



# Economic Report

April 2024

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**Global Economy 03**

**Brazilian Economy 06**

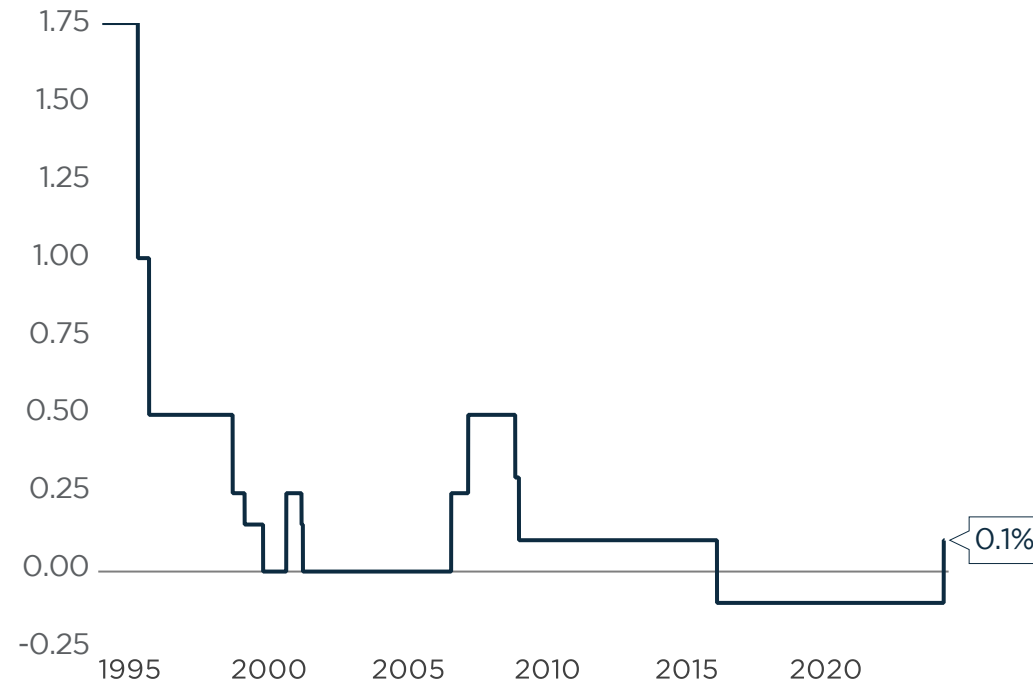
**Markets 08**

**Indexes 13**

# Japan: End of negative interest rates and control of the curve

## Global Economy

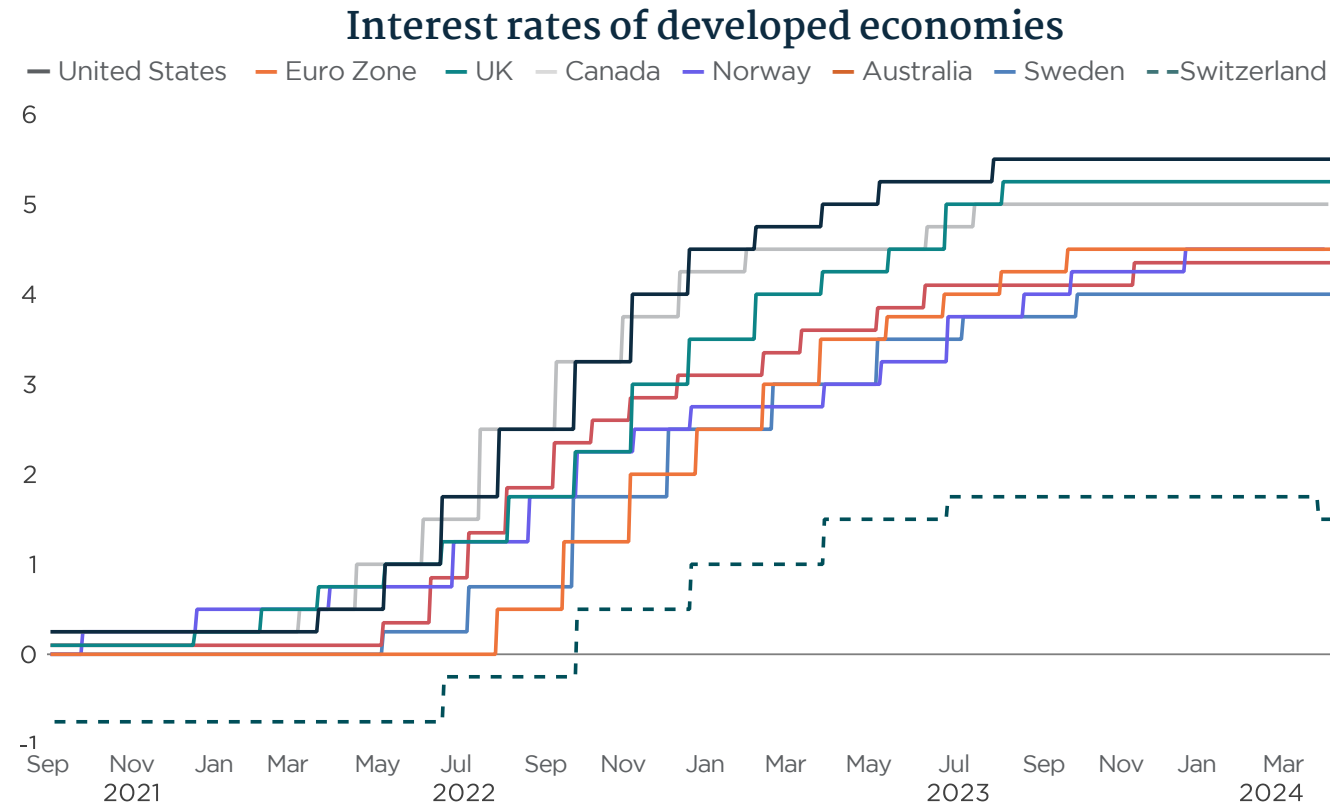
Central Bank of Japan interest rates



In April, we observed the first rise in Japan's basic interest rate in almost two decades (left graph), ending the policy of negative nominal interest rates and prompting a series of adjustments in the monetary policy framework. The move goes against the almost entirety of the rest of the world, which has already significantly raised its interest rates until last year and is now implementing interest rate cuts (mainly emerging economies) or debating the appropriate time to start their respective reduction cycles (notably developed countries).

# Monetary Policy: Switzerland takes the lead among the developed countries in starting interest rate cut cycle

## Global Economy



The Swiss Central Bank (dotted line in the above graph) was the first of its peers in the main developed economies to begin a cycle of interest rate cuts. This move could help open the way to similar actions in other regions where we can already see signs of progress in the disinflation process.

