TURIM

Economic Report

February 2024

São Paulo
Av. Faria Lima, 2277 / 12th floor
Jd. Paulistano – São Paulo, SP
01452-000
+ 55 11 3071-3329
turimsp@turimbr.com

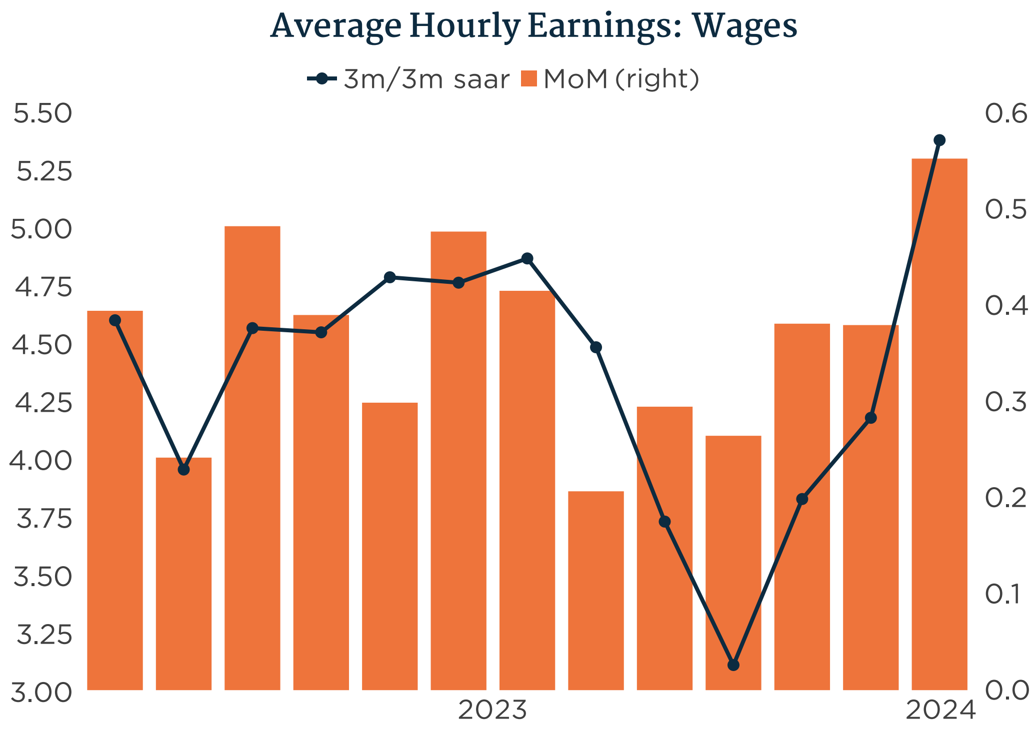
Rio de Janeiro
Rua Major Rubens Vaz, 236
Gávea – Rio de Janeiro, RJ
22470-070
+ 55 21 2259-8015
turimrj@turimbr.com

Turim UK
111 Park Street
London – W1K 7JF
+44 (0) 20 3585-2436
turimuk@turimuk.com

TURIM

Labor Market: Surprises spread throughout the Payroll

Global Economy



The latest employment figures from the United States pointed to a more heated labor market although with higher-than-expected productivity gains and a moderation in labor costs.

The main highlight was January's Non-Farm Payroll which showed strong job creation (353,000) at a level well above the median of market expectations (185,000), along with significant positive net revisions (adding around 126,000 jobs).

