



Economic Report

November 2023

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Global Economy 03

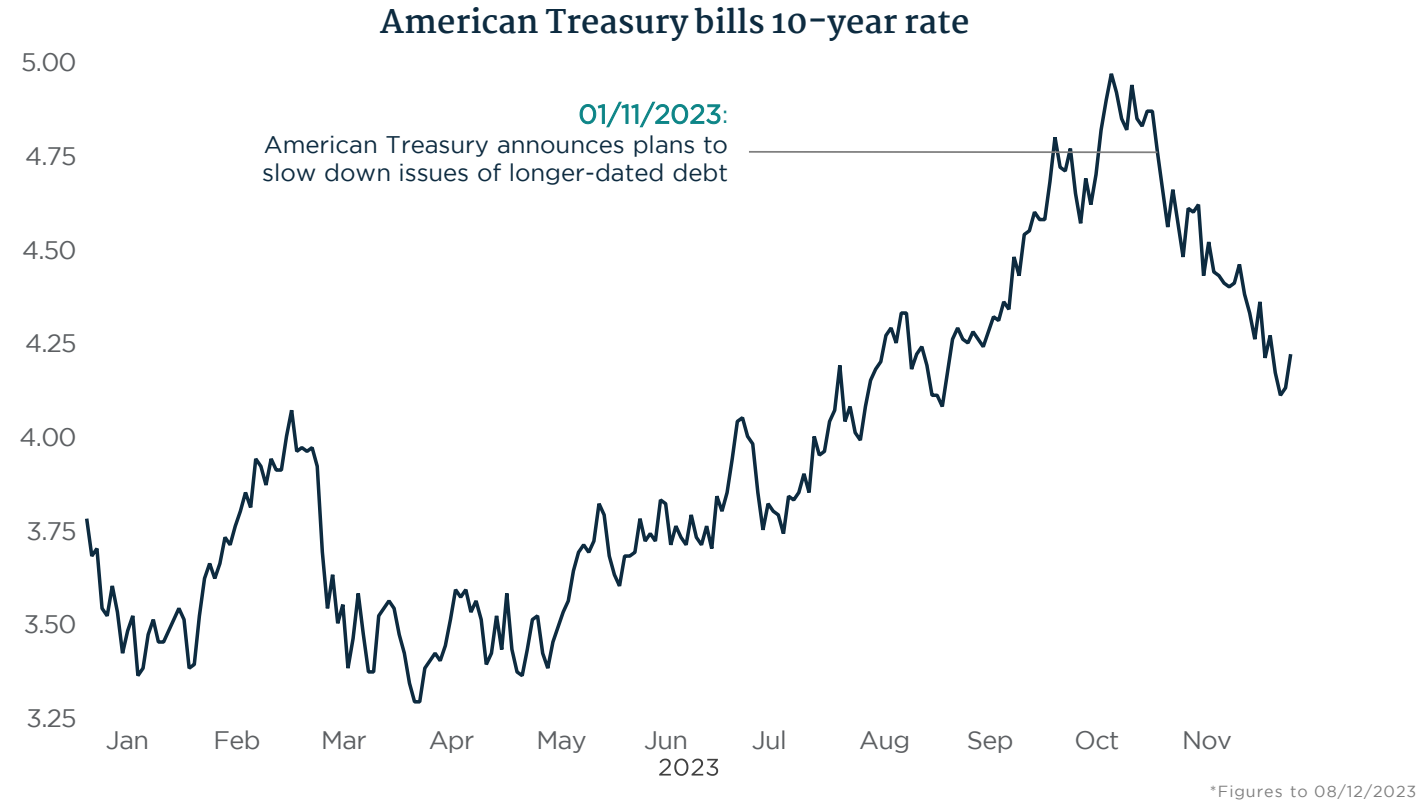
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Treasuries: Pace of treasury auctions helped close yield curve

Global Economy



A series of events culminated in the closure of the long-term vertices of the US yield curve. Of these, it is worth singling out the American Treasury's announcement on November 1 (highlighted in the above graph) indicating its intention of slowing the pace of its longer-dated debt auctions. The market used to pay little importance to indications like these, but they have gained great importance in explaining the recent dynamic.