# FOMC: Big adjustments made in economic forecasts but rates remain stable in 2024

## Global Economy

Median of interest rate projections

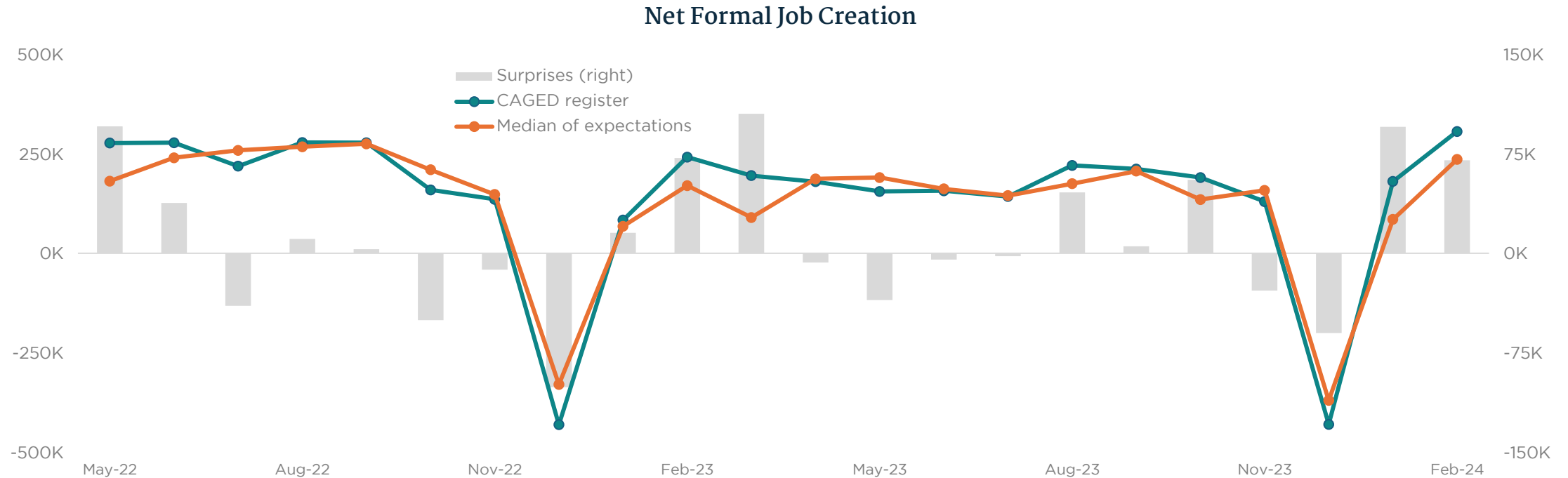


The Federal Reserve's monetary policy committee kept the US interest rate unchanged at its March meeting, as expected, but announced a series of adjustments to its economic forecasts. It is worth noting that, despite the prospect of heated activity and higher inflation in the short term, the median of expectations for interest rates at the end of the year remained unaltered. Despite the stability of interest rate projections for this year, upward revisions were made for 2025, 2026 and in the long term.

The minutes of the FOMC meeting subsequently revealed that the committee has already begun discussions on when and how the Fed should begin the process of slowing down the pace of asset sales on its balance sheet. Although no decision has yet been taken, most committee members indicated that it would be prudent to start the slowdown very soon.

