

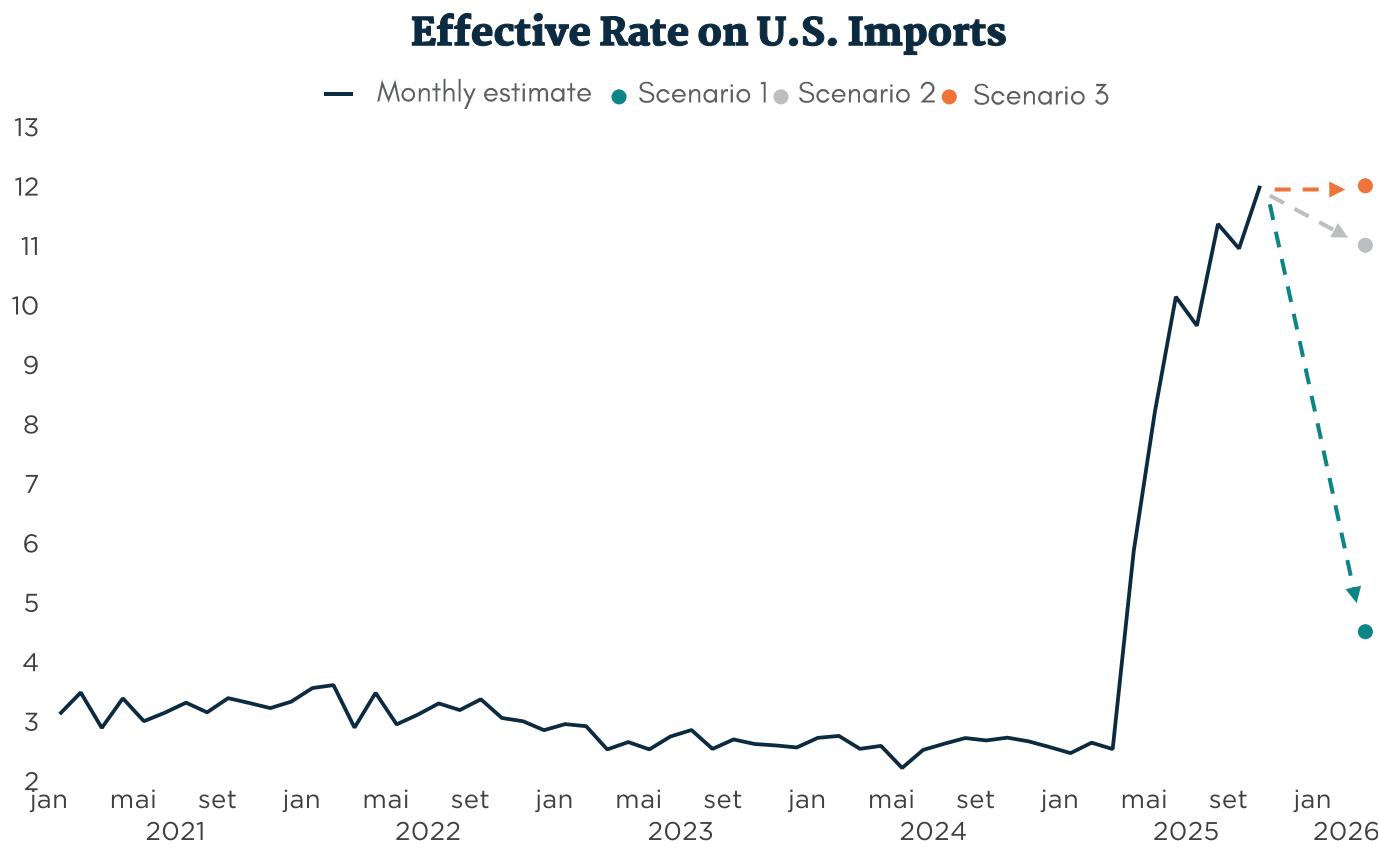


Economic Report

JANUARY
2026

Rates

Supreme Court decision on tariffs is expected to have a limited impact on the effective rate



In the United States, the Supreme Court's decision on the legality of the tariffs imposed by the government under the International Emergency Economic Powers Act (IEEPA)—a statute that authorizes economic measures in situations of national emergency—remains unresolved. The chart above presents an estimate of the effective rate applied to imports, as well as the impacts associated with different scenarios for this ruling.

