



Economic Report

June 2021

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

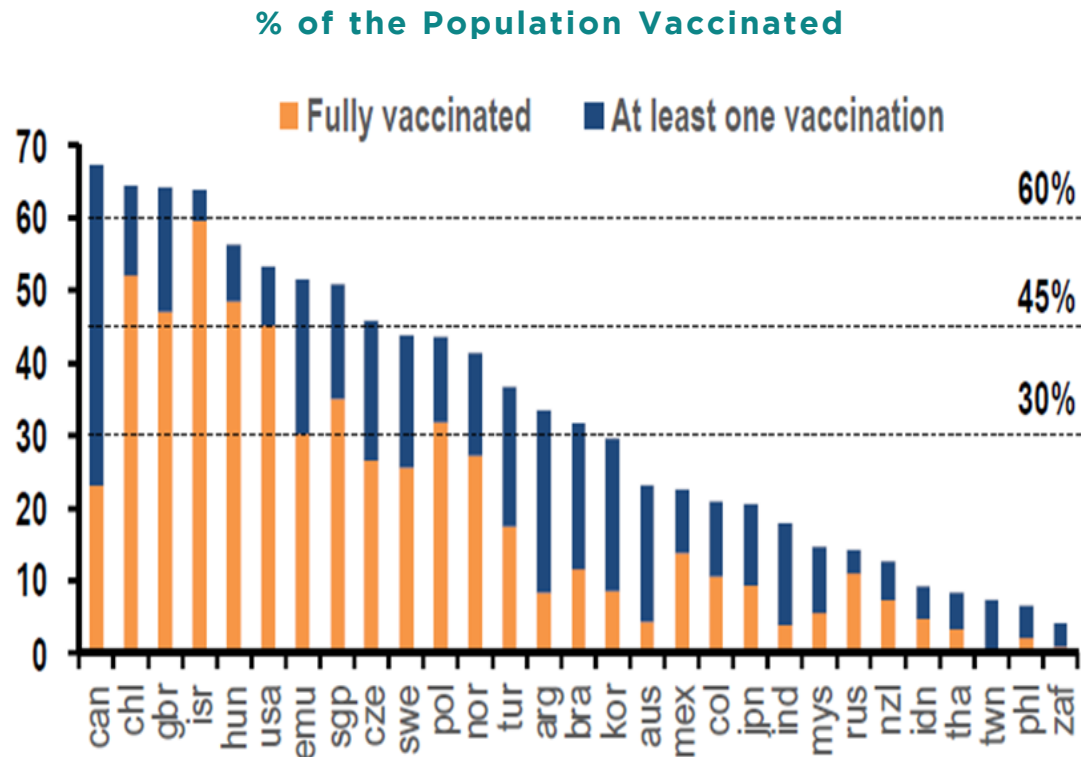
111 Park Street
London – W1K 7JF
+44 (0) 20 3585-2436
turimuk@turimuk.com



Global Economy	03
Brazilian Economy	06
Markets	08
Indexes	12

Global: Covid-19 cases accelerating but hospitalizations and deaths are not

Global Economy



Despite divergencies, the vaccination rate is well advanced in developed countries, with some countries already reaching more than 60% of their population vaccinated with at least one dose, as shown in the accompanying graph.