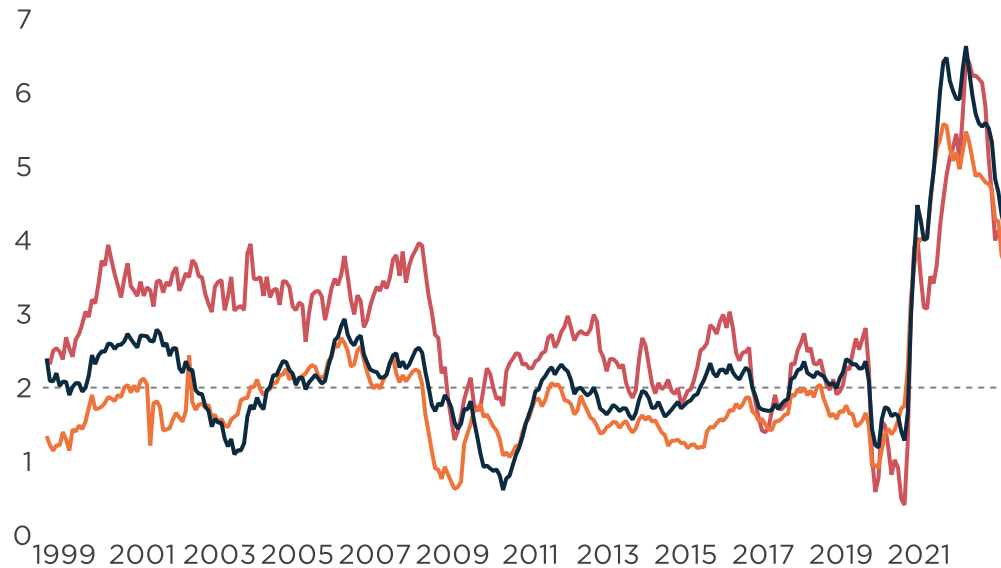
Inflation: Inflation figures also helped, as did comments by some FOMC members

Global Economy

Metrics of underlying inflation

Accumulated over 12 months

— Core CPI — Core PCE — Super core CPI



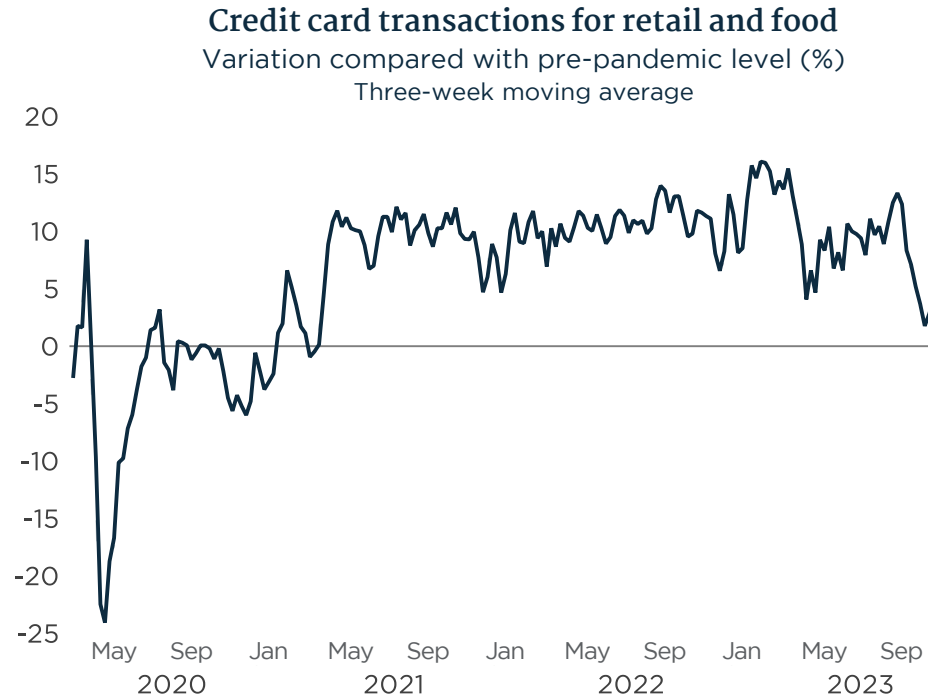
*Figures to 10/2023

Another important factor that helped interest rates movement was the benign composition of inflation in different metrics, particularly in the more inertial components. As the accompanying graph shows, the latest figures for the Consumer Price Index (CPI) and the Personal Consumption Expenditures (PCE) were weaker than expected and there was also a slowdown in the “Super Core”, an indicator that considers core services excluding items related to the housing sector.