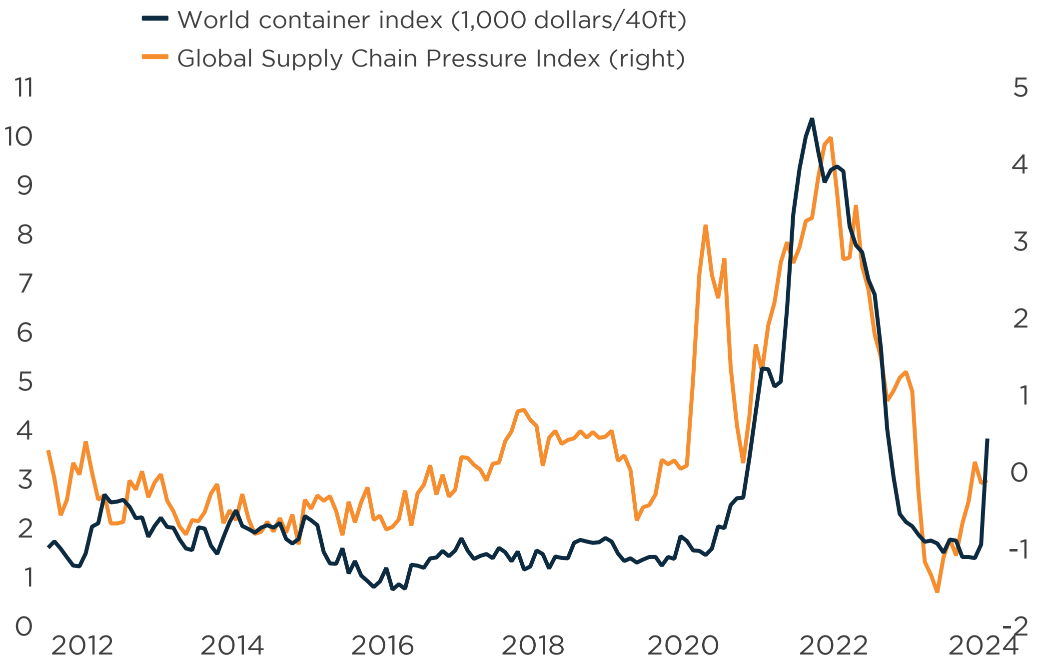
Moreover, as the accompanying graph shows, the growth in wages per hour worked accelerated to 0.6% in the month, also well above the consensus (0.3%). A possible explanation for this abrupt acceleration lies in the fall in the number of hours which were actually worked in the month, due to weather—related factors.

Source: Macrobond

Supply Chain: Conflicts in the Red Sea raise freight costs

Global Economy

Maritime freight costs and global productive chains



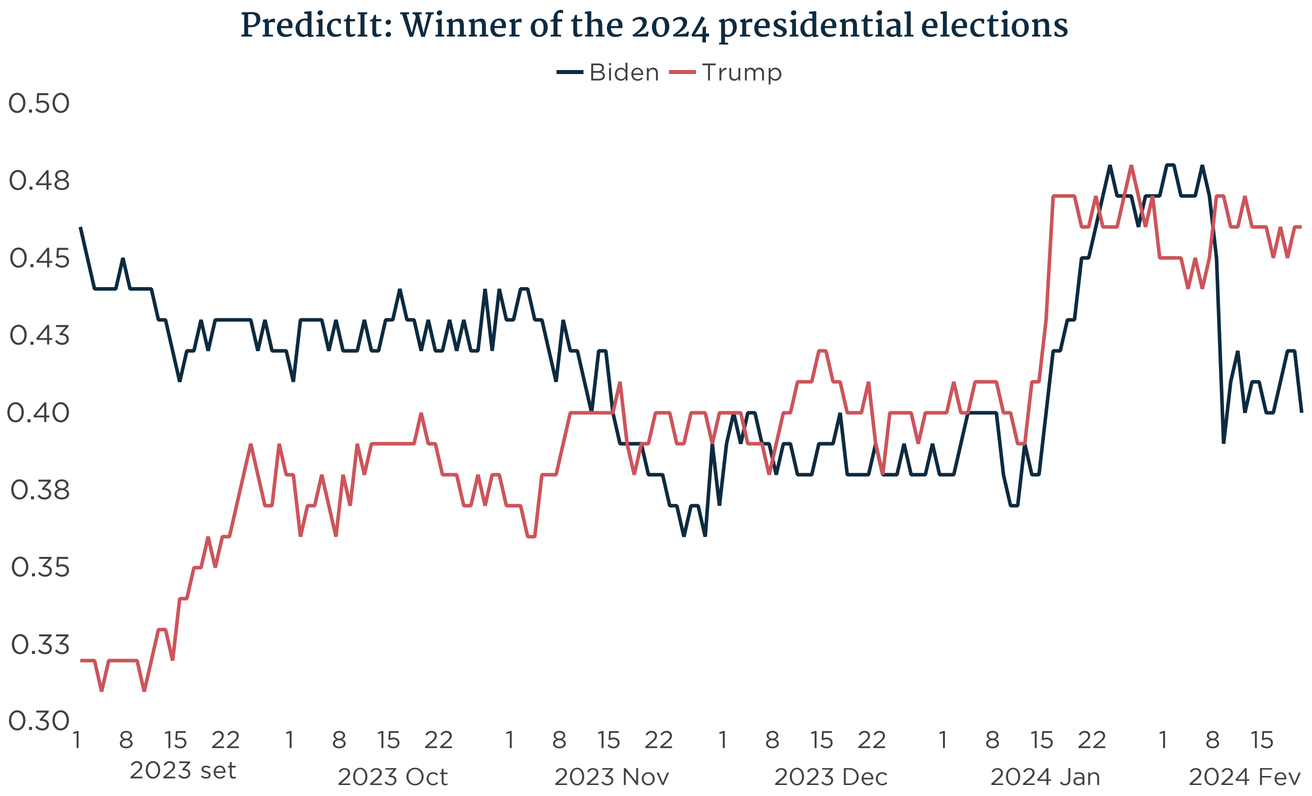
The scale of geopolitical tensions – particularly conflicts in the Red Sea region – have had an impact once again on global production chains. The graph on the left shows the recent acceleration in freight costs (blue line) and pressure on production chains (yellow line).