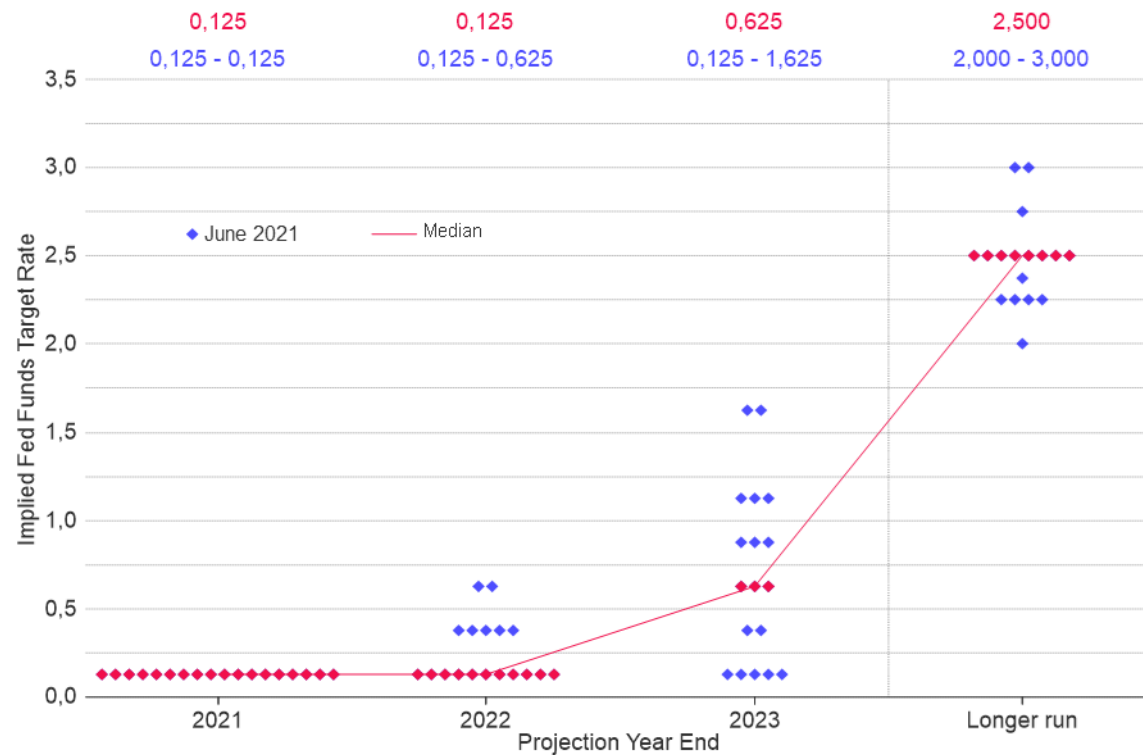
Nevertheless, the emergence of new variants has accelerated Covid-19 cases even in countries with a high degree of vaccination, such as the UK. The good news is that hospitalizations and deaths are not keeping pace with this acceleration, thus reducing the social and economic impact of this new wave.

US: FED begins to project two hikes in interest rates in 2023

Global Economy

Federal Open Market Committee (FOMC) "Dot Plot"*

*FED projection for interest rates



The FED's monetary policy committee (FOMC) indicated at its June meeting that, in line with the Central Bank's median view, interest rates would rise twice in 2023 (a total of 50 basis points*), a significant change in comparison to what was indicated in March (interest rate stability). Furthermore, the discussion process on reducing Quantitative Easing (tapering) has started.

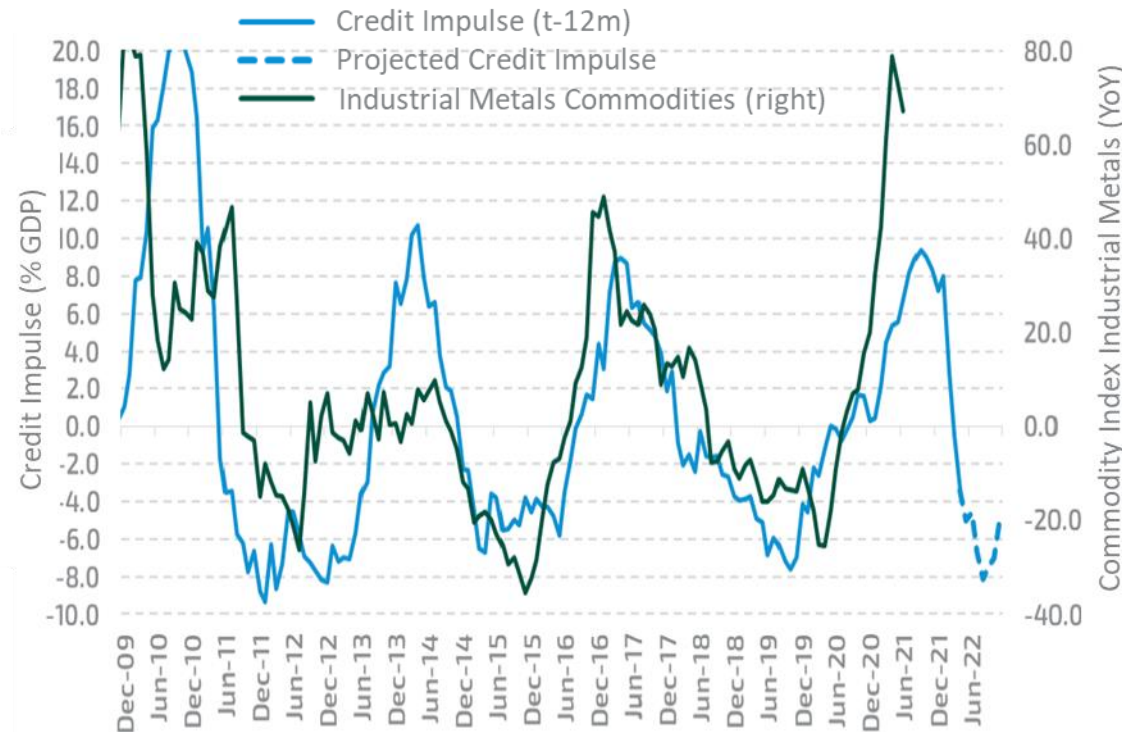
Nevertheless, the FED's leadership overall message continues to be that the normalization process should still take a while to come about and will be carried out in a patient manner.

