



Economic Report

June 2024

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Global Economy 03

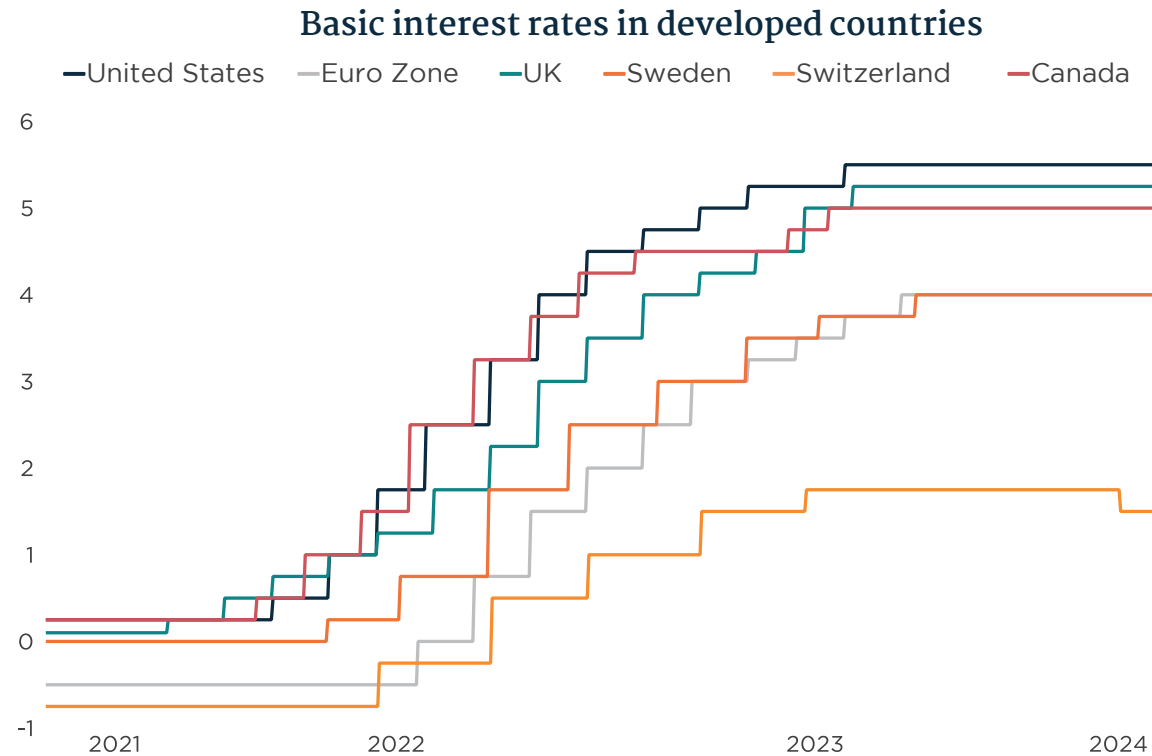
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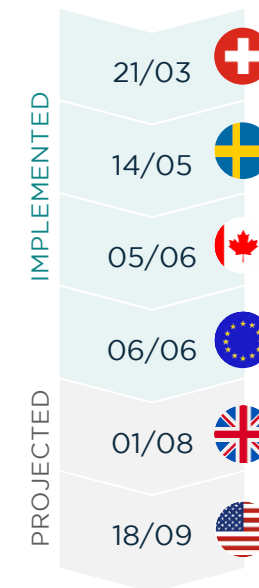
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Monetary Policy: Central banks in Europe and Canada should cut interest rates this week

