



Economic Report

May 2025

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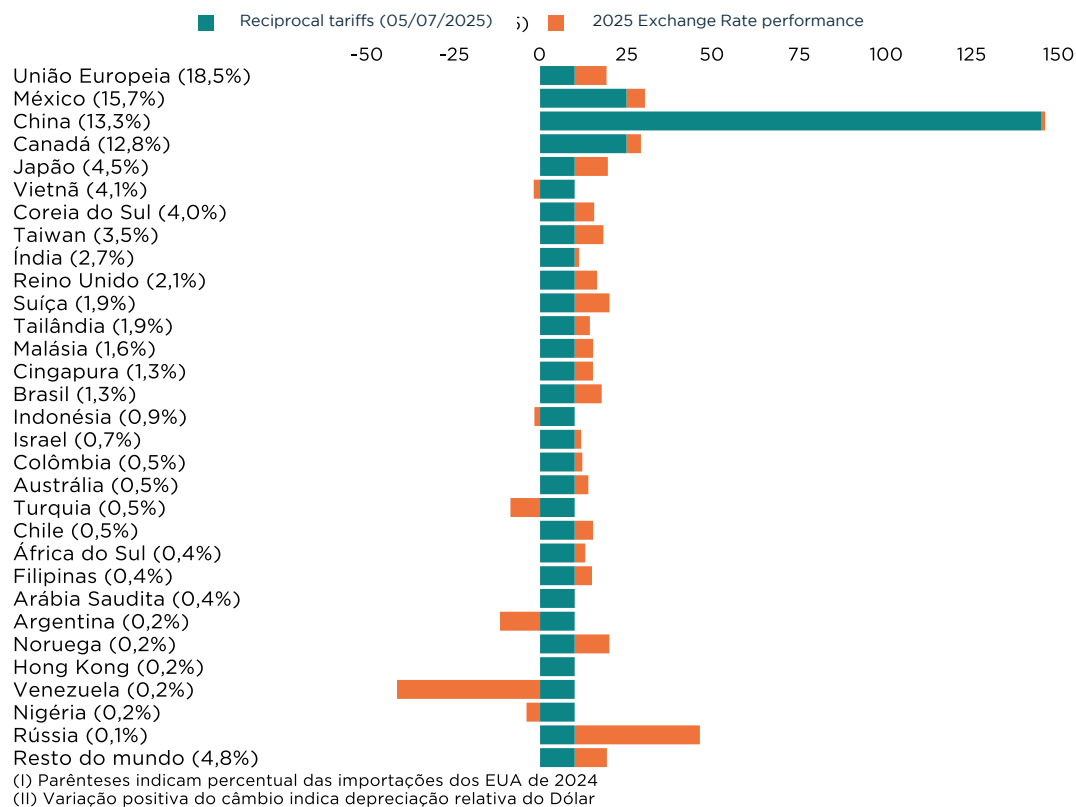


Rates:

Weaker Exchange Rate Amplifies Impact on the U.S. Economy

Global

Proxy for the Impact on U.S. Import Prices



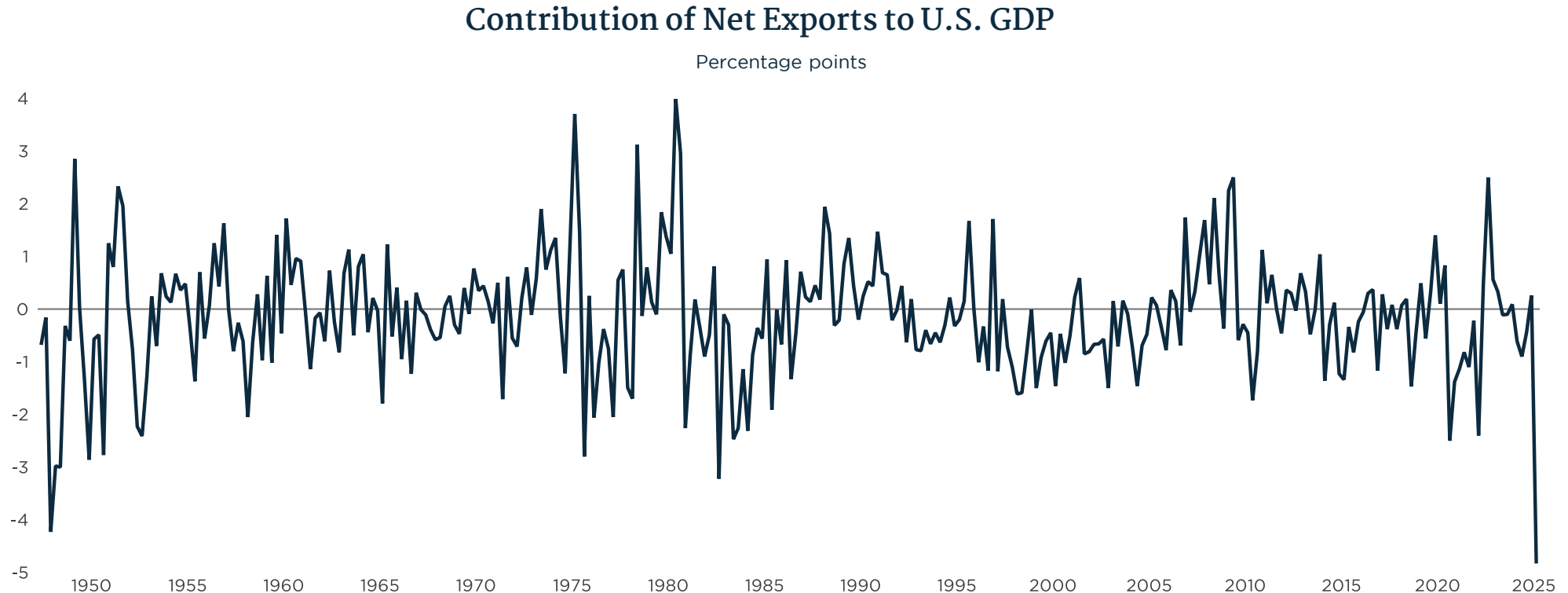
Contrary to what traditional economic models suggest, the U.S. Dollar depreciated following the announcement of so-called “reciprocal tariffs,” which intensified price pressures on U.S. consumers — at least in the short term.

The chart on the left provides an estimate of the impact on import prices from the U.S.’s main trading partners, accounting for both the announced tariff rates and the accumulated Exchange Rate variation in 2025. It is worth noting that aggregated effects are difficult to measure, due to uncertainty both around the volume of imports (which may decline, reducing the impact) and around the actual tariff rates applied, which remain subject to change at any time.

Activity:

Q1 2025 GDP Contraction Was Distorted by Imports

Global

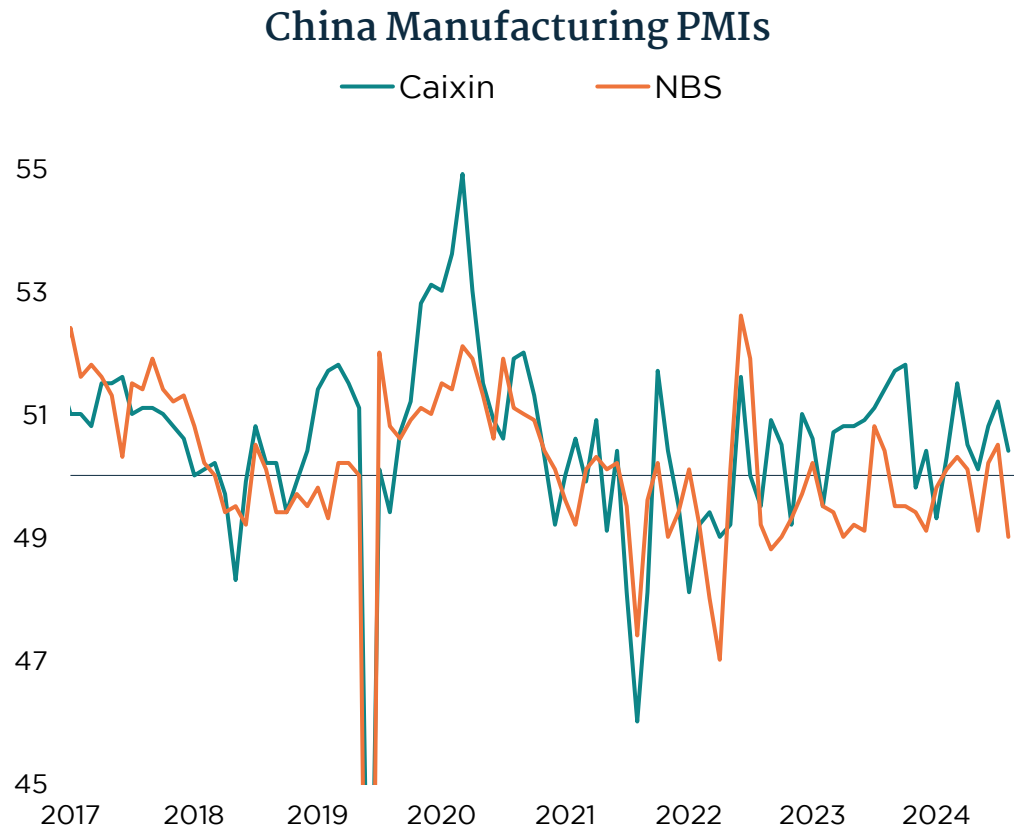


U.S. GDP contracted by 0.3% in the first quarter of 2025 (annualized), a result slightly below expectations. The main negative contribution came from net exports (-4.8 p.p.), likely reflecting an advance in imports ahead of the implementation of the new Rates. As anticipated, a significant part of this shock was offset by inventory accumulation (+2.3 p.p.), although it is possible that part of this adjustment has not yet been fully captured due to statistical challenges. Therefore, excluding inventories, GDP growth remained virtually stable at around 3%, supported by concrete activity indicators (hard data), despite the deterioration observed in confidence surveys.

China:

Activity Slows Gradually, but Government Expected to Announce New Support Measures

Global



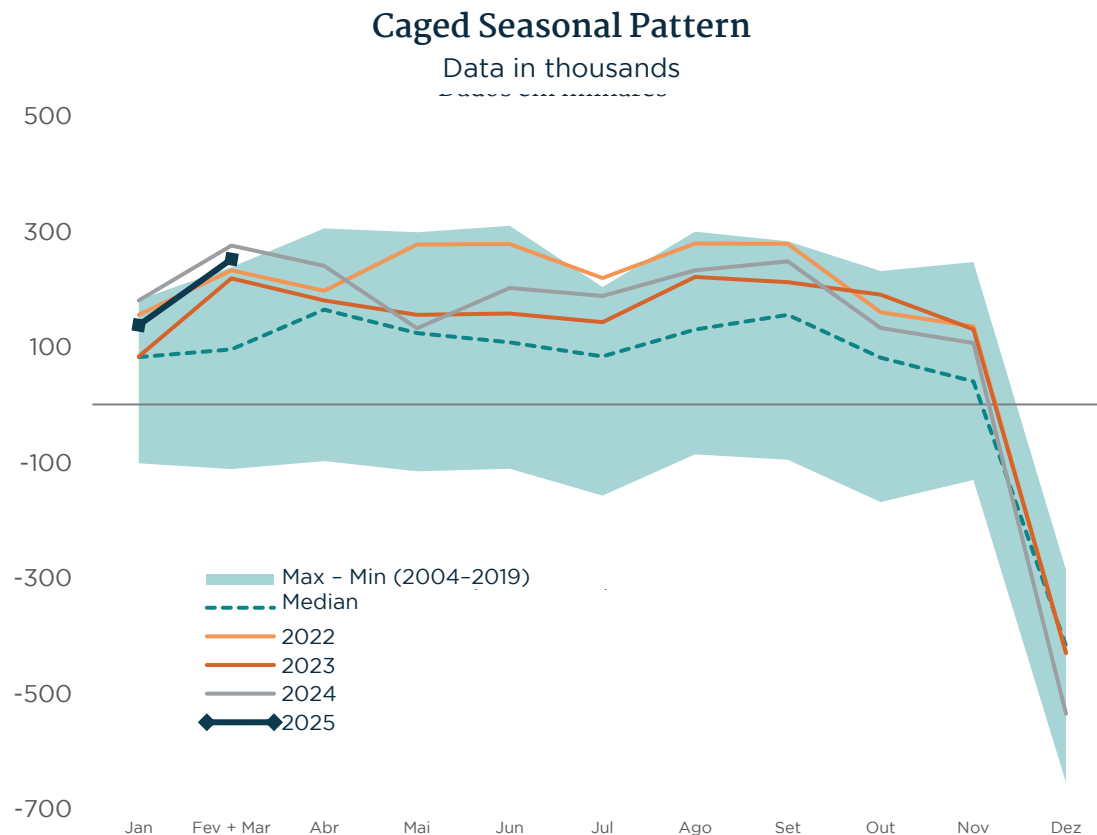
As shown in the chart, China's manufacturing PMIs — survey-based indicators widely used to measure industrial activity — have shown early signs of deterioration. In the case of the PMI published by the NBS (National Bureau of Statistics of China), the metric has returned to contraction territory (below 50), although it remains close to recent levels.

Despite the relative resilience in the data, the Chinese government has already introduced initial stimulus measures — in line with expectations — including interest rate cuts and asset price support interventions. The expectation is that further stimulus will be introduced throughout the year, with an emphasis on fiscal policy actions.

Labor Market:

Weak Caged in March Likely Affected by Seasonal Noise

Brazil