*1 *basis points* or 1 bp= 0.01% or 1/100 percentage points

China: Credit cycle could hinder growth for the 2nd half of 2021

Global Economy

China: Credit Impulse vs. Commodities



After a quick recovery from the Covid-19 crisis, which had extensive pandemic-driven stimulus from the Chinese government, recent quarters point to a withdrawal of support particularly in the credit market, which is still dominated by public banks in China. Moments of tighter credit conditions in China have historically led to a slowdown in commodity prices (as the accompanying graph shows). This is an issue that could become important in the coming quarters.

Tax Reform: Reduction in personal income tax offset by increase in corporate tax

Brazilian Economy

Bilion Reais	2022	2023	2024
Individual Income Tax	-13.5	-14.5	-15.4
Corporate Income Tax	-18.5	-39.2	-41.5
Tax on Exclusive/Close-end Funds	14.5		
Dividends (Tax of 20%)	18.5	54.9	58.2
Interest on Net Equity (local acronym JCP)	2.8	7.2	7.6
Others	-2.8	-8.1	-8.3
Total	1.0	0.3	0.6

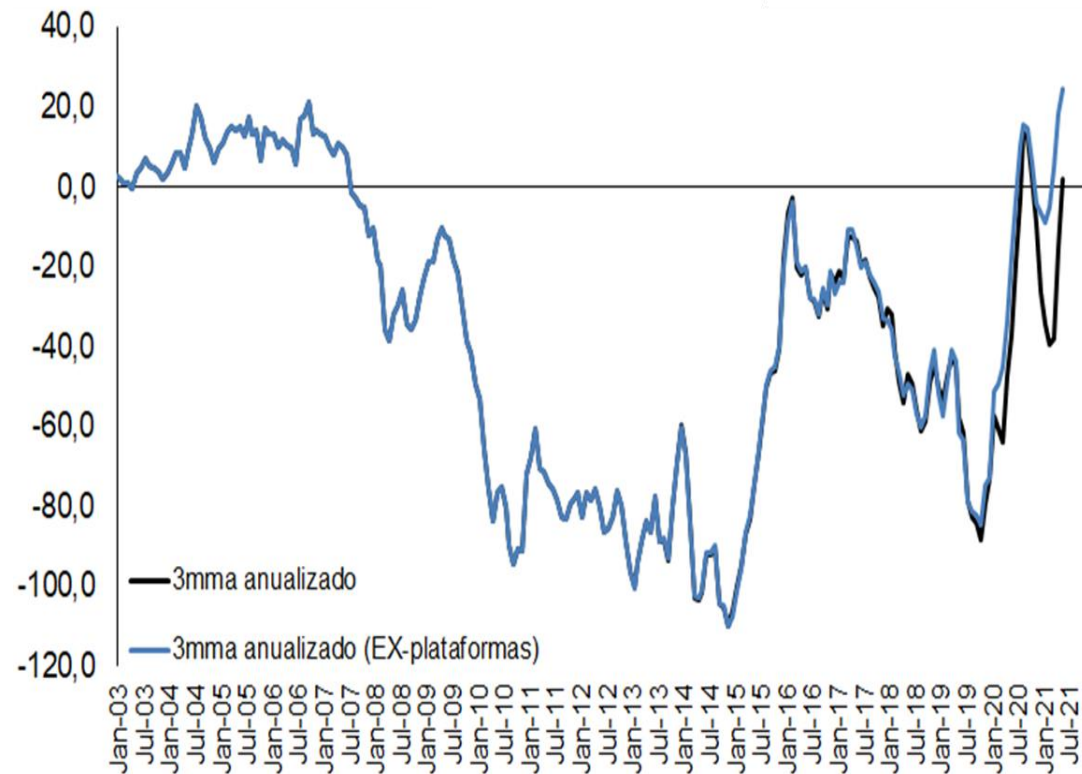
The second stage of the tax reform proposal presented by the government includes an increase in the burden for Corporate Entities which aims to offset the tax reduction for Individuals, resulting from a higher tax exemption range.