Global Economy



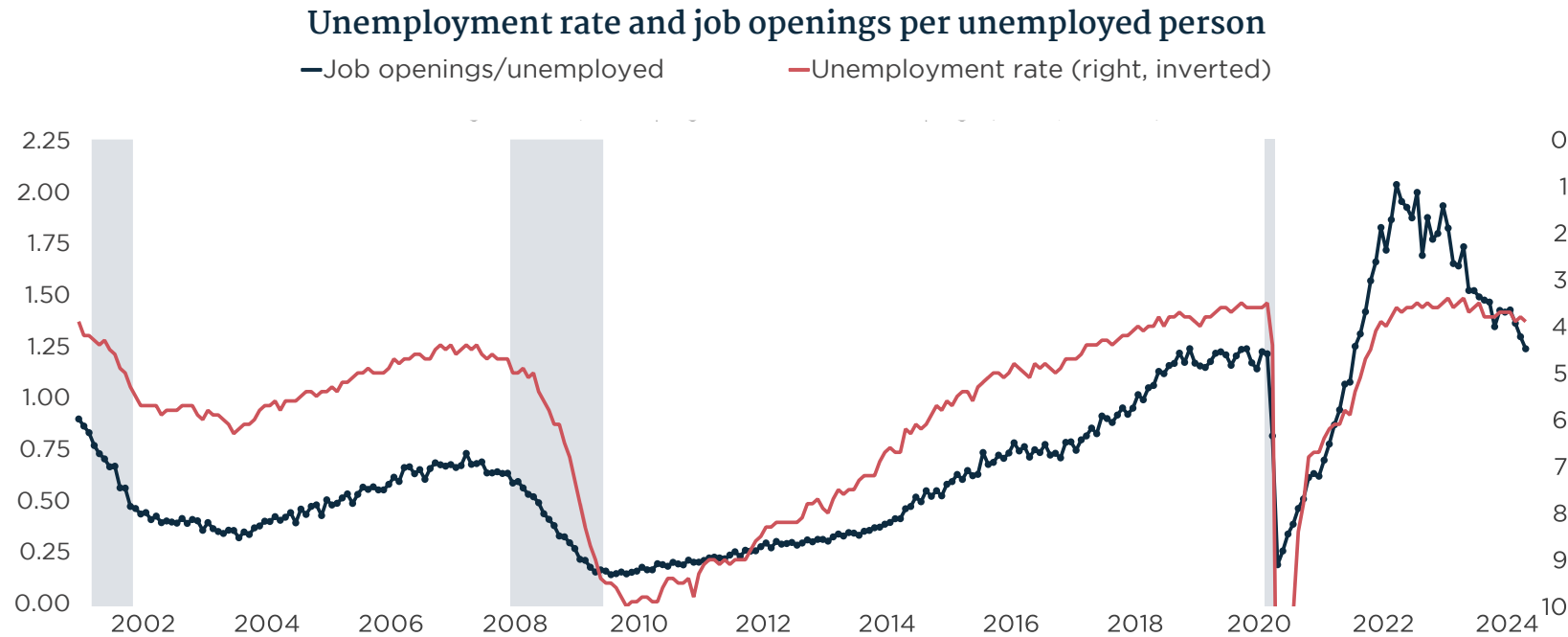
Timeline of the first interest rate cuts of each central bank in this cycle



After a prolonged period of disinflation, some of the main developed economies are finally beginning their respective cycles of interest rate cuts. As we can see in the graph and timeline above, the central banks of Switzerland, Sweden, Canada, and the Eurozone were the first to reduce their interest rates, but it is expected that other major economies, such as the United Kingdom and the United States, will follow this trend by the end of the year.

Employment: Job market continues gradual decline but risks may arise

Global Economy



The job market also continues to show signs of gradual normalization towards a better balance between labor supply and demand. The graph above shows the evolution of the unemployment rate (the percentage of the labor force that is unemployed and actively seeking employment) and the number of job openings per unemployed person. It is noted that both series have been gradually cooling down and are already approaching the levels observed in the pre-pandemic period, although this level can still be considered quite heated.

China: Stimulus measures help industry and exports but domestic demand remains sluggish