# Labor market: Job creation continues to surprise

## Brazilian Economy

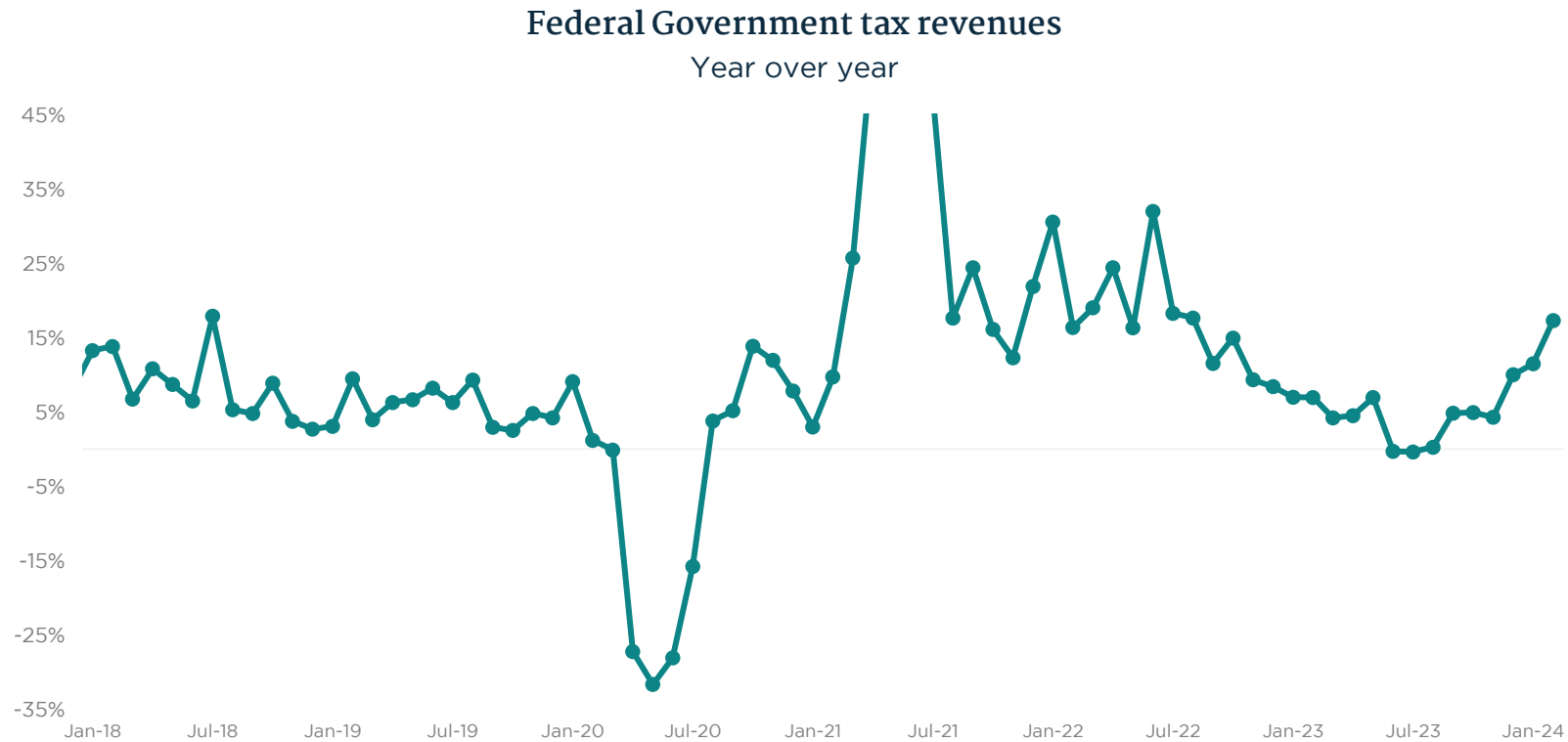


In Brazil, labor market data continues to surprise. Figures from the general employed and unemployed register (local acronym Caged) showed that February was another month marked by strong net creation of formal jobs. Meanwhile, Brazil's Ongoing National Household Sample Survey (local acronym PNAD), that collects data on the economically active population and other aspects related to the labor market, pointed to an extremely low unemployment rate and continued wage pressures. Despite the strong figures, underlying