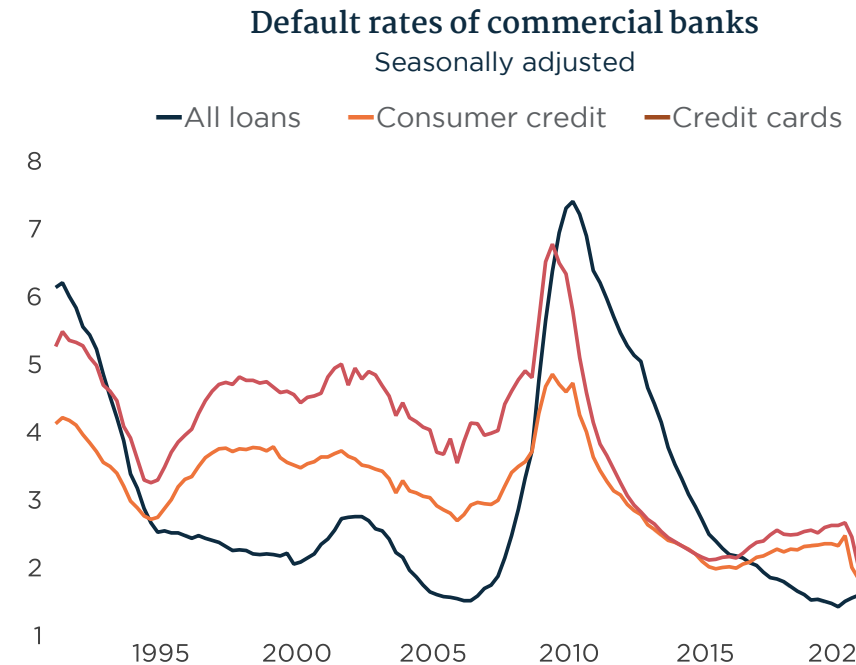
The improved outlook was also reflected in comments from some members of the US monetary policy committee (FOMC), such as Christopher Waller, who raised the possibility of the next round of interest rate cuts starting in the first half of next year, should the inflation figures continue to improve to keep the real interest rate stable.

Credit: Loosening in financial condition offset by credit tightening

Global Economy



*Figures to 08/11/2023

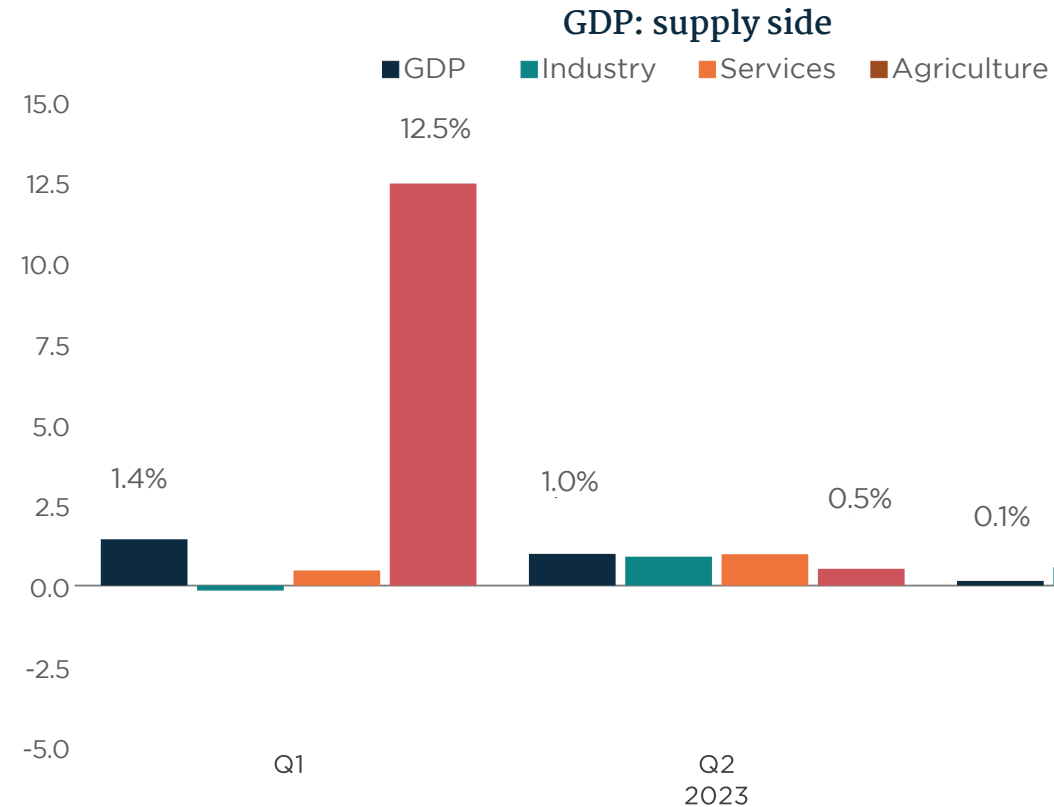


*Figures to 3Q23

Looking ahead, it is also important to pay attention to credit conditions in the US economy. Despite the recent loosening of the financial conditions, the supply of consumer credit has been deteriorating marginally – as have the default metrics (right-hand graph). If the figures continue their recent trend, the sustainability of household budgets may be called into question.