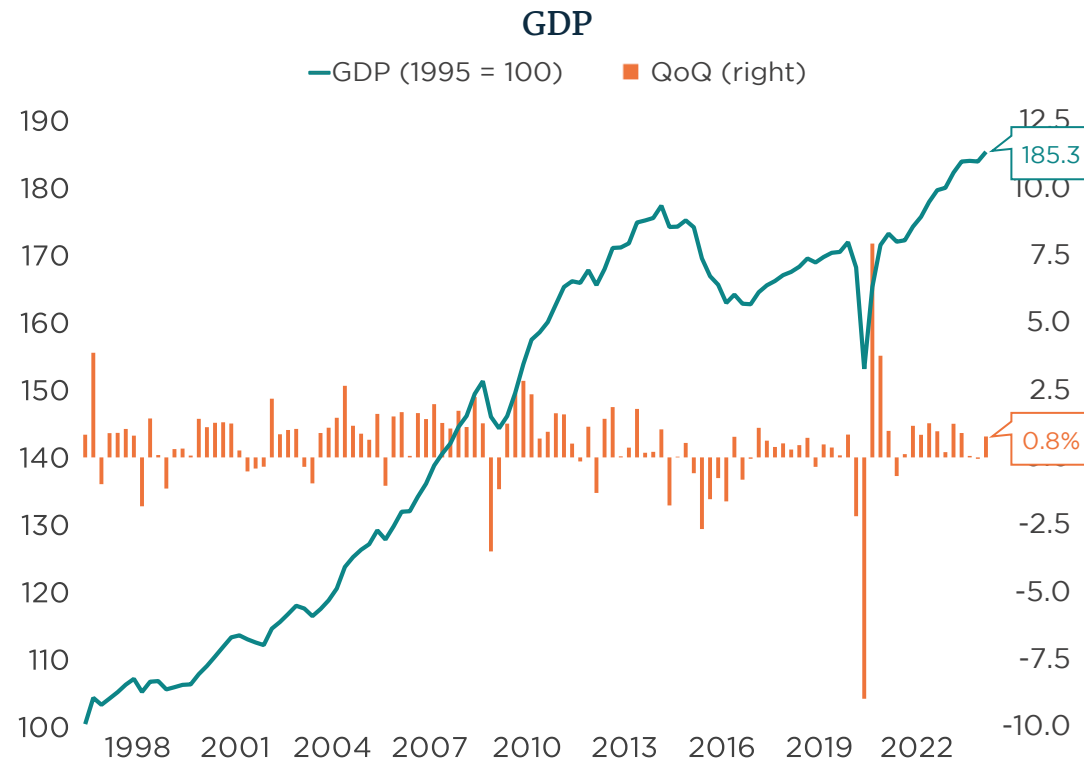
Global Economy



The Chinese economy appears to be growing more robustly, in response to the economic stimulus measures implemented by the government. This is reflected in increased expectations for GDP growth this year, as shown in the graph above. However, this growth has been heavily concentrated in industrial production and exports, while domestic demand, and especially the real estate sector, remain weak.

Growth: GDP performs strongly in the first quarter

Brazilian Economy



In Brazil, the strong GDP result in the first quarter of the year is noteworthy, rising 0.8% compared to the previous quarter, slightly exceeding market consensus. This result reflects the resilience of household consumption and the recovery of fixed capital investment on the demand side, while also highlighting the strength of the services and agriculture sectors.

This more robust performance also reinforces growth expectations for 2024, currently projected to be slightly above 2%, according to the Focus report.

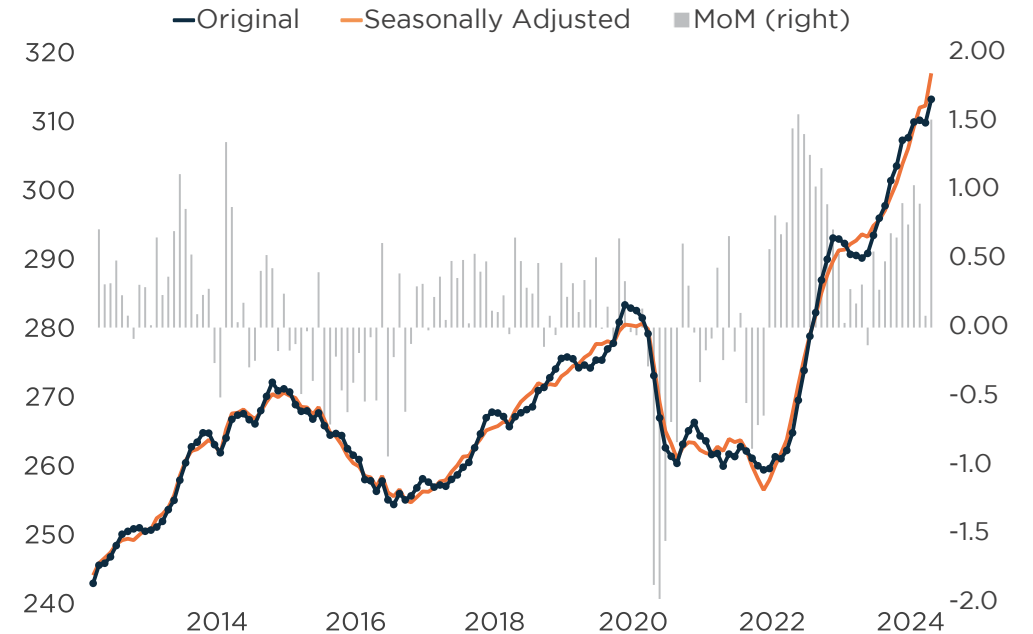
Employment: Job market remains very heated