services performed slightly lower than expected in the March IPCA consumer price index although they remained at quite high levels.

# Fiscal:

## Robust revenue in the first two months minimizes block on discretionary spending to R\$ 2.9 bn

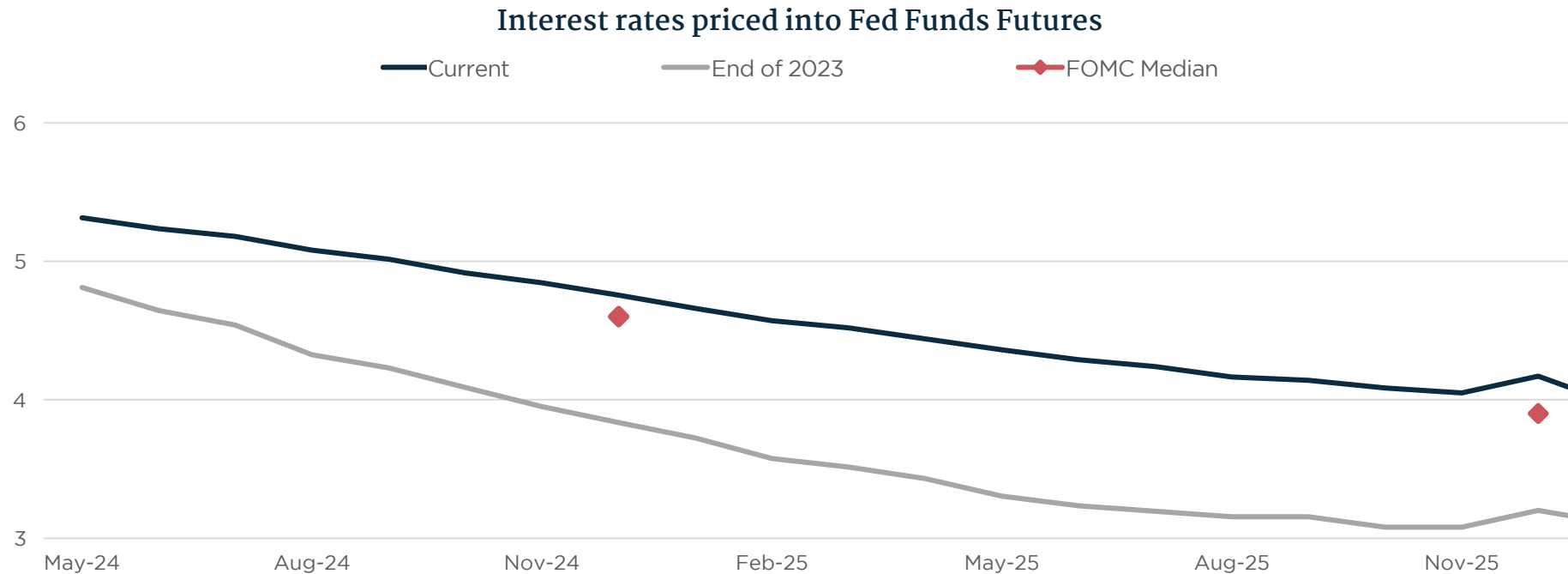
### Brazilian Economy



The National Treasury's bimonthly revenue and expenditure report showed a relatively comfortable outcome at the beginning of the year. The strong revenue postponed the need for budgetary contingencies this year, triggering only a 2.9 billion reais blockade in discretionary expenses, a relatively low volume and lower than feared.