Although the current pressure remains well below the shock experienced since the Covid-19 crisis, we can already see a not insignificant increase in freight costs. If this movement continues, it could have important implications for global inflation, particularly in the goods segments, which were a major contributor to the disinflation process registered over the past year.

Source: Macrobond

Elections:
Trump confirms strength in Republican primaries

Global Economy

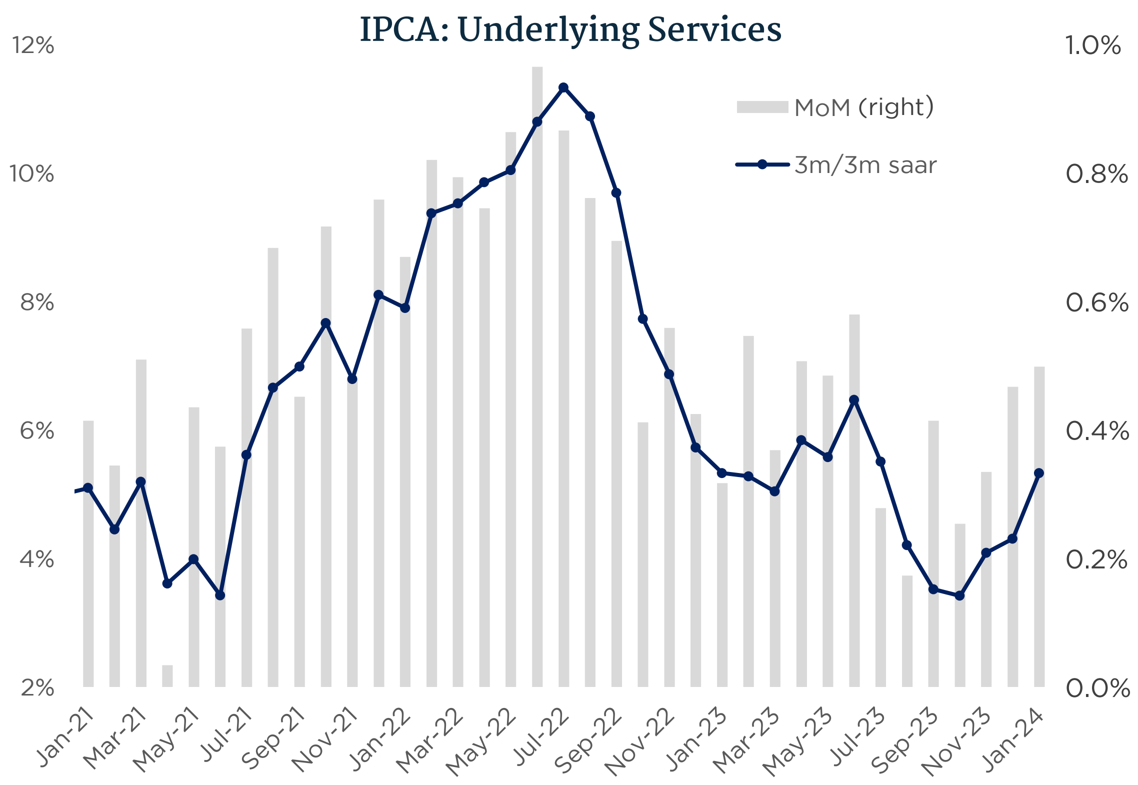


One factor that should receive increasing attention this year is the US presidential election where the most likely outcome seems to be a contest between current president, Joe Biden, representing the Democratic party, and former president, Donald Trump. As expected, Trump has been pulling ahead in the Republican primaries, including in Iowa and New Hampshire, two of the most important regions in the dispute for the party's nomination.