Brazilian Economy

Unemployment rate measured by the Continuous National Household Sample Survey (PNADC)



Habitual Wage Bill

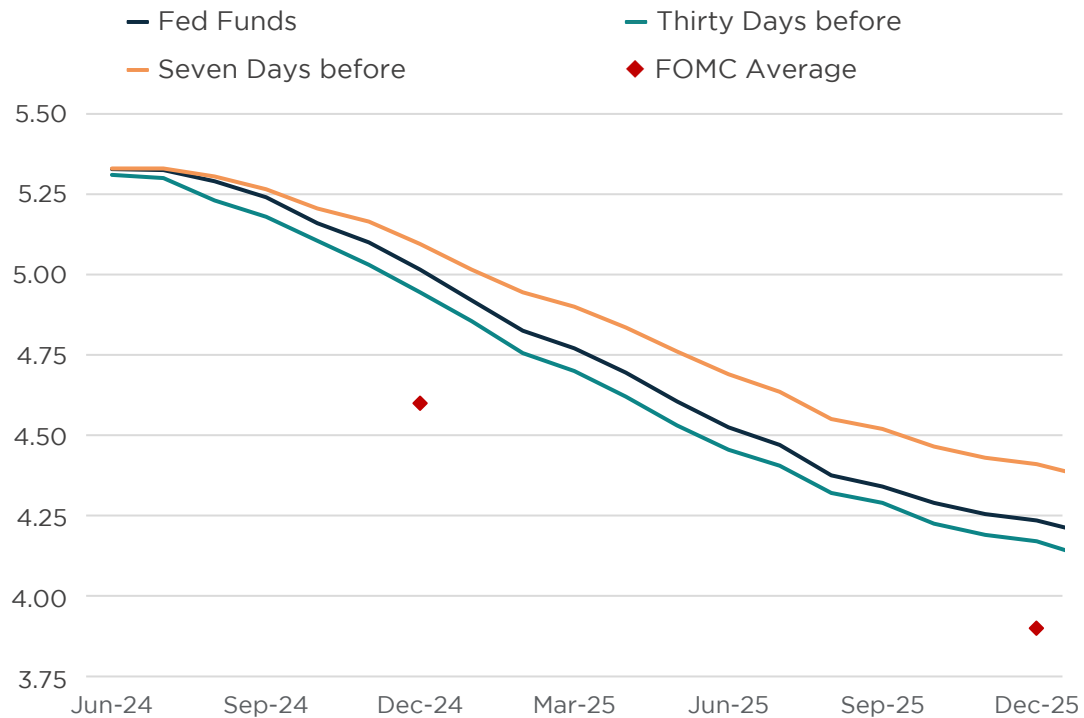


The Brazilian labor market also continues to surprise, with the unemployment rate on a downward trajectory despite still high interest rates. In practice, the last time the unemployment rate exceeded the median expectations was in January 2023. Additionally, the wage bill, which had moderated in the moving quarter ending in March, rose significantly again in April. This could pose challenges for the disinflation of labor-intensive service sectors and, consequently, for the interest rate cut cycle of the Monetary Policy Committee (COPOM).

FOMC: Minutes revealed that the Committee is more inclined to raise interest rates than speeches indicated

Markets

Interest rates priced into the Fed Funds Futures



After the minutes of the Federal Reserve Monetary Policy Committee (FOMC) made it clear that committee members were more willing to raise interest rates than the previous statement suggested, the US yield curve began to widen. However, the release of a series of favorable economic figures helped ease this movement.

Despite the volatility, interest rates ended May at levels close to those observed in the previous month, maintaining the implied probability that the first rate cut will occur in September of this year.

