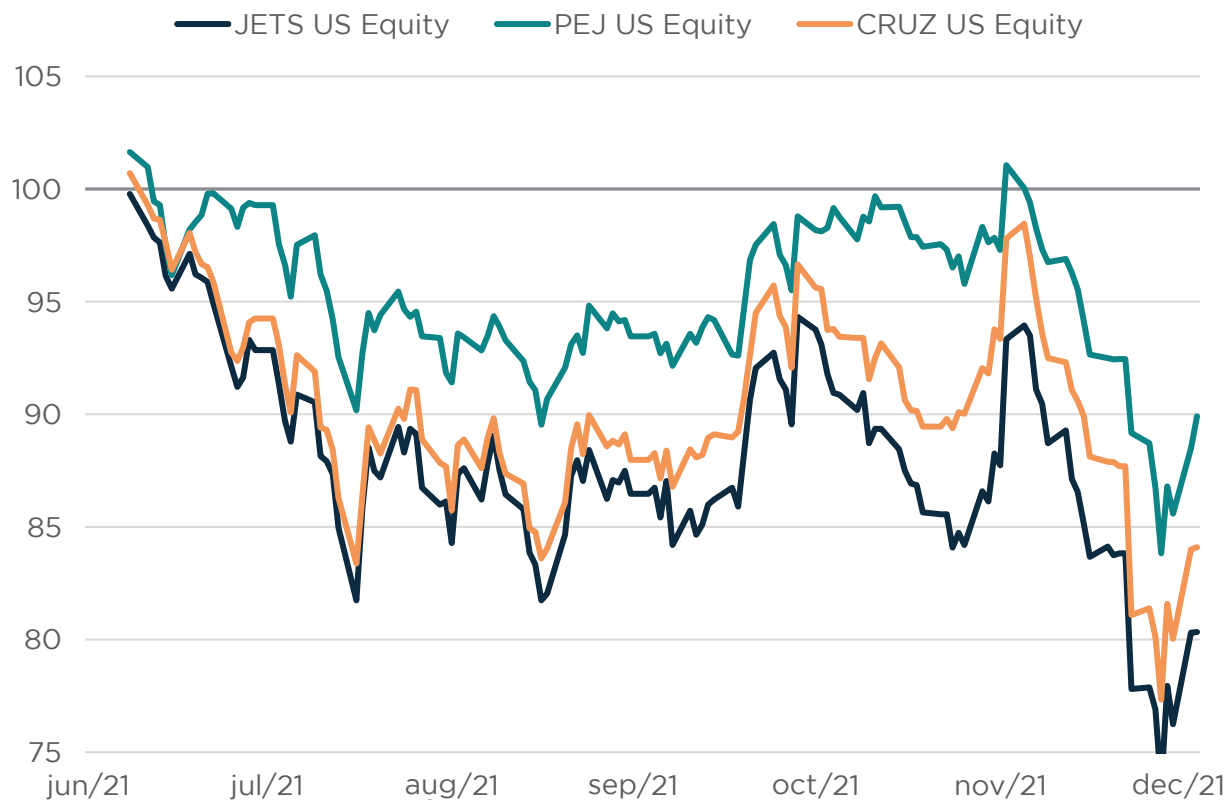
The swerve in inflation has sparked a global movement of repricing interest rates. This movement has not been so different in the United States although it has occurred more gradually.

Persistently strong economic data, coupled with statements from members of the Federal Open Market Committee (FOMC), led to a hike in two-year rates. However, with the Omicron variant, 10-year yields started to fall, resulting in an abrupt loss in the slope of the yield curve which had a negative effect on the performance of the hedge fund industry.

Shares: New variant impacts sectors more linked to social contact

Markets

Returns on ETFs Linked to Social Contact



The discovery of Coronavirus' new variant brought volatility to the markets, with a particular impact on sectors that are most sensitive to social contact.

The accompanying graph shows the performance of ETFs linked to the aviation, entertainment, and shipping sectors, which performed negatively from November to December.