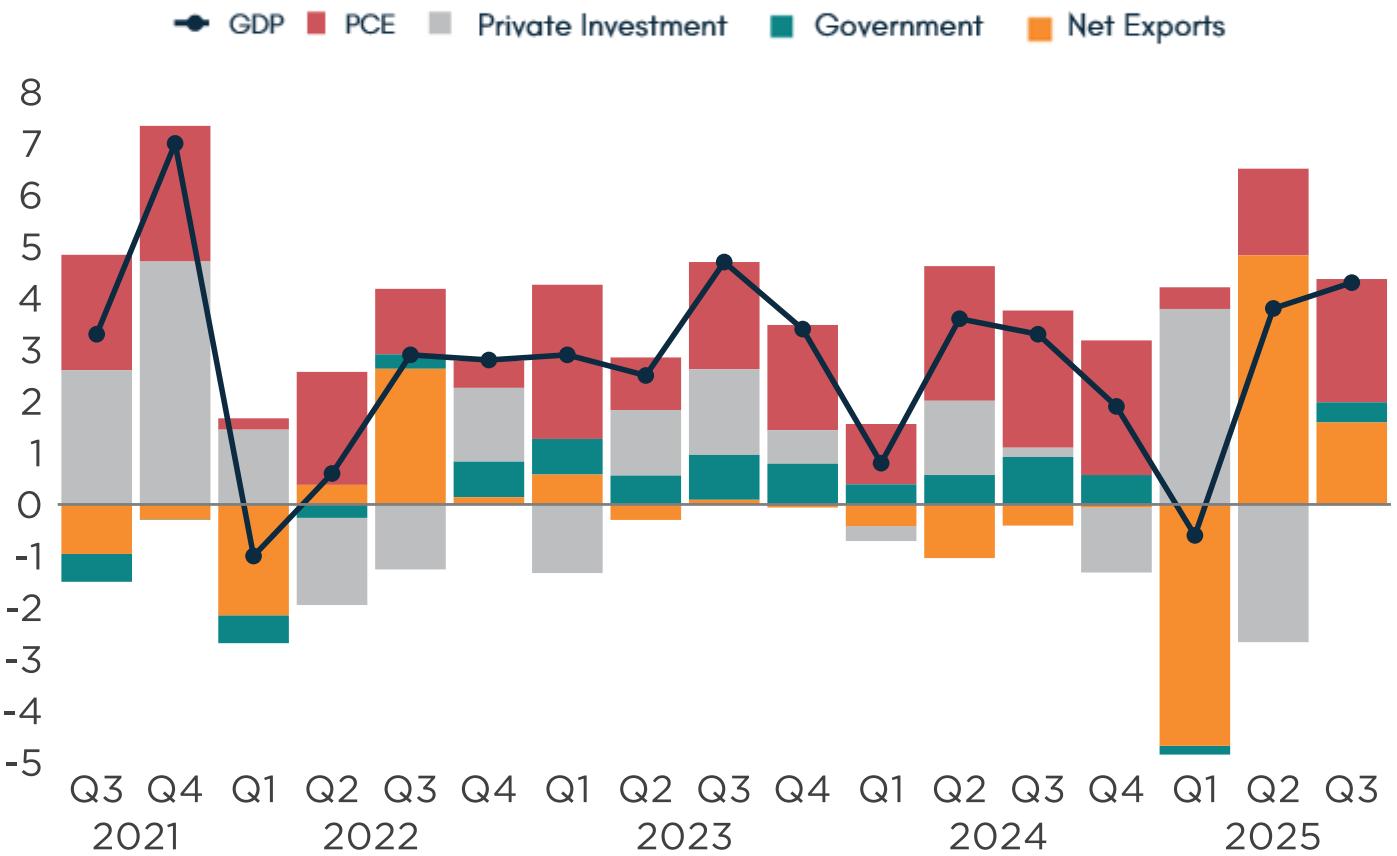
In the most extreme scenario, a potential invalidation of the legal instrument used could lead to a reduction in the effective rate of more than 7 percentage points. Even in such a case, however, the president could reintroduce higher Rates through alternative mechanisms—such as Sections 122 and 301 of the Trade Act of 1974—mirroring the approach adopted during the 2018 trade war.