Source: Macrobond

Inflations:
Underlying services raise warning shot at the turnover of the year

Brazilian Economy



The Broad National Consumer Price Index (local acronym, IPCA) rose by 0.42% in January, above the median of market expectations (0.34%) and presented an unfavorable composition once again. The main negative point was the pressure on underlying services (shown in the accompanying graph) which have continued to accelerate since the fourth quarter of last year in seasonally-adjusted terms.

The disclosure raises a kind of alert, so to speak, but it should not yet shake the market's confidence in the ongoing disinflation process.

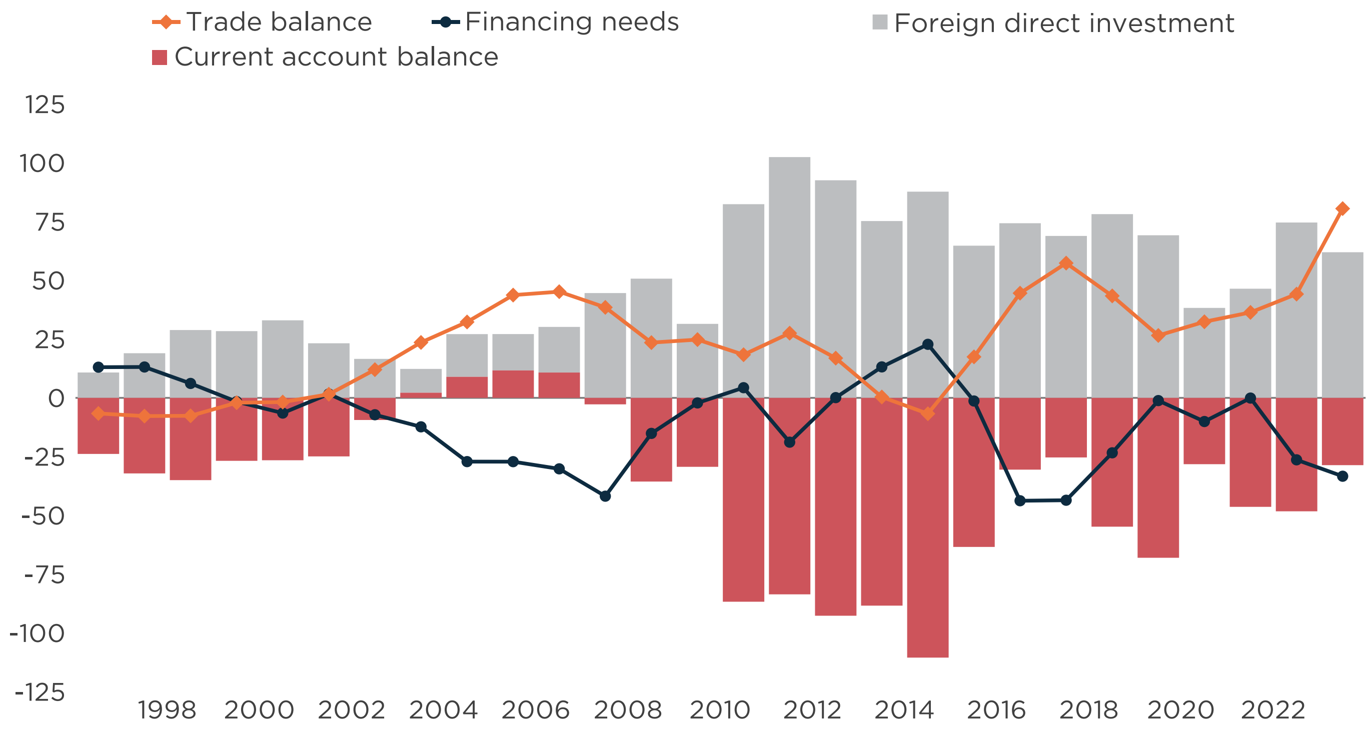
Source: Macrobond

Foreign trade:
Strong trade balance played a important role in keeping external accounts in comfortable position