# Interest rates: Volatility remains high

## Markets

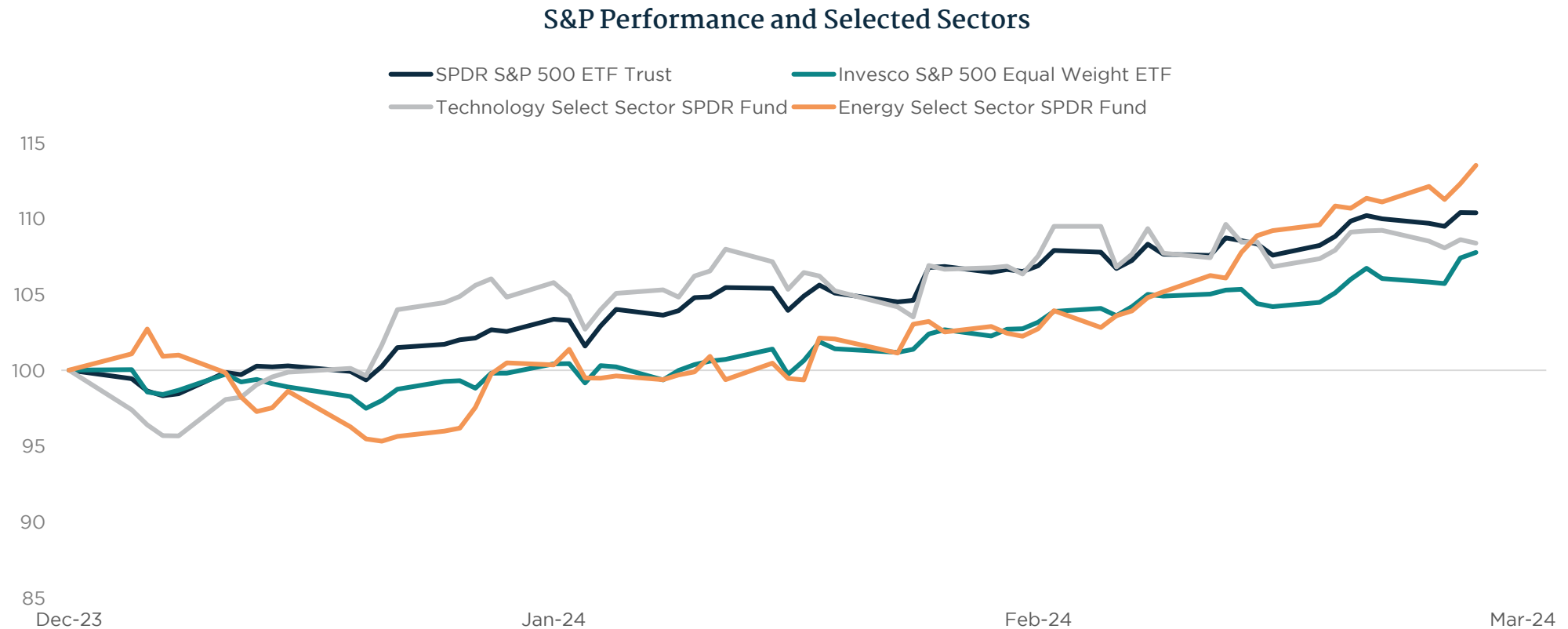


After the release of the FOMC's (Federal Open Market Committee) economic projections, the yield curve quickly converged towards the "dots" (median expectations for interest rates). However, interest rates rose again subsequently, propelled by robust economic activity, labor market, and inflation data.