Unlike the tax reform proposals discussed in Congress in recent years, which focused on simplifying consumption tax in Brazil, the current proposal mixes this simplified approach (less ambitious, only with federal taxes) with a redistribution of the burden, in a final outline that does not point to any potential GDP gains in the long term.

External Accounts: Current account balance slightly accelerating

Brazilian Economy

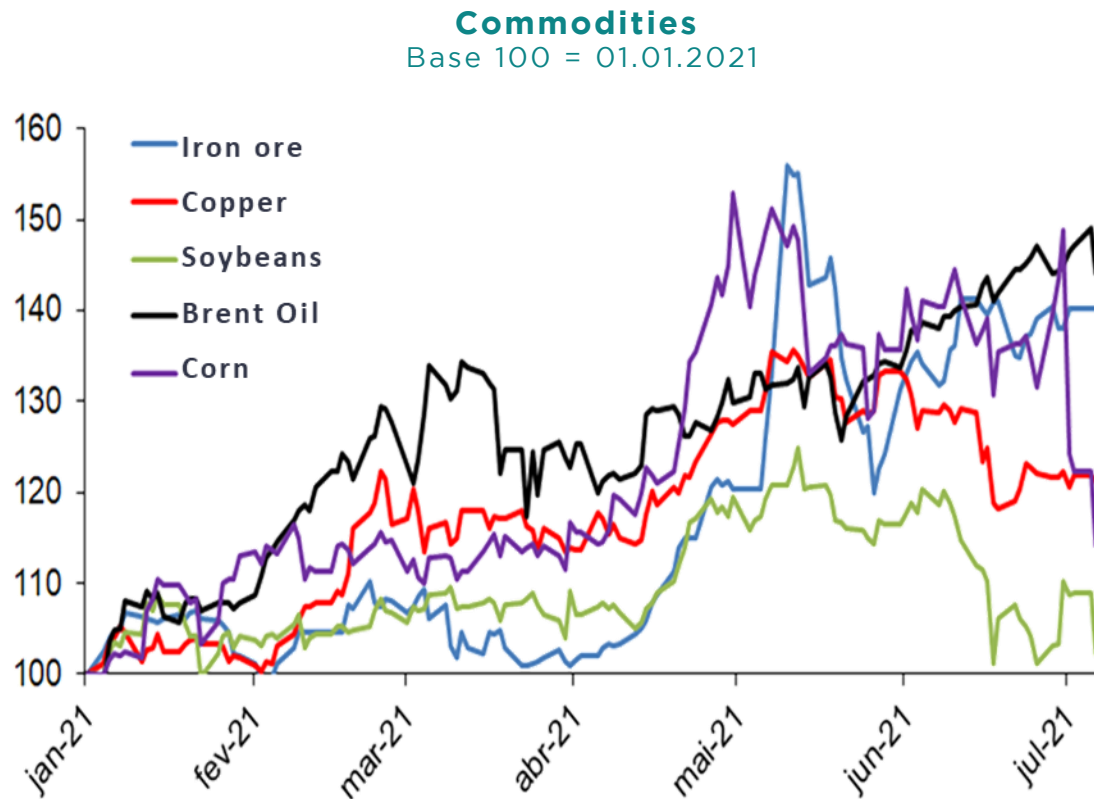
Current Account balance
seasonally-adjusted, annualized