Activity

Household consumption re-accelerated in the third quarter of 2025.

U.S. real GDP and its contributions

Annualized quarter-on-quarter variation



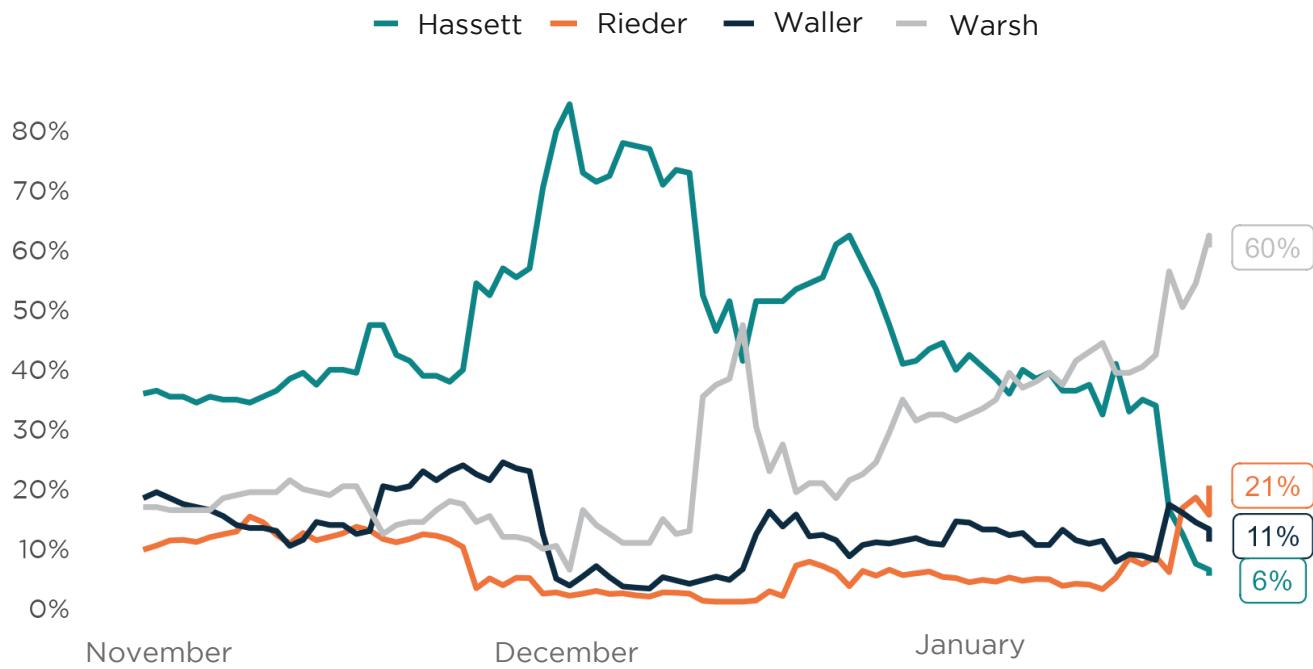
After a pronounced deceleration in household consumption during the first half of the year, the release of the United States' third-quarter 2025 GDP indicated a rebound in consumption, which once again consolidated itself as the primary driver of economic growth over the period. The chart above presents the decomposition of the annualized quarter-on-quarter change in GDP, highlighting the contribution of household consumption (PCE), represented by the red bars.

The first half of the year was also marked by a significant expansion in private investment, driven by the growth of the artificial intelligence industry. Given the reliance of global supply chains for a substantial share of these inputs, heightened uncertainty surrounding trade policies may have led firms to bring forward investment decisions. In this context, the slowdown observed in the third quarter of 2025 should not necessarily be interpreted as a shift in trend.

Monetary Policy:

Trump intensifies pressure on the Fed, and markets bring forward expectations for Powell's successor.