Brazilian Economy

Foreign trade statistics

Accumulated flow in each year | Billion dollars



The need for external financing – the part of the current account deficit that is not financed by the net inflow of direct investment into the country – was negative for the second consecutive year, indicating that external accounts are in a comfortable situation. The improvement over last year (shown in the above graph) was driven by the sharp expansion of net exports in the trade balance despite the moderation in flow of capital into Brazil.

Source: Macrobond

Interest rates: Global rates get off to volatile start of year

Markets

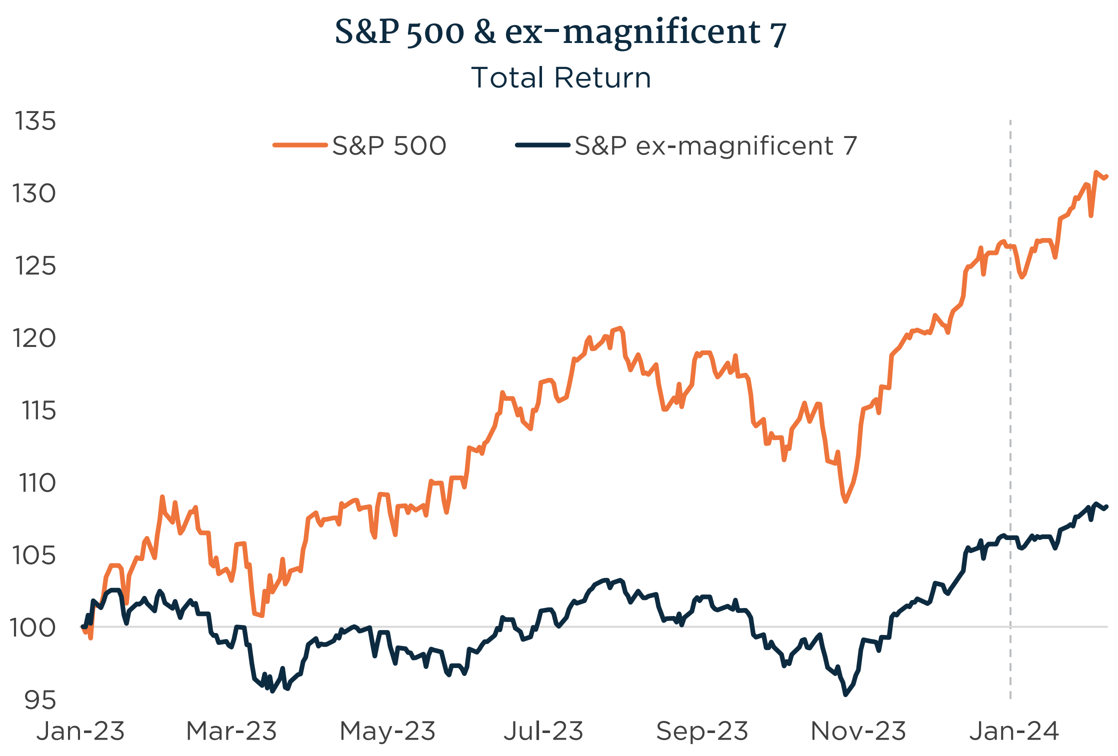
The beginning of the year saw significant volatility in global interest rates, reflecting a high level of uncertainty surrounding the future conduct of monetary policy, especially in the case of the Federal Reserve (the central bank of the United States). This uncertainty arises precisely at the moment when discussions are starting about the appropriate timing for the beginning of the interest rate cutting cycle.

The market, which had been assigning a high probability of cuts in the March meeting, faced a sequence of “discouraging” events for this thesis. Specifically, we can mention (i) a statement from the Federal Reserve (FED) President, Jerome Powell, who stated that he does not believe the monetary policy committee will start its cuts so early, and (ii) significant surprises in labor market data.