As the accompanying graph illustrates, Brazil's current account results have shown a significant improvement in recent months, reflecting the combination of high commodity prices and strong global growth; the adjustment is more impressive when we remove the fictitious imports of oil platforms (from the "Repetro program"). The external accounts continue to be Brazil's main positive factor, different to other times when fiscal weakness was also accompanied by external restrictions.

Commodities: Some markets correct, but oil prices continues to rise

Markets

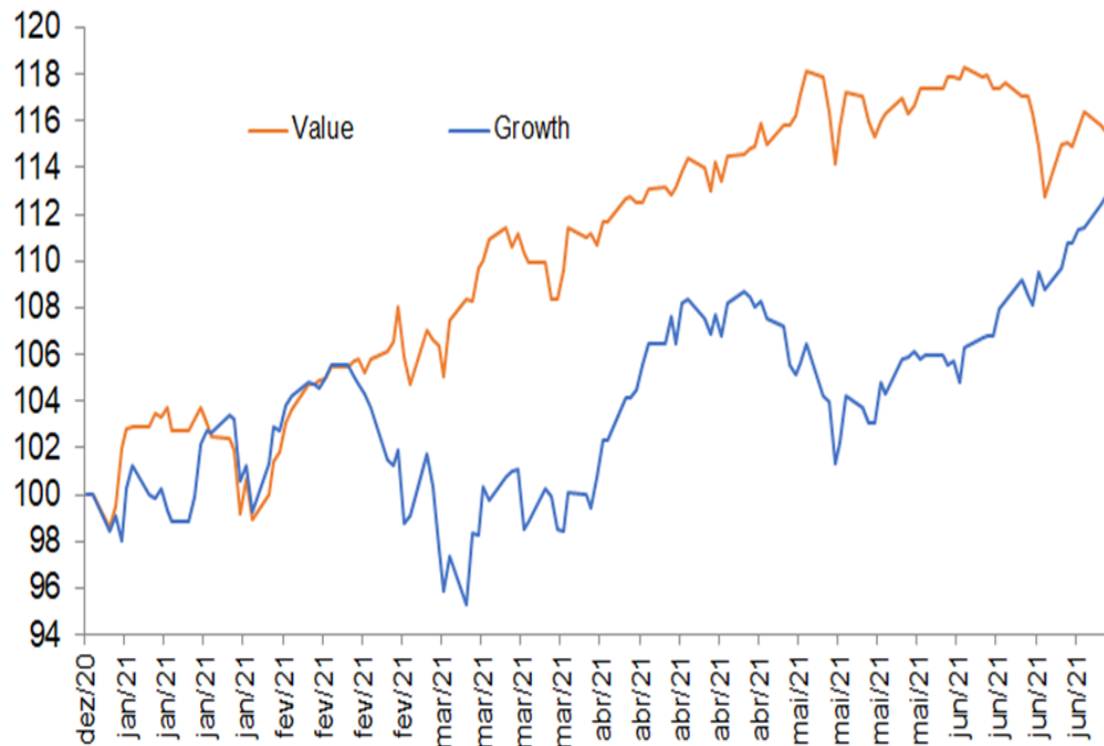


Although commodities have shown strong overall growth in 2021, there has been a big correction in some markets in recent weeks, particularly in agricultural commodities (combination of Chinese import restrictions and better news about the weather). We believe part of this correction is also related to the reversal of the "reflation trade" which started after the more hawkish than expected signs from the last FED meeting pointing to higher interest rates.