Equities: The American stock market continues to outperform the rest of the world

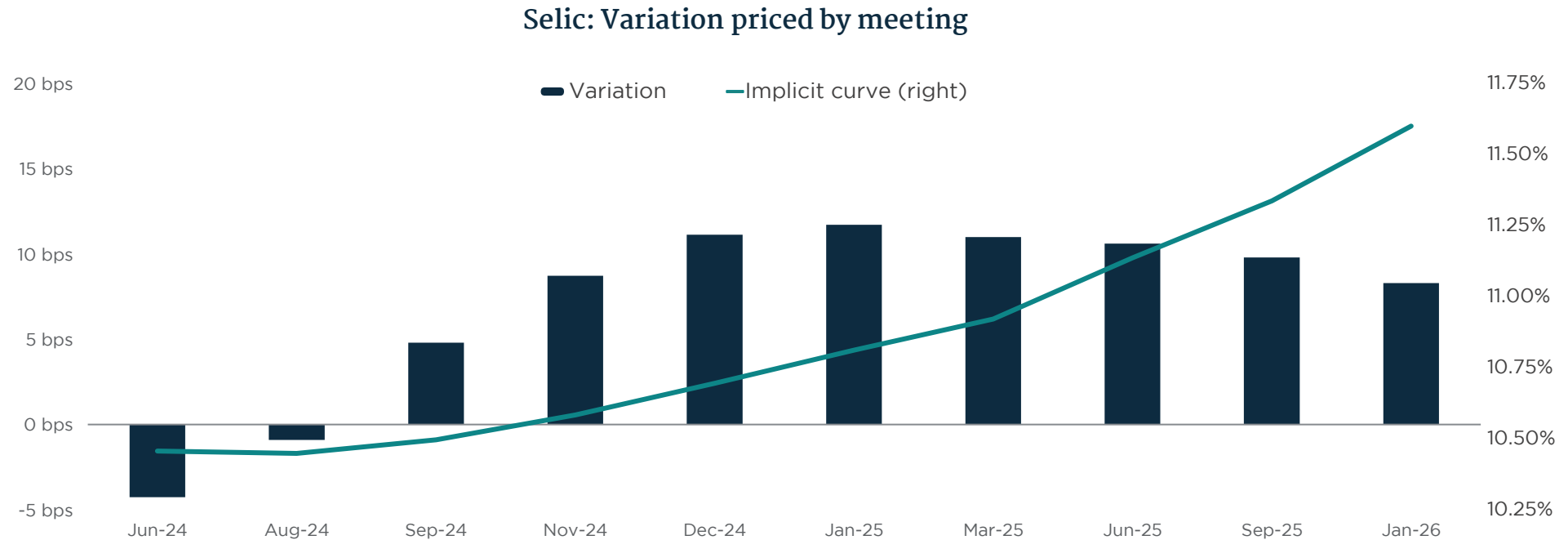
Markets



The American stock market, represented by the S&P 500 in the chart above, continued to show positive performance in May, rising 4.6% for the month and 26% over the twelve months through May. In addition to its strong performance in May, the U.S. market has outperformed the vast majority of stock indices from other regions in the recent period.