# Equities: Energy sector was the big winner in the first quarter of 2024

## Markets

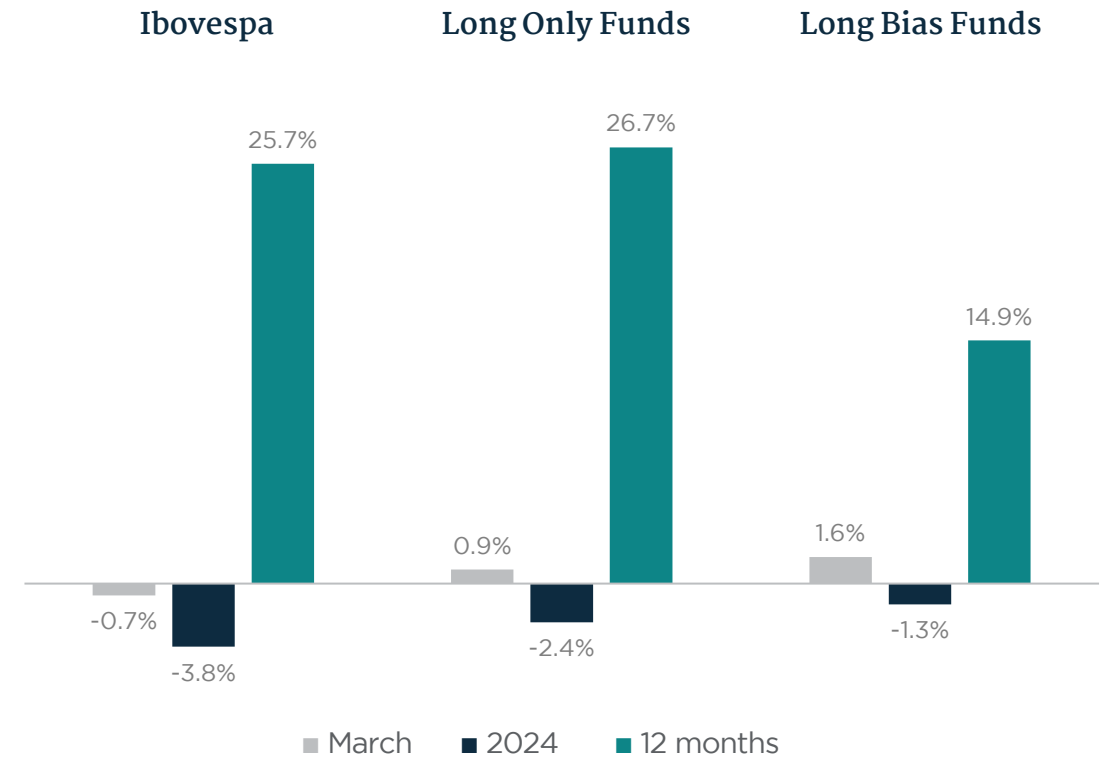
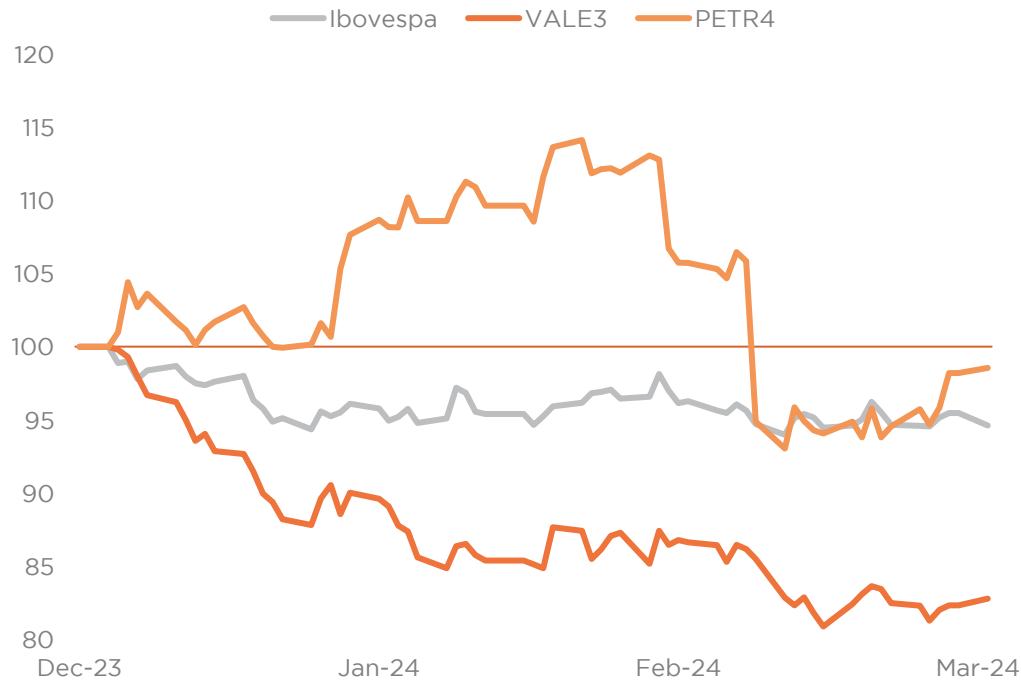


Despite the high volatility of the yield curve, the American stock market recorded a positive performance in the first quarter of the year (represented by the blue line in the above graph). This performance has been driven by slightly less concentrated contributions from large technology companies (gray line), amidst an improvement in the performance of companies from other sectors, such as the energy sector (orange line).