Stock Markets: Strong overperformance by growth stocks closes gap in 2021

Markets

Russell 1000: Value vs. Growth
Base 100 = 31.12.2020

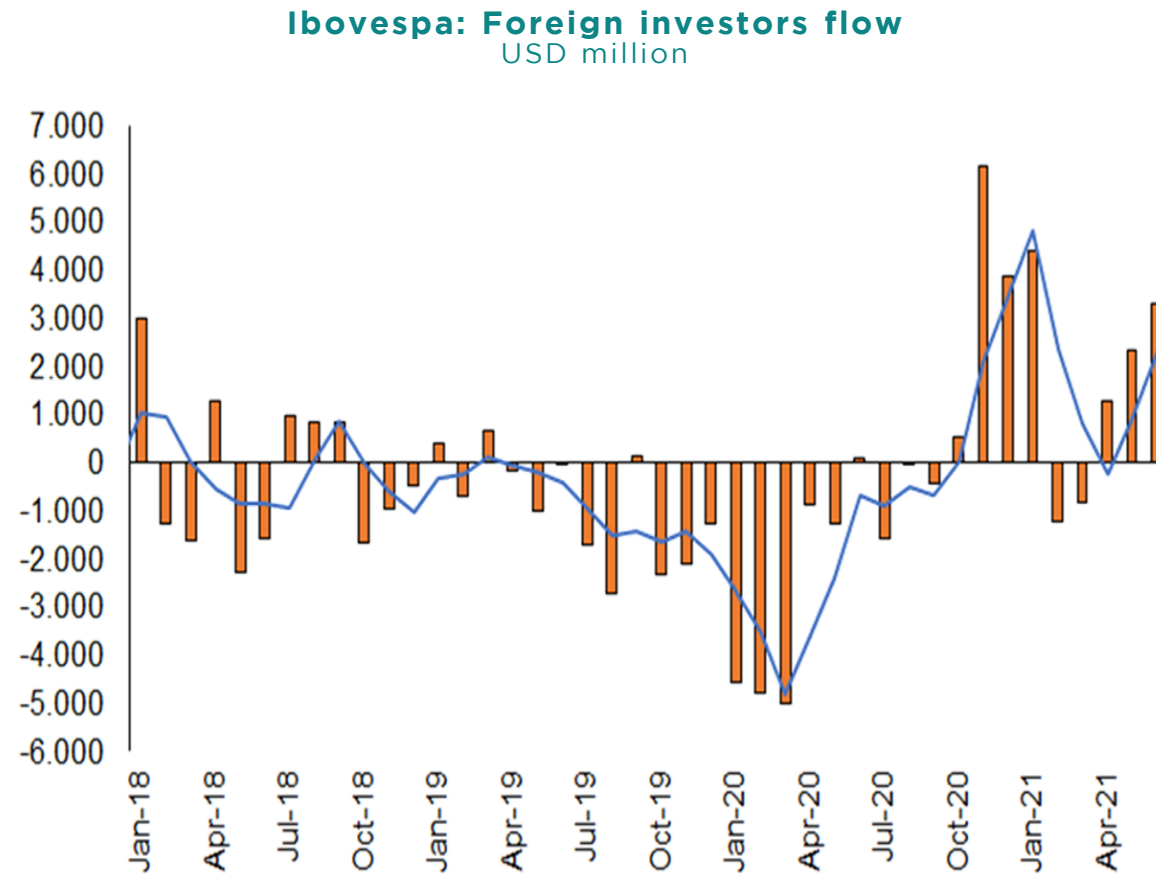


The combination of sturdy growth and well-behaved long-term interest rates in the U.S. resulted in a strong overperformance by growth stocks (companies with high long-term growth potential), which in the year had been greatly underperforming value stocks (companies that are priced below their intrinsic value). June's rally resulted in most of the year's performance gap being closed, as shown in the accompanying graph.

	Russell 1000 Value	Russell 1000 Growth
March	5.7%	1.7%
April	3.9%	6.8%
May	2.1%	-1.5%
June	-1.3%	6.2%
2021	15.9%	12.6%