Monetary Policy: Split vote raises concern over the makeup of the next COPOM

Markets

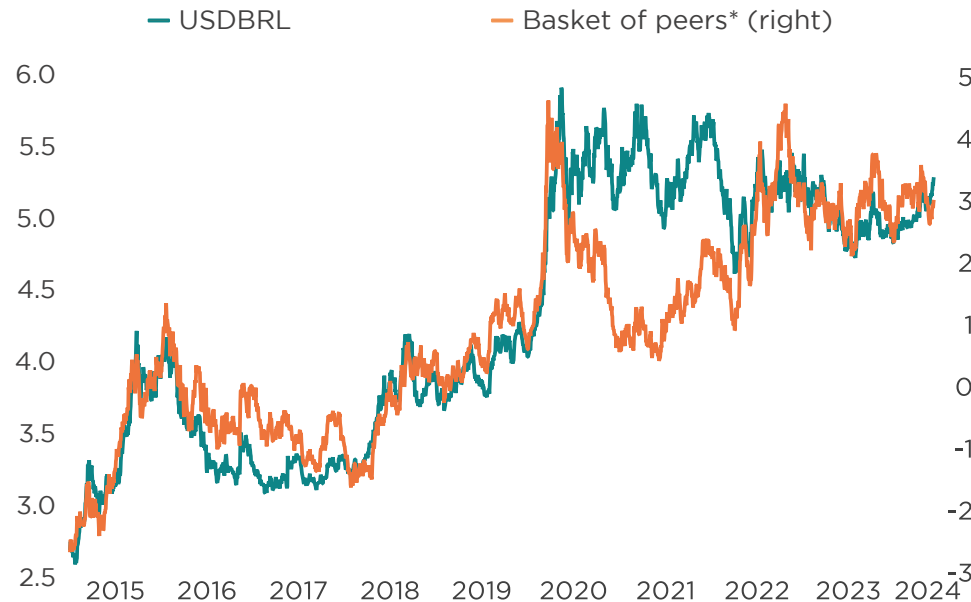


The latest decision by the Brazilian Central Bank's Monetary Policy Committee (COPOM) was poorly received by the due to the division among directors appointed by the current and previous governments. This split increased uncertainty regarding the committee's future stance, which has reflected in an increase in premiums on the yield curve and in implicit inflation.

Exchange rate: Real lagged its peers and the position of the local market became lighter

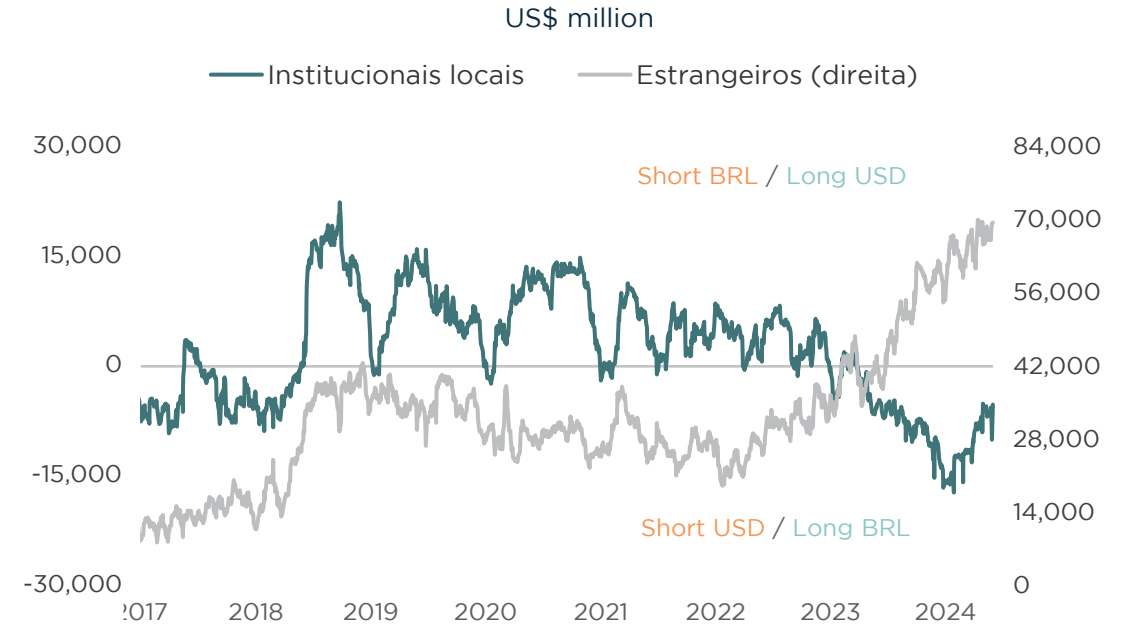
Markets

Performance of the Real against similar currencies



*Performance of basket estimated through Principal Component Analysis (PCA) based on the following currencies: AUD, CLP, COP, MXN, NZD and ZAR