Activity: GDP proves to be resilient despite the slump in agriculture

Brazilian Economy

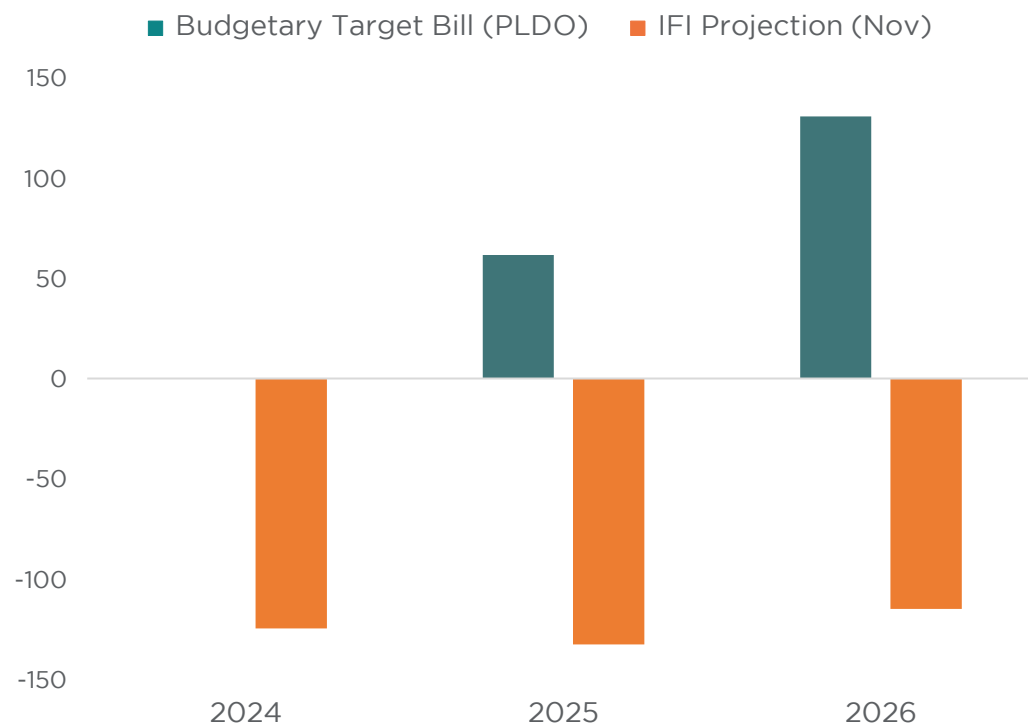


Brazilian's GDP in the third quarter remained resilient in contrast to market expectations. Despite the expected decline in agriculture – following a very strong result in the first half of the year – GDP increased by 0.1% over the previous quarter although the market was expecting a decline of 0.3%. The stronger figures for services and household demand may cause some discomfort for the COPOM (Brazilian Central Bank's Monetary Policy Committee) which is still waiting for more solid signs of a cooling in economic activity.

Fiscal: Primary result target upheld for 2024, awaiting Congressional decisions

Brazilian Economy

Expectations for the government's primary result



Following extensive discussion, the government decided to leave the 2024 primary result target unchanged – at least until there is greater clarity over the approval of the measures to raise revenues under discussion in Congress.

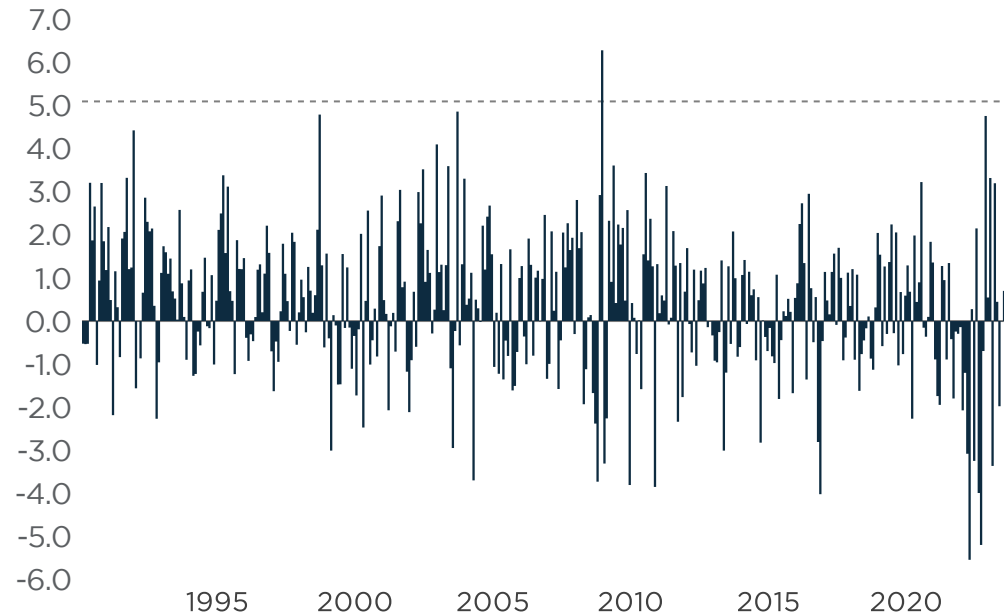
The main reason why the government is considering the possibility of changing the target is to avoid the need to cut spending at the start of next year – as it is unlikely that the targets which were initially set will be achieved. On the other hand, any change in the target should lead to an even greater loss of credibility in the new fiscal system.