Implied probabilities for the appointment of the next Fed Chair

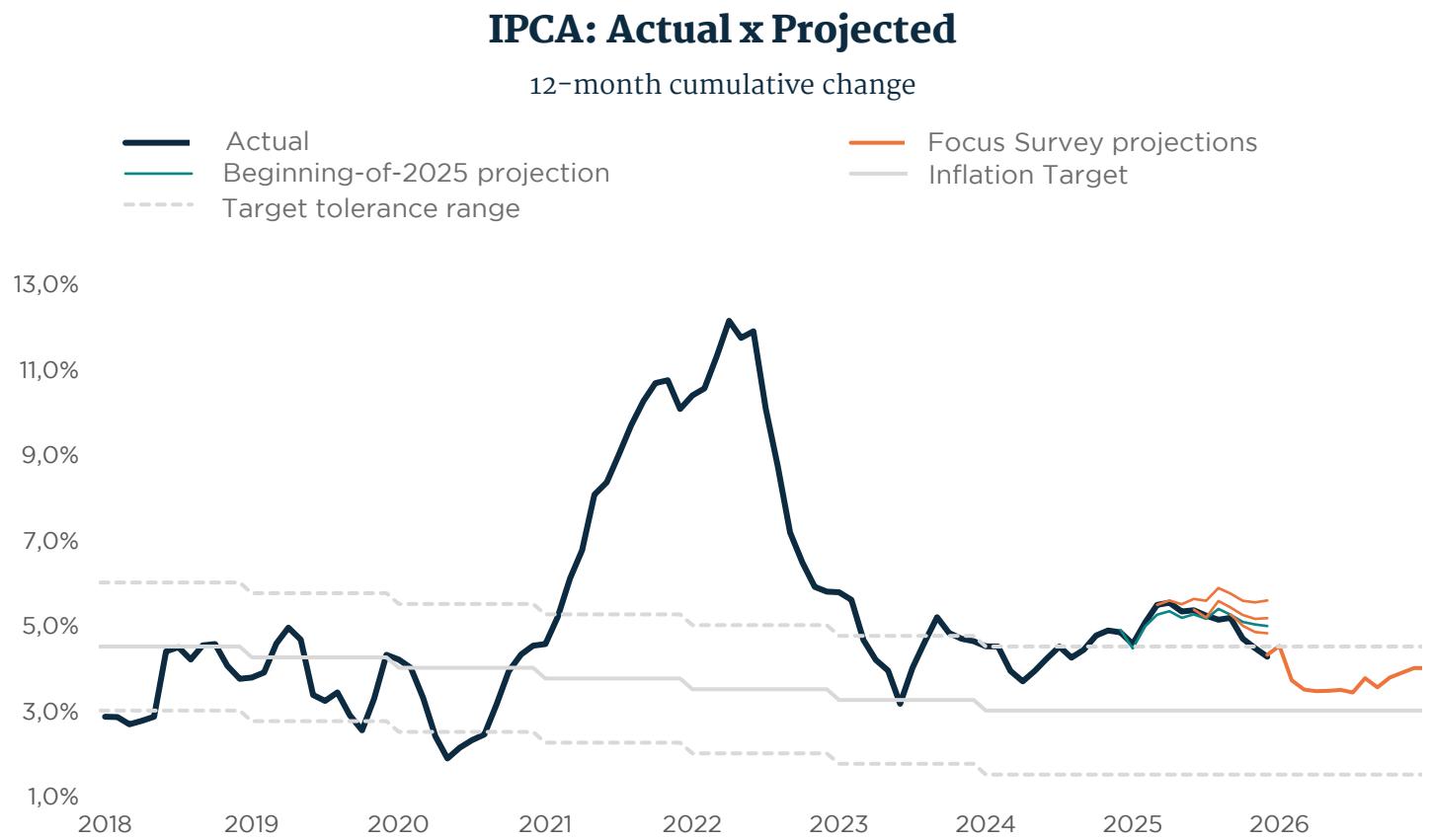


The beginning of 2026 was also marked by an escalation in tensions between the White House and the Federal Reserve. The Department of Justice (DOJ) initiated proceedings against Fed Chair Jerome Powell, accusing him of mismanagement in the renovation of the U.S. central bank's headquarters and of having provided false information to Congress regarding the project's costs. On January 12, the Chair responded through a public statement, characterizing the initiative as an attempt at political interference in monetary policy decisions.