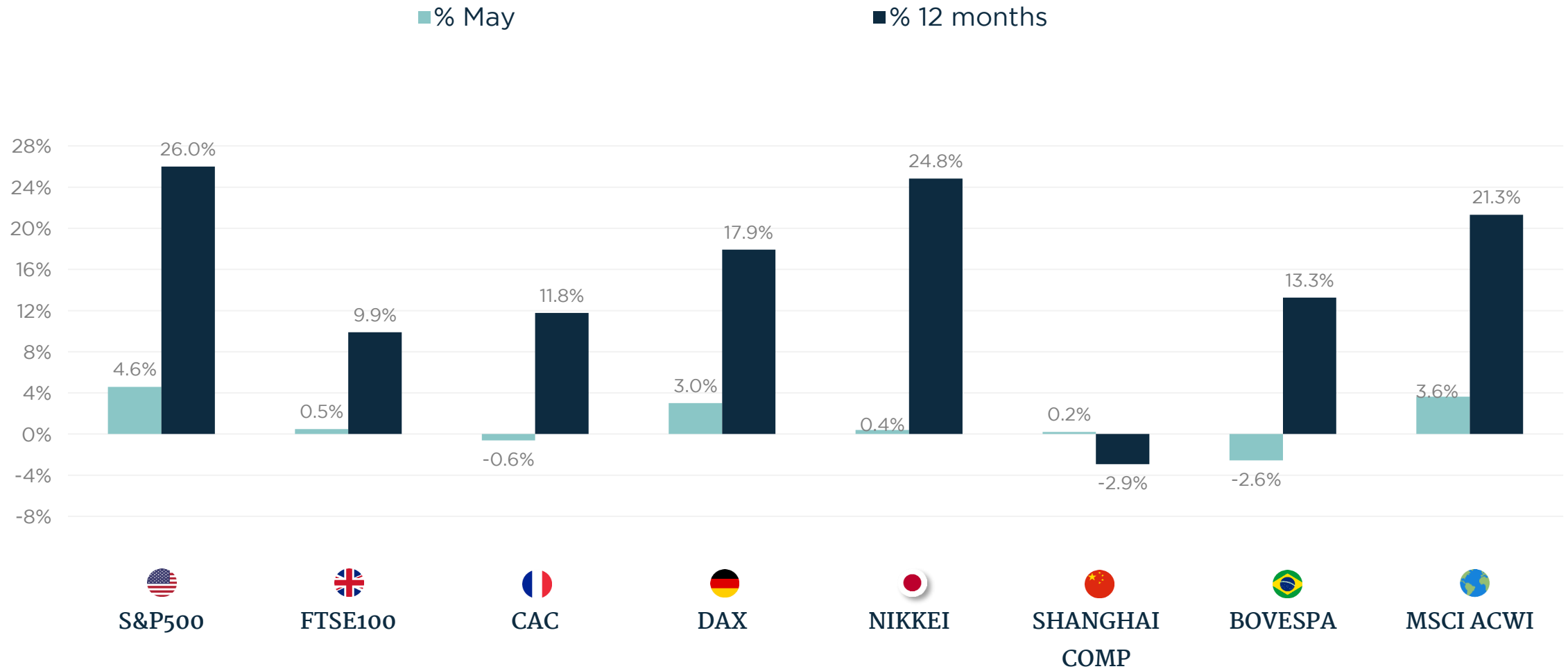
BM&F: Positions in BRL/USD



Amid worsening domestic conditions, particularly in fiscal and monetary realms, we have seen the Real playing a role as a “adjustment variable,” recording weaker performance compared to its peer currencies in May. Simultaneously, as the outlook for currency appreciation weakened throughout the year, local institutional investors have been reducing their positions, which has helped alleviate the technical landscape.

Stock markets

Markets



Indices

	Variation May	Value on 31/05/2024	Variation in 2024	Variation 12 months
COMMODITIES				
OIL WTI	-6.0%	76.99	7.5%	13.1%
GOLD	2.3%	2,338.12	13.3%	19.1%
CURRENCIES (IN RELATION TO THE US\$)				
EURO	1.3%	1.08	-2.2%	1.0%
GBP	1.7%	1.27	-0.2%	2.1%
YEN	0.1%	157.64	-10.5%	-11.6%
REAL	-0.2%	5.20	-6.7%	-2.8%
INDICES				
S&P500	4.6%	5,266.95	10.4%	26.0%
FTSE100	0.5%	8,183.07	5.8%	9.9%
CAC	-0.6%	7,935.03	5.2%	11.8%
DAX	3.0%	18,473.29	10.3%	17.9%
NIKKEI	0.4%	38,556.87	15.2%	24.8%
SHANGHAI COMP	0.2%	3,111.02	4.6%	.2.9%
BOVESPA	-2.6%	122,707.28	-8.6%	13.3%
MSCI ACWI	3.6%	784.16	7.9%	21.3%



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