Treasuries: Global fixed income performs strongly

Markets

Global fixed income monthly returns

Bloomberg Global-Aggregate Index

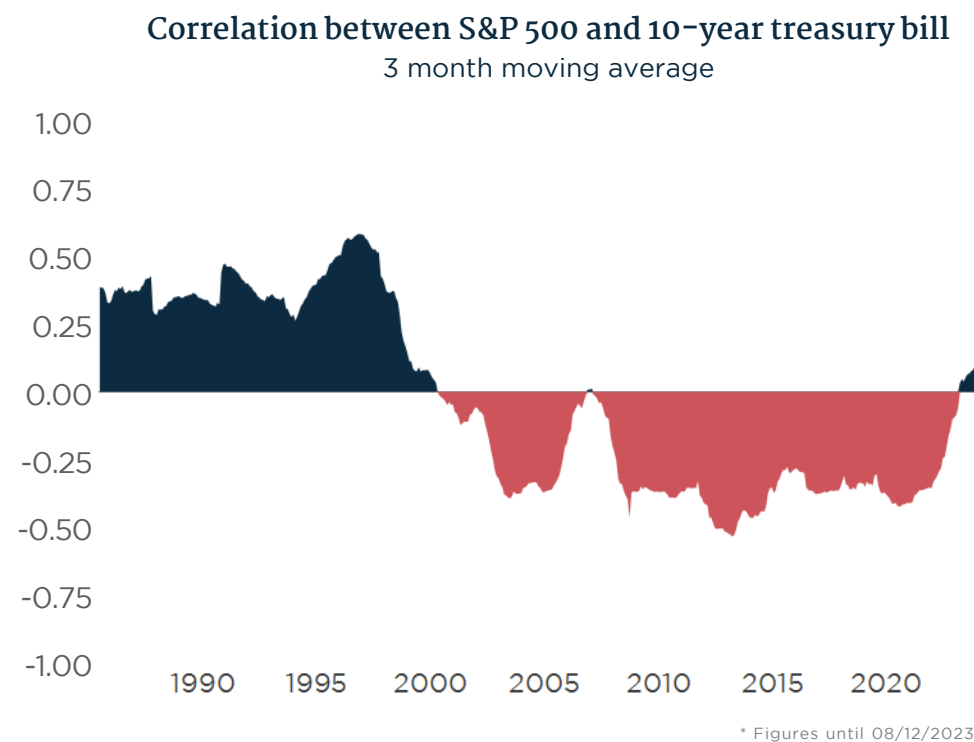
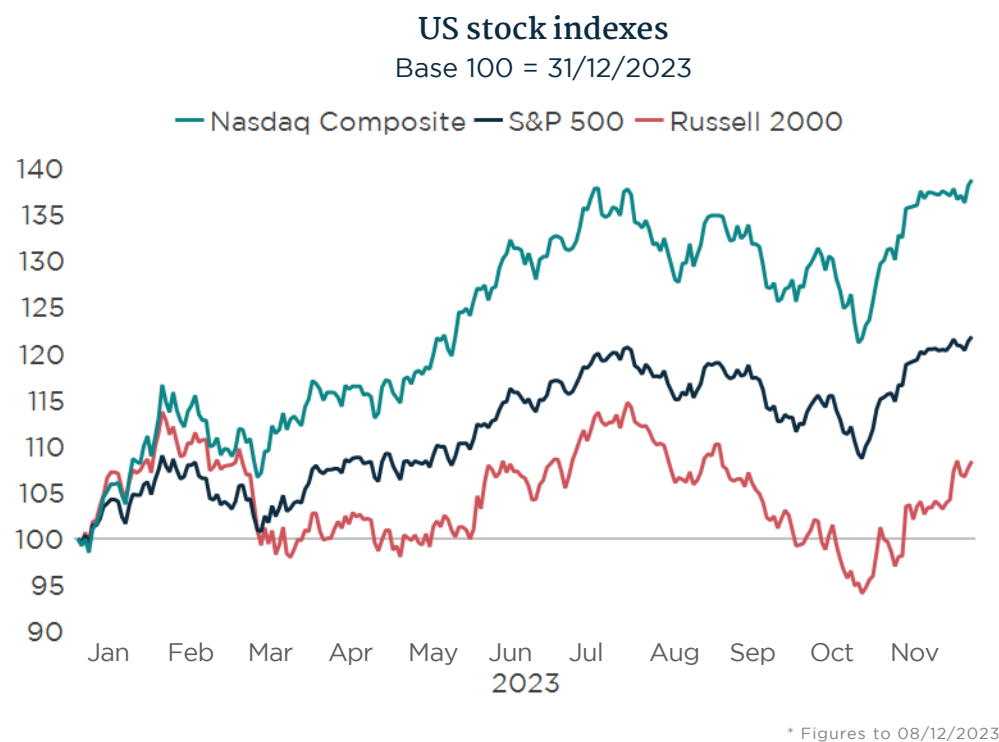