Source: Macrobond

Equities:
American stock market starts on a high but its performance continues to center on a few names

Markets



Some of the main US stock indices, such as the S&P 500 and the Nasdaq Composite, ended January in positive territory despite the volatility in interest rates. However, the return on these indices is still largely attributable to a few names.

The accompanying graph shows the big difference in the performance between the S&P 500 (orange line) and its equivalent index which excludes the performance of the seven largest technology stocks in the index (blue line), the "Magnificent 7" - Apple, Microsoft, Amazon, Nvidia, Meta Platforms, Tesla and Alphabet.

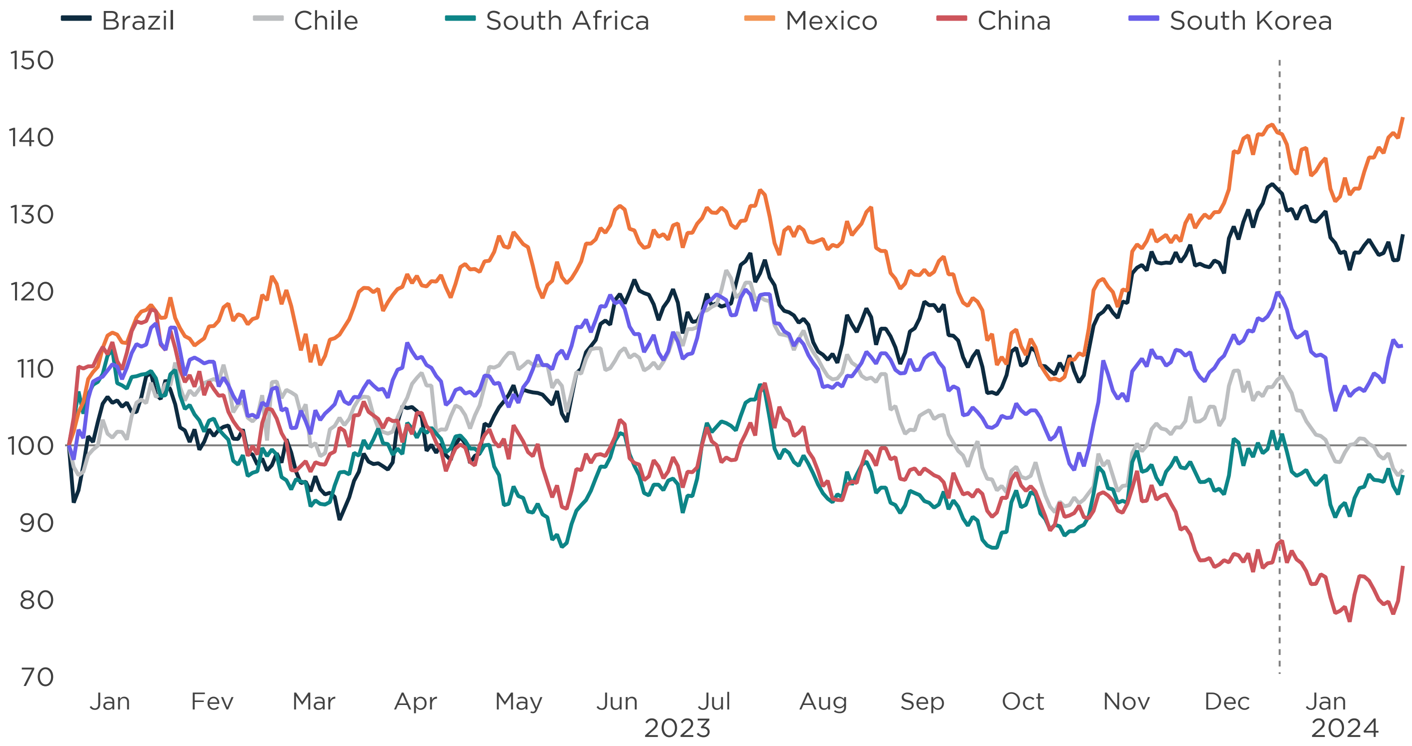
Source: Bloomberg, Turim

Equities:
Year starts more challenging in the local stock market but doesn't stand out from its peers.