Stock Market: Valuation vs Flow

Markets

Ibovespa P/E 12 months ahead



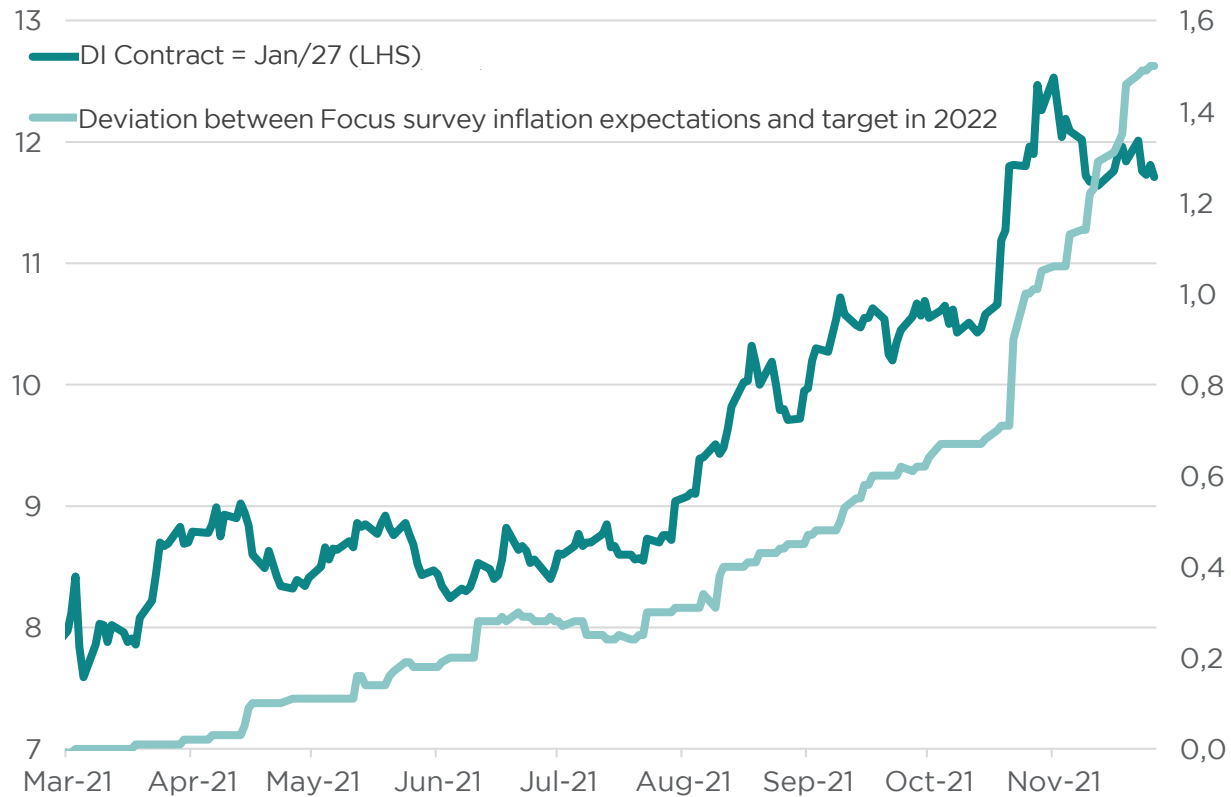
The challenging domestic environment led to a significant reduction in multiples of companies traded on the Brazilian stock market. Many are even trading at levels below the worst moment of the pandemic, suggesting that a large part of the risks for the assets may have already been priced.

The accompanying graph shows a price/earnings metric projected 12 months ahead, which shows clearly that according to this metric the stock market is “cheaper” than at any time since the beginning of the pandemic.