* Figures to 11/2023

November was the best month for global fixed income investments in over 15 years, at least when using the Bloomberg Global fixed income Index as a benchmark (see accompanying graph). The consolidation of a likely end to the interest rate increase cycle in the main economies, coupled with better economic data, helped catalyze the strong closing of global interest rates, particularly in the longer-term vertices.

Equities: November was a strong month right from the first weeks

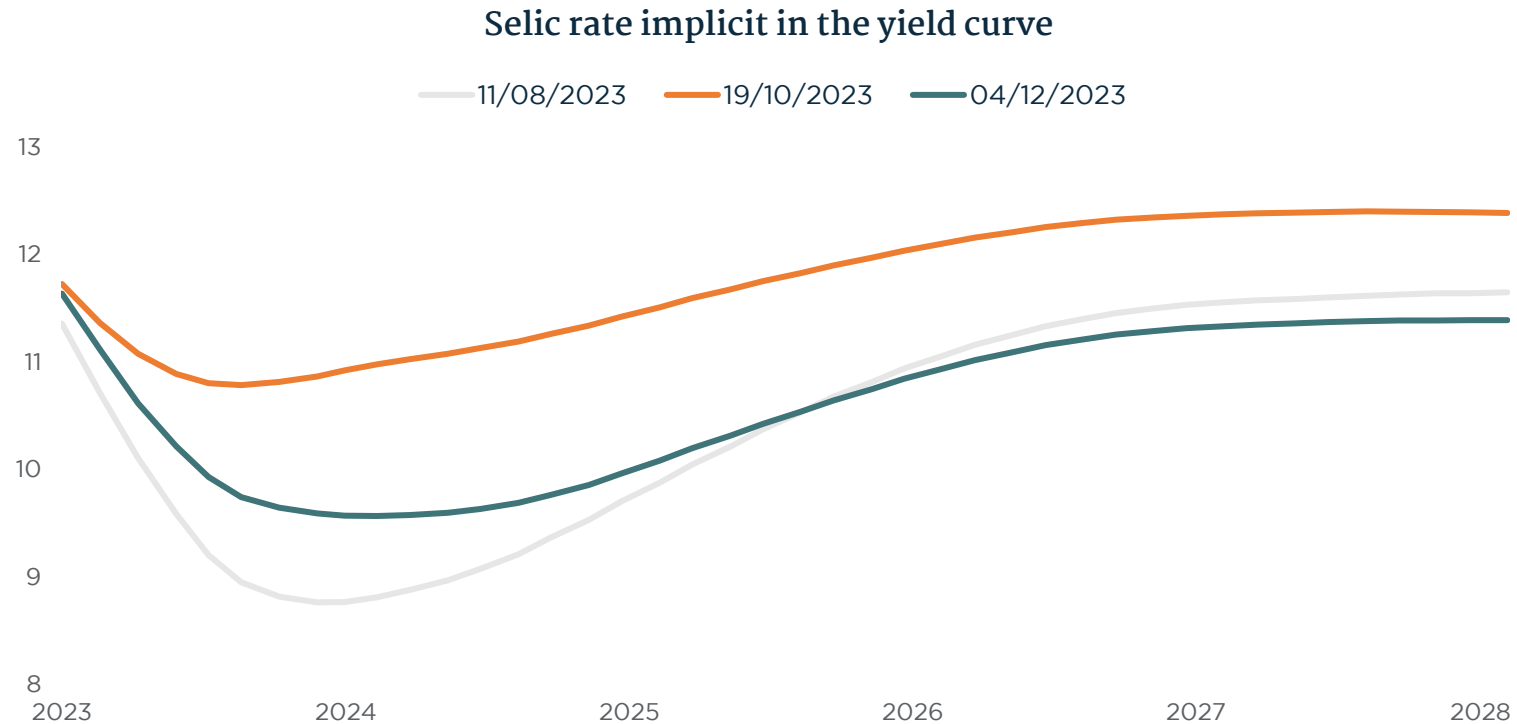
Markets



Like fixed income, the global stock markets have also seen a strong rise since the beginning of November. The simultaneous positive performance in both segments has led to highly favorable results for diversified portfolios in sequential terms. However, it is worth recalling that the positive correlation between the two classes (right-hand graph) still poses a challenge to allocators.