# Stock market: Vale and Petrobras detract down market performance

## Markets

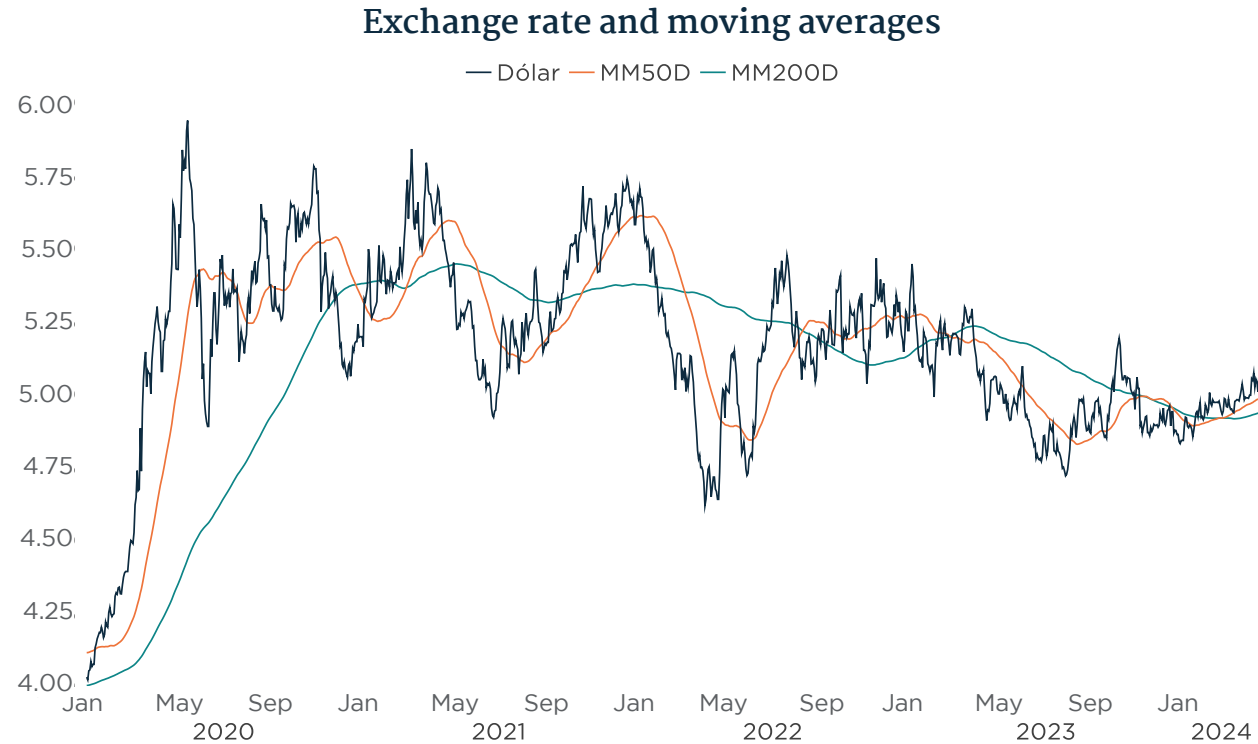
Performance of Ibovespa and selected shares



Unlike the American stock market, the Ibovespa has been unable to deliver good results since the start of the year. It is worth noting that, despite a relatively widespread fall, much of the contribution to the index's performance came from companies with a strong state influence such as Petrobras and Vale. In this situation, the fund industry (right-hand graph) has delivered alpha in 2024.