Interest rates: “Long end” of curve stabilized with more Hawkish Central Bank

Local Market

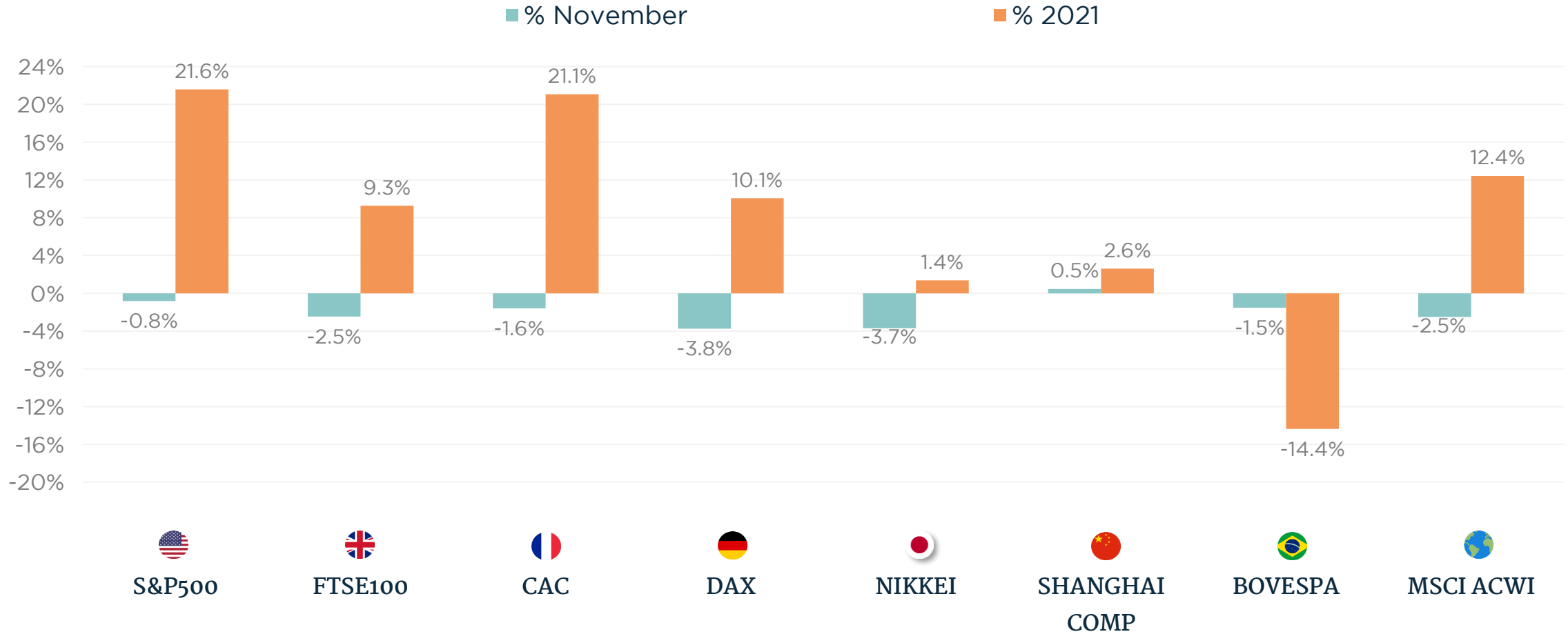
Interest Rate Futures vs. Inflation Deviation



Interest rates have risen significantly over 2021 as inflation expectations have lost footing. Although there was a high level in recent weeks, volatility has been moderate. This may be a sign that the market is coming close to a consensus on the end of the current cycle of high Selic rates (Brazil’s basic interest rate).

Stock Markets

Markets



Indexes

	% November	Value on 30/11/2021	% 2021	% 12 months
COMMODITIES				
OIL WTI	-20.8%	66.18	36.4%	46.0%
GOLD	-0.5%	1,774.52	-6.5%	-0.1%
CURRENCIES (IN RELATION TO THE US\$)				
EURO	-1.9%	1.13	-7.2%	-4.9%
GBP	-2.8%	1.33	-2.7%	-0.2%
YEN	0.7%	113.17	-8.8%	-7.8%
REAL	0.2%	5.62	-7.6%	-4.7%
INDEXES				
S&P500	-0.8%	4,567.00	21.6%	26.1%
FTSE100	-2.5%	7,059.45	9.3%	12.7%
CAC	-1.6%	6,721.16	21.1%	21.8%
DAX	-3.8%	15,100.13	10.1%	13.6%
NIKKEI	-3.7%	27,821.76	1.4%	5.3%
SHANGHAI COMP	0.5%	3,563,89	2.6%	5.1%
BOVESPA	-1.5%	101,915.50	-14.4%	-6.4%
MSCI ACWI	-2.5%	726.53	12.4%	17.5%



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