Stock Market: Strong flow of investments into Ibovespa in June

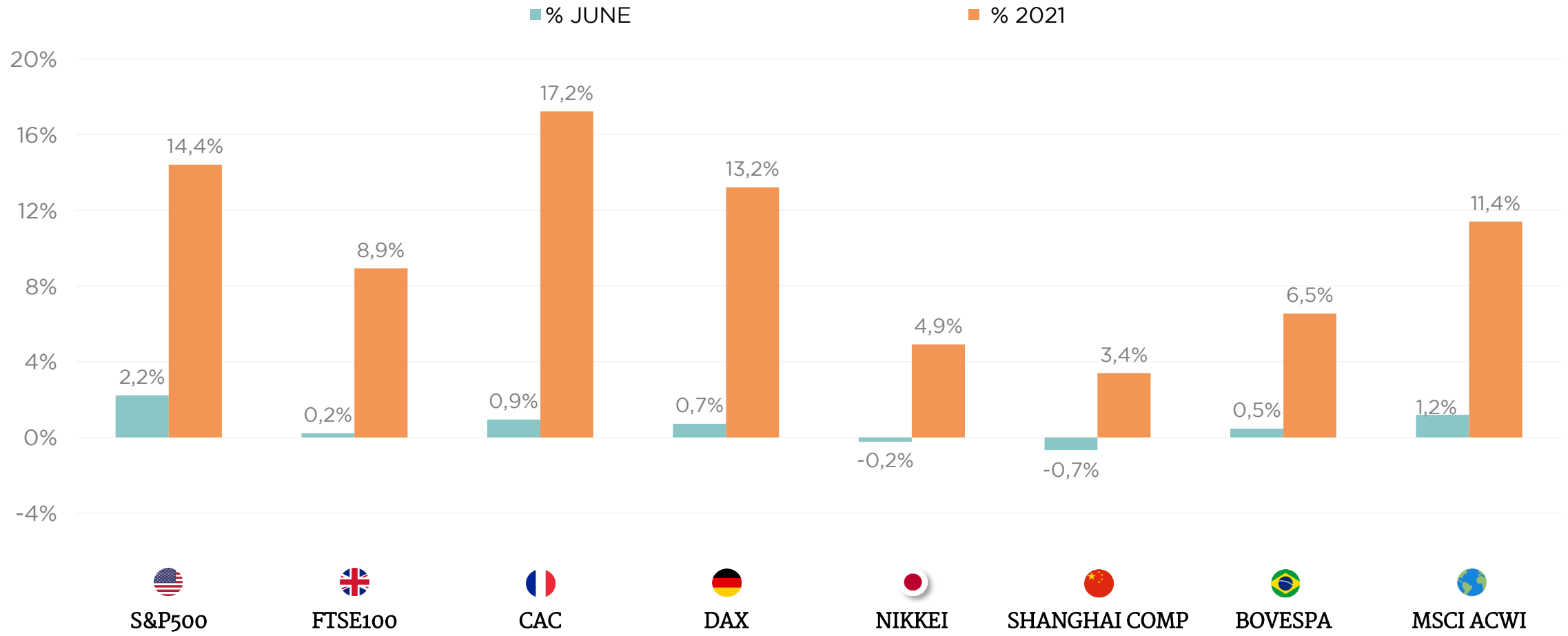
Markets



June was once again a highly positive month for foreign investors flow into the Brazilian stock market (not including IPOs and follow-ons). This occurred in the wake of upward revisions for the country's growth prospects and a reduction in the perception of the fiscal risk with a lower debt/GDP ratio expected at the end of 2021.

Stock Markets

Markets



Indexes

	% June	Value on 30.06.2021	% 2021	% 12 Months
Commodities				
OIL WTI	10.8%	73.47	51.4%	107.0%
GOLD	-7.2%	1,770.11	-6.8%	2.3%
Currencies (in relation to the US\$)				
EURO	-3.0%	1.19	-2.9%	6.8%
GBP	-2.7%	1.38	1.2%	12.1%
YEN	-1.4%	111.11	-7.1%	-3.0%
REAL	5.0%	4.97	4.6%	7.4%
Indexes				
S&P500	2.2%	4,297.50	14.4%	41.2%
FTSE100	0.2%	7,037.47	8.9%	15.8%
CAC	0.9%	6,507.83	17.2%	38.6%
DAX	0.7%	15,531.04	13.2%	34.0%
NIKKEI	-0.2%	28,791.53	4.9%	31.6%
SHANGHAI COMP	-0.7%	3,591.20	3.4%	25.9%
BOVESPA	0.5%	126,801.70	6.5%	45.1%
MSCI ACWI	1.2%	719.97	11.4%	41.3%



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.

Disclaimer



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