Markets

Stock market indices of selected countries in dollar terms (MSCI)

Base 100 = 31/12/2022



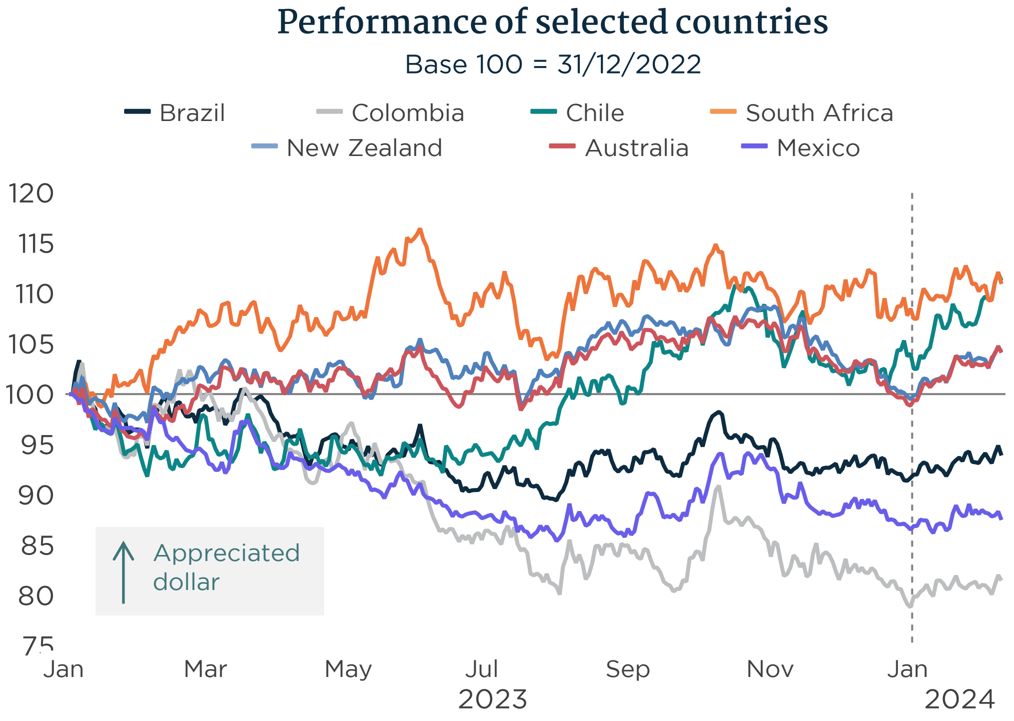
Unlike the American market, which benefited from the specific issues related to some companies, most stock exchanges in other countries had a negative performance at the start of the year. This was also true for the Ibovespa, which closed January with a 4.8% decline, after finishing the year 2023 with a 22.3% increase.

Source: Macrobond

Currencies:
Strong dollar led to a general depreciation of emerging currencies

Markets

The DXY Index measures the US dollar against a basket of developed country currencies.