Fixed Income: Pricing in of terminal rates fell back buoyed up by optimism over the external market

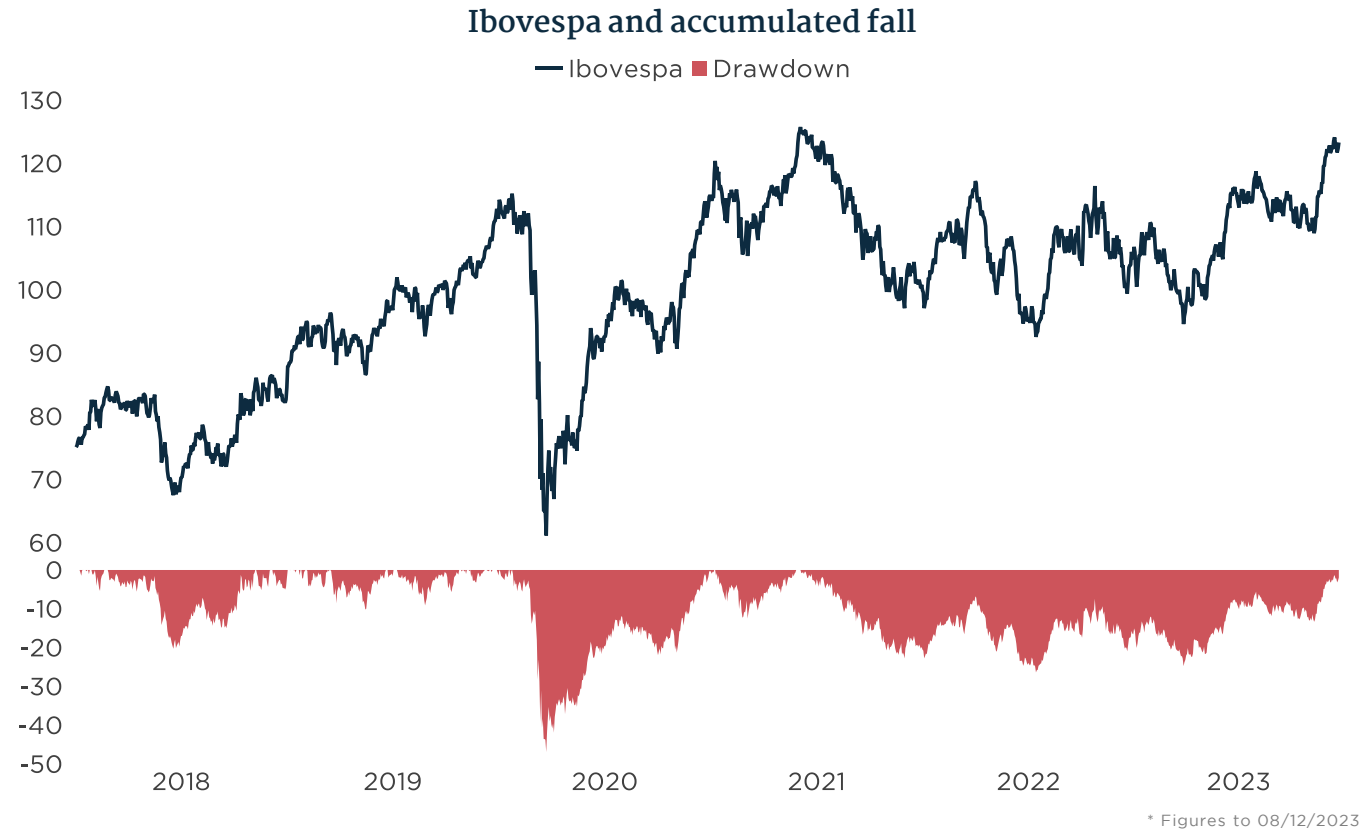
Markets



The pricing of terminal interest rates – i.e. the Selic rate after the end of the interest cut cycle implemented by the COPOM – was also affected by the global trend and fell back to a level close to 9.5%, after peaking above 10% in October. It is worth recalling that this same estimate was lower than 9% in August of this year – the very month in which the cycle of cuts began.