Regardless of the outcome of the case, Powell's term as Chair is set to expire in May, and his successor is expected to be more closely aligned with Donald Trump's interests, as the former president has emphasized on multiple occasions. As shown in the chart above, in recent weeks the leading candidates were Kevin Warsh and Kevin Hassett—both members of the Republican Party and widely regarded as having solid technical credibility. However, following remarks by Trump suggesting a preference to keep Hassett at the White House, Warsh has emerged as the leading contender to succeed Powell as Fed Chair. To date, markets have largely downplayed risks to the central bank's independence, which could otherwise lead to a de-anchoring of inflation expectations and a steeper interest rate curve.

Inflation:

IPCA ends 2025 within the target range, well below what was projected at the beginning of the year.



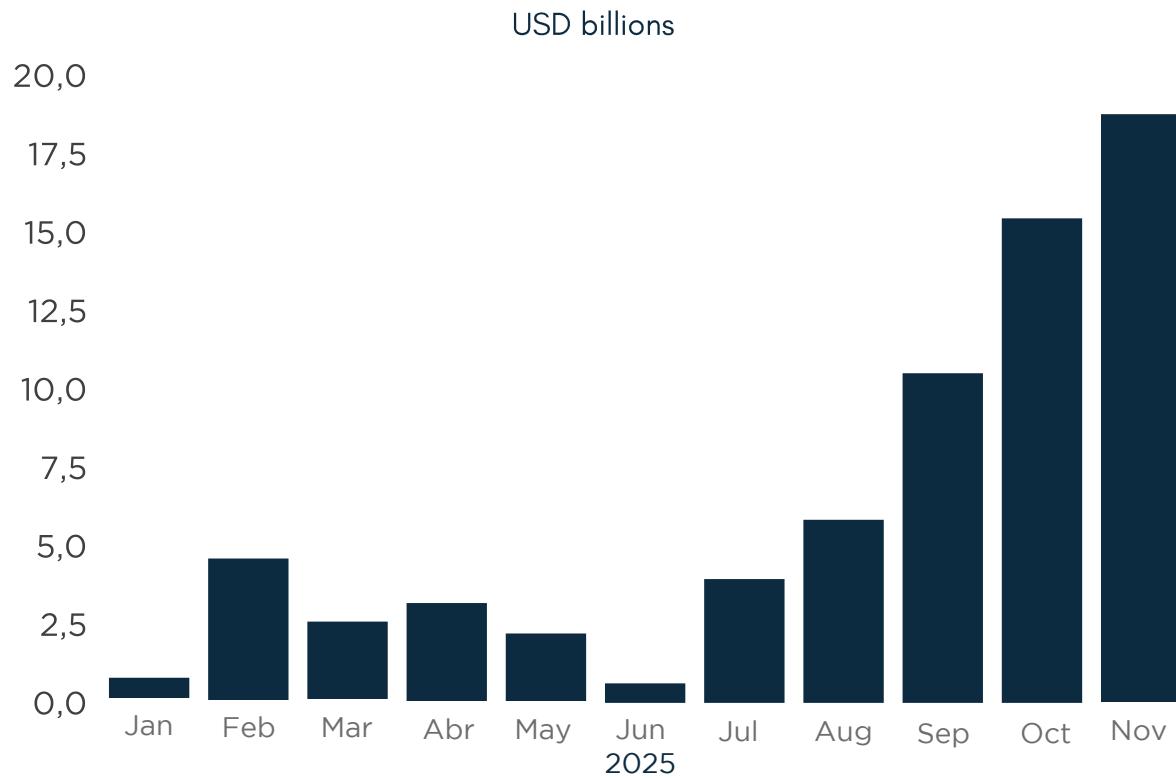
IPCA (Brazil's Broad Consumer Price Index) ended 2025 with a cumulative increase of 4.26%, within the tolerance range of the inflation target, albeit still above the midpoint. In practice, this indicates that inflation remained at an elevated level, but without constituting a formal breach of the objective set by the Central Bank.

The outcome was better than initially expected: at the end of 2024, the median projection in the Focus Survey pointed to inflation close to 5% on a 12-month basis and, following the acceleration observed in the first quarter, expectations rose to around 5.5%. The more favorable dynamics throughout the year reflect not only the lagged effects of restrictive monetary policy, but also a more benign external environment, marked by a broad-based depreciation of the U.S. Dollar.

External Sector:

Upside surprises in direct investment inflows help ease external accounts.