# Exchange rate: Central Bank announces currency swap auction as the Real depreciates

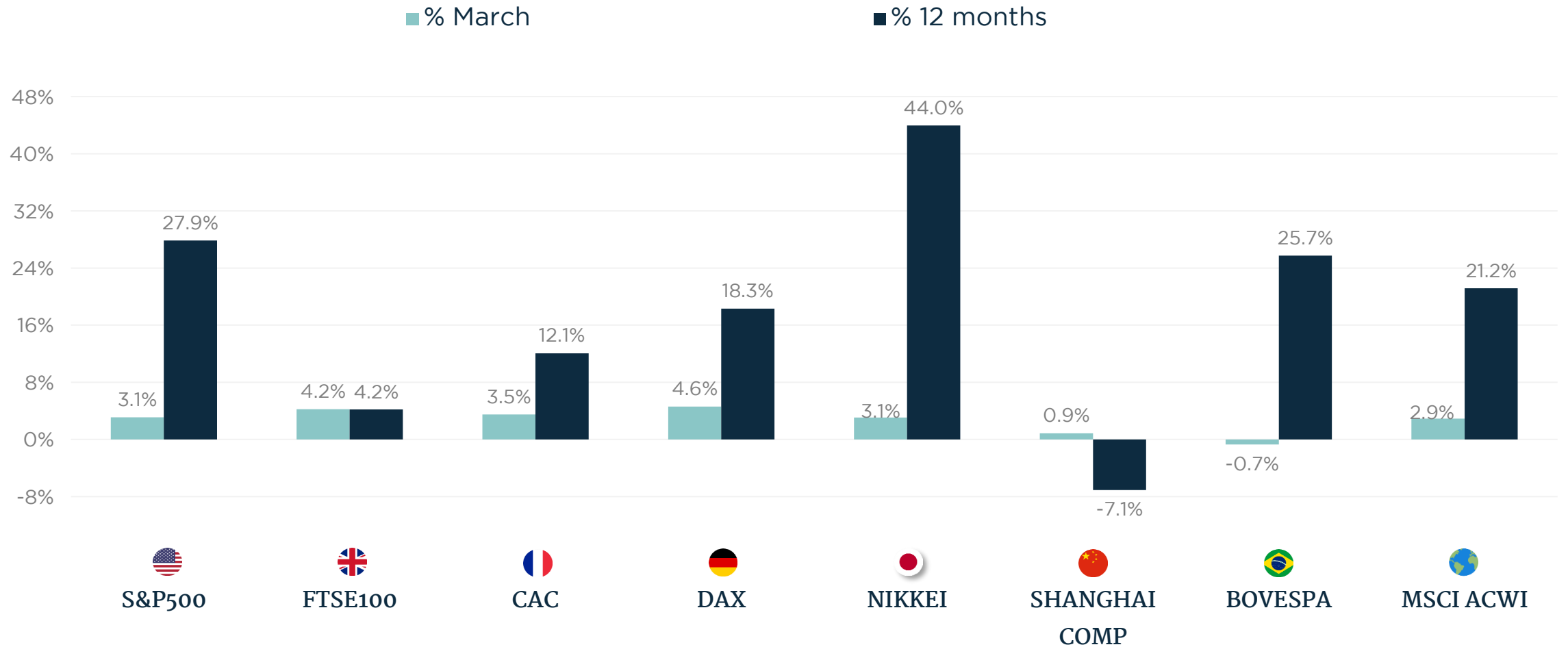
## Markets



The Real also faces a challenging scenario, surpassing the 5 US\$/R\$ mark at the end of March and approaching 5.10 US\$/R\$ in the first half of April. The depreciation of the currency occurs at a time of maturity of a significant volume of government bonds indexed to the exchange rate, leading the Central Bank to announce an extraordinary auction of currency swap contracts of up to 20 thousand contracts (equivalent to about 1 billion dollars), the first offer of its kind since May 2022.

# Stock markets

## Markets



# Indexes

	Variation March	Value on 31/03/2024	Variation in 2024	Variation 12 months
<b>COMMODITIES</b>				
OIL WTI	6.3%	83.17	16.1%	9.9%
GOLD	9.1%	2,229.87	8.1%	13.2%
<b>CURRENCIES (IN RELATION TO THE US\$)</b>				
EURO	-0.1%	1.08	-2.3%	-0.5%
GBP	0.0%	1.26	-0.8%	2.3%
YEN	-0.9%	151.35	-6.8%	-12.2%
REAL	-0.9%	5.01	-3.1%	1.0%
<b>INDEXES</b>				
S&P500	3.1%	5,254.35	10.2%	27.9%
FTSE100	4.2%	7,952.62	2.8%	4.2%
CAC	3.5%	8,205.81	8.8%	12.1%
DAX	4.6%	18,492.49	10.4%	18.3%
NIKKEI	3.1%	40,369.44	20.6%	44.0%
SHANGHAI COMP	0.9%	3,041.17	2.2%	-7.1%
BOVESPA	-0.7%	128,106.10	-4.5%	25.7%
MSCI ACWI	2.9%	783.58	7.8%	21.2%



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