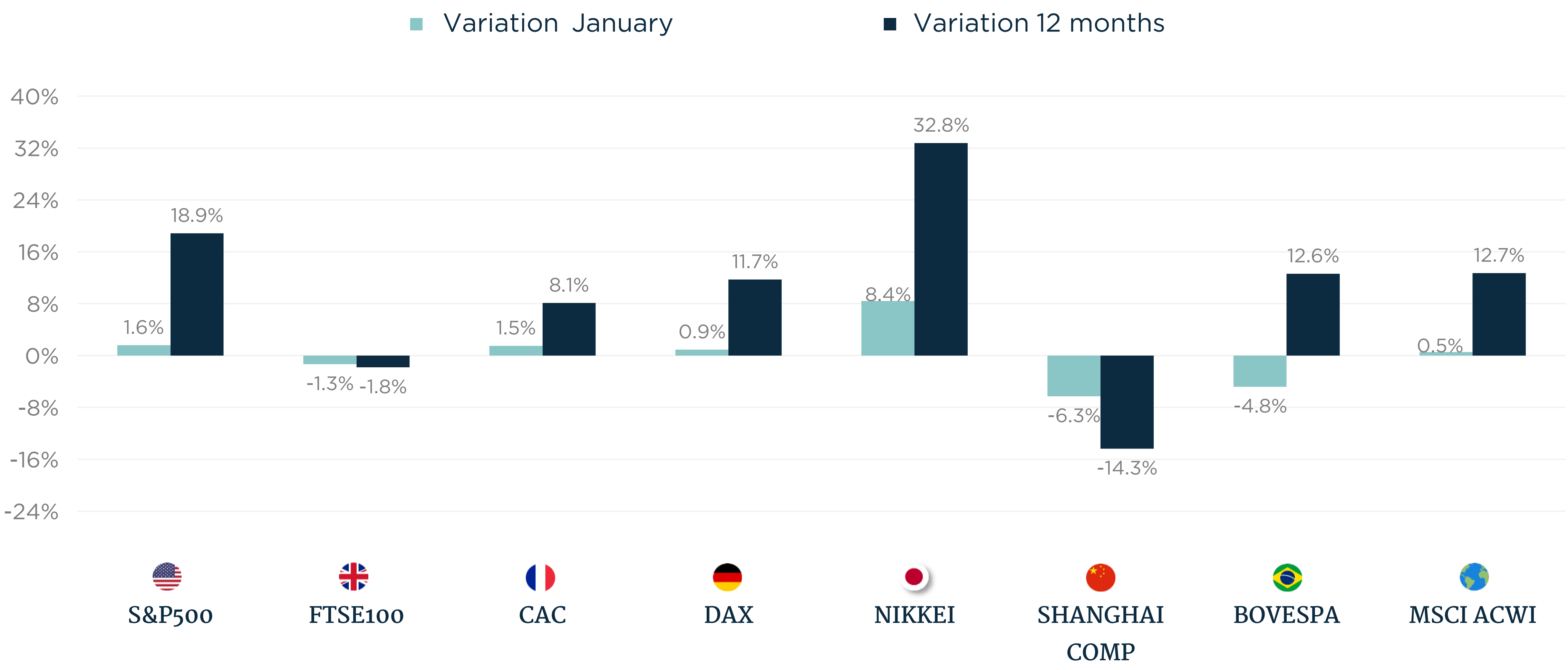


The US dollar appreciated again after the turn of the year, amidst an economic climate marked by resilient activity and moderate inflation. Against this backdrop, the Real once again tested the level close to 5 BRL/USD. As the above graphs show, the extent of the Real's depreciation did not differ much from the performance of other emerging currencies or those linked to commodities.

Source: Macrobond

Stock markets

Markets



Indices

	Variation January	Value on 31/01/2024	Variation on 2024	Variation 12 months
COMMODITIES				
OIL WTI	5.9%	75.85	5.9%	-3.8%
GOLD	-1.1%	2,039.52	-1.1%	5.8%
CURRENCIES (IN RELATION TO THE US$)				
EURO	-2.0%	1.08	-2.0%	-0.4%
GBP	-0.3%	1.27	-0.3%	3.0%
YEN	-4.0%	146.92	-4.0%	-11.5%
REAL	-2.0%	4.96	-2.0%	2.4%
INDICES				
S&P500	1.6%	4,845.65	1.6%	18.9%
FTSE100	-1.3%	7,630.57	-1.3%	-1.8%
CAC	1.5%	7,656.75	1.5%	8.1%
DAX	0.9%	16,903.76	0.9%	11.7%
NIKKEI	8.4%	36,286.71	8.4%	32.8%
SHANGHAI COMP	-6.3%	2,788.55	-6.3%	-14.3%
BOVESPA	-4.8%	127,752.28	-4.8%	12.6%
MSCI ACWI	0.5%	730.84	0.5%	12.7%

*Amounts and Results in local currency

Our opinions are often based on a number of sources as we extract our global analysis views from various banks, managers, brokers, and independent advisors.

All the opinions contained in this report represent our judgment to date and may change without notice at any time This material is for informative purposes only and should not be considered as an offer to sell our services.

TURIM

Disclaimer

TURIM

turimbr.com

São Paulo
Av. Faria Lima, 2277 / 12º andar
Jd. Paulistano – São Paulo, SP
01452-000
+ 55 11 3071-3329
turimsp@turimbr.com

Rio de Janeiro
Rua Major Rubens Vaz, 236
Gávea – Rio de Janeiro, RJ
22470-070
+ 55 21 2259-8015
turimrj@turimbr.com

Turim UK
111 Park Street
London – W1K 7JF
+44 (0) 20 3585-2436
turimuk@turimuk.com