FDI: Cumulative upside surprise year-to-date



Brazil's external sector indicators had been deteriorating since early 2024, reflecting not only a weakening in the current account balance but also a decline in investment inflows into the country. As a result, traditional metrics of external sustainability, such as the basic balance, which combines the current account balance with foreign direct investment, shifted from a surplus of around 2% of GDP to a deficit close to 0.4% of GDP in the 12 months through July.

In simple terms, this development suggested that the country was becoming increasingly reliant on potentially more volatile sources of financing to balance its external accounts, heightening the sensitivity of the outlook to shifts in the global environment.

On the other hand, the strong inflow of foreign investment from the second half of the year contributed to a significant improvement in this metric, which is now around 0.3% of GDP. The chart above illustrates the cumulative upside surprise in direct investment throughout 2025 (the difference between the observed outcome and the median market forecast). By November 2025, cumulative inflows were already nearly USD 20 billion above the amount initially projected.

Equities

Strong performance in 2025, despite intermittent volatility.



The year 2025 was marked by a highly positive performance in global equity markets, despite several significant correction episodes along the way. The chart above illustrates the performance of some of the main international benchmarks and highlights events that generated market stress—from the emergence of the DeepSeek model and the resulting, at times, questioning of the artificial intelligence investment thesis in the U.S. market, to the shutdown of the U.S. government.

The contrast between the magnitude of the drawdowns and the strong year-end performance reinforces the importance of diversification and disciplined asset allocation as key pillars for navigating periods of volatility and capturing long-term returns.

Oil

Limited short-term impact, with potential to increase supply over the medium term.

Oil price per barrel

U.S. Dollars

— Brent — WTI



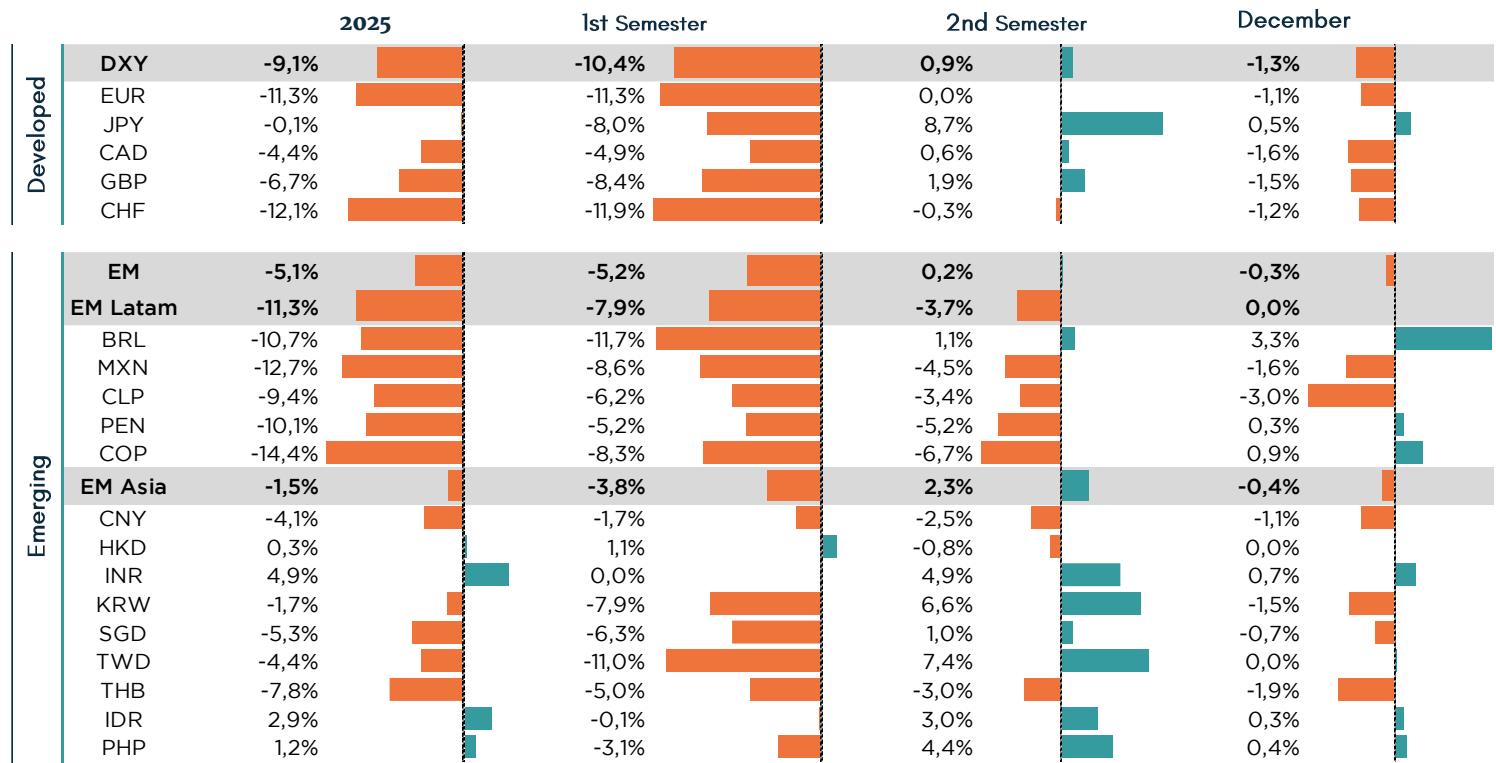
In early 2026, in a surprise operation, U.S. forces entered Venezuelan territory and arrested Nicolás Maduro on accusations of involvement in international drug trafficking. As a result, Delcy Rodríguez, then Vice President, assumed the interim presidency of the country.