Stock Market: Global optimism pushes Ibovespa close to record high

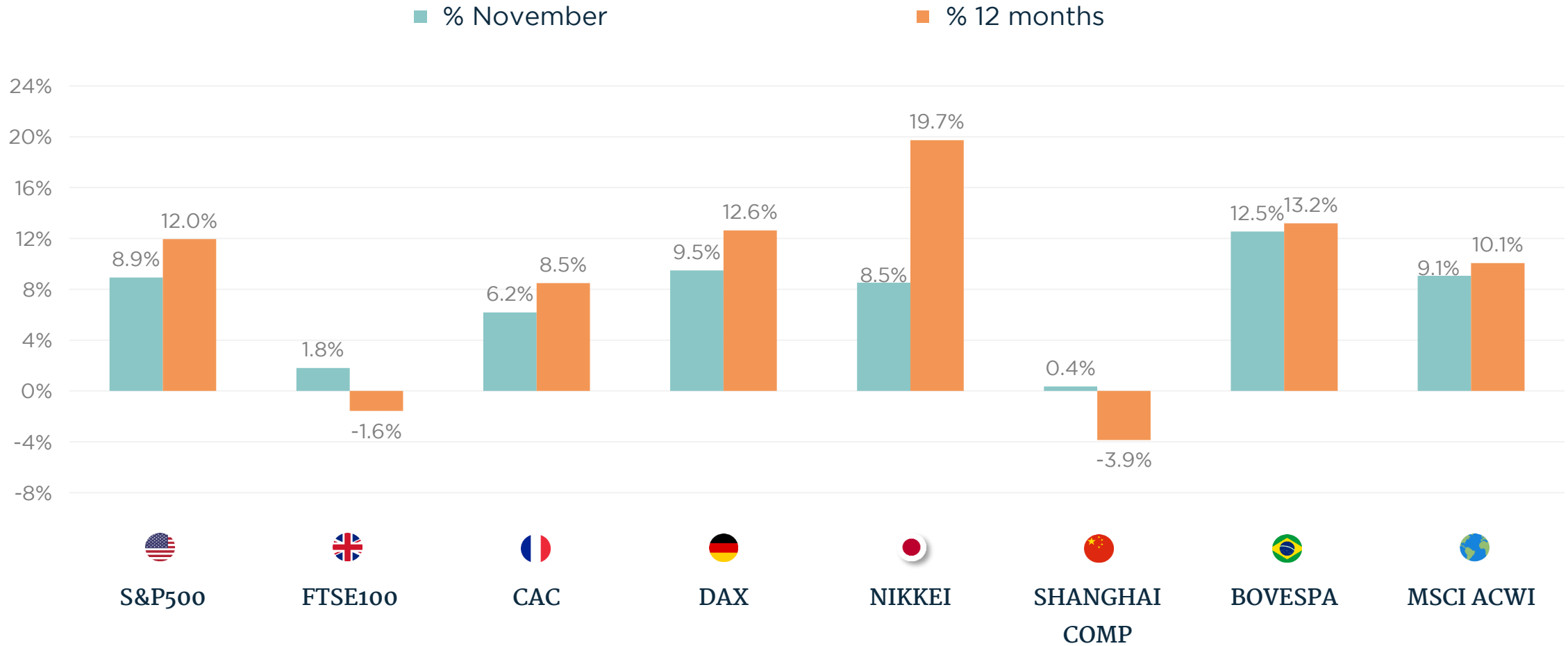
Markets



November's widespread improvement was also seen on the local stock exchange. The rise of 12.5% registered in the month helped push the Ibovespa close to the all-time high reached in 2021.

Stock Markets

Markets



Indexes

	Variation November	Amount on 30/11/2023	Variation on 2023	Variation 12 months
COMMODITIES				
OIL WTI	-6.2%	75.96	-5.4%	-5.7%
GOLD	2.6%	2,036.41	11.6%	15.1%
CURRENCIES (IN RELATION TO THE US\$)				
EURO	3.0%	1.09	1.7%	4.6%
GBP	3.9%	1.26	4.5%	4.7%
YEN	2.3%	148.20	-11.5%	-6.8%
REAL	2.4%	4.92	7.3%	5.5%
ÍNDEXES				
S&P500	8.9%	4,567.80	19.0%	12.0%
FTSE100	1.8%	7,453.75	0.0%	-1.6%
CAC	6.2%	7,310.77	12.9%	8.5%
DAX	9.5%	16,215.43	16.5%	12.6%
NIKKEI	8.5%	33,486.89	28.3%	19.7%
SHANGHAI COMP	0.4%	3,029.67	-1.9%	-3.9%
BOVESPA	12.5%	127,331.12	16.0%	13.2%
MSCI ACWI	9.1%	694.38	14.7%	10.1%

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