Although Venezuela holds the world's largest oil reserves, its effective share of global energy production and trade is relatively limited, with about two-thirds of exports directed to China. In this context, the initial impact on commodity prices was fairly muted.

Over the medium term, however, the possibility of reopening the market and potentially increasing production could lead to a rise in supply, exerting additional downward pressure on energy prices with disinflationary effects globally.

Currencies

A weaker U.S. Dollar was one of the major surprises of 2025.



Legend: █ USD appreciation / local currency depreciation
█ Local currency appreciation / USD depreciation

The year was also marked by a meaningful depreciation of the U.S. Dollar in the global environment. The table above shows the performance of the U.S. currency against a broad set of developed and emerging market currencies. Most of this move took place during the first half of the year, when the Dollar's weakening was more broadly synchronized across countries.

In the second half, part of this trend reversed. Still, higher-carry currencies—i.e., those with a wider interest rate differential relative to the United States, particularly in Latin America—continued to deliver positive performance.

Exchange

A weaker Dollar helped mitigate seasonal pressure on the Brazilian Real

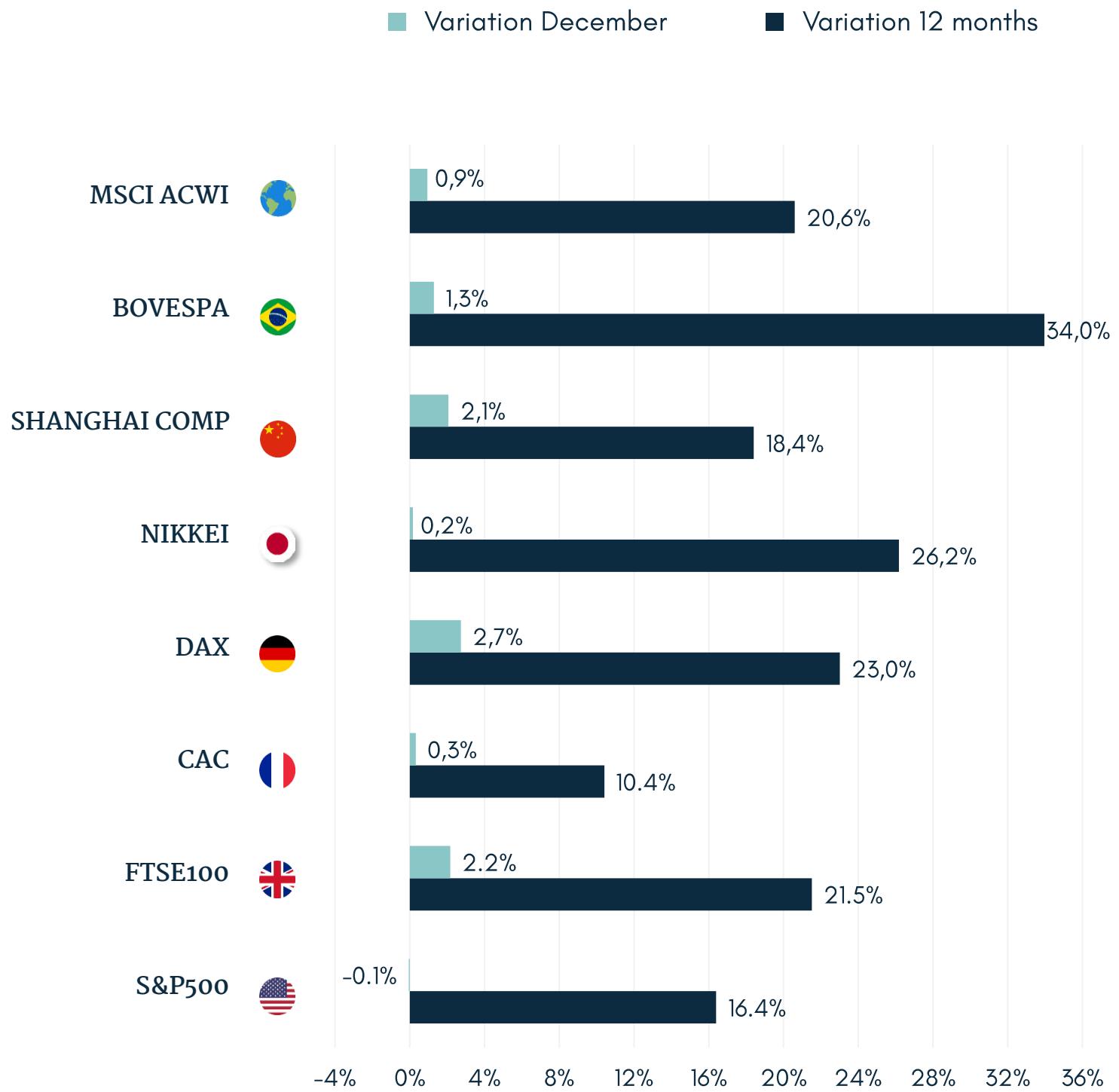
Performance of the Brazilian Real and peer currencies



Throughout the year, the Brazilian Real broadly tracked the global trend of a weaker U.S. Dollar, as illustrated in the chart above, which compares the Real's performance against a basket of peer currencies. The exchange rate remained broadly in line with the control group through the third quarter, but diverged toward year-end. This move coincides with the typical seasonal window of capital outflows in financial flows, particularly related to the remittance of profits and dividends abroad.

Although there is no fully credible counterfactual to estimate how the Real would have behaved in a scenario in which the global Dollar had not provided a supportive backdrop, it is reasonable to assume that Exchange Rate pressures could have been substantially stronger under a less favorable external environment.

Stock Markets



	Variation in August	Value on 31/08/2025	Variation in 2025	Variation in 12 months
COMMODITIES				
Oil WTI	-3.8%	58.64	-18.2%	-14.7%
GOLD	5.9%	4,239.43	61.5%	60.4%
CURRENCIES (VS. USD)				
EURO	0.5%	1.16	12.0%	9.7%
LIBRA	0.6%	1.32	5.7%	3.9%
YEN	-1.4%	156.18	0.7%	-4.1%
REAL	0.8%	5.34	15.8%	11.9%
INDICES				
S&P 500	0.1%	6,849.09	16.4%	13.5%
FTSE 100	0.0%	9,720.51	18.9%	17.3%
CAC 40	0.0%	8,122.71	10.1%	12.3%
DAX	-0.5%	23,836.79	19.7%	21.5%
NIKKEI	-4.1%	50,253.91	26.0%	31.5%
SHANGHAI COMP	-1.7%	3,888.60	16.0%	16.9%
BOVESPA	6.4%	159,072.13	32.2%	26.6%
MSCI ACWI	-0.1%	1,005.14	19.5%	16.5%

*Figures and results presented in local currency



Disclaimer

The information contained in this presentation does not replace the analysis of legal counsel specialized in Brazil or abroad, nor does it eliminate the need for confirmation with the relevant financial institutions.

This presentation does not constitute a recommendation, and its content should be reviewed periodically, as it is subject to change.

This material contains confidential information and must not be shared with third parties without the prior and express approval of Turim.



São Paulo
Rio de Janeiro

Turim UK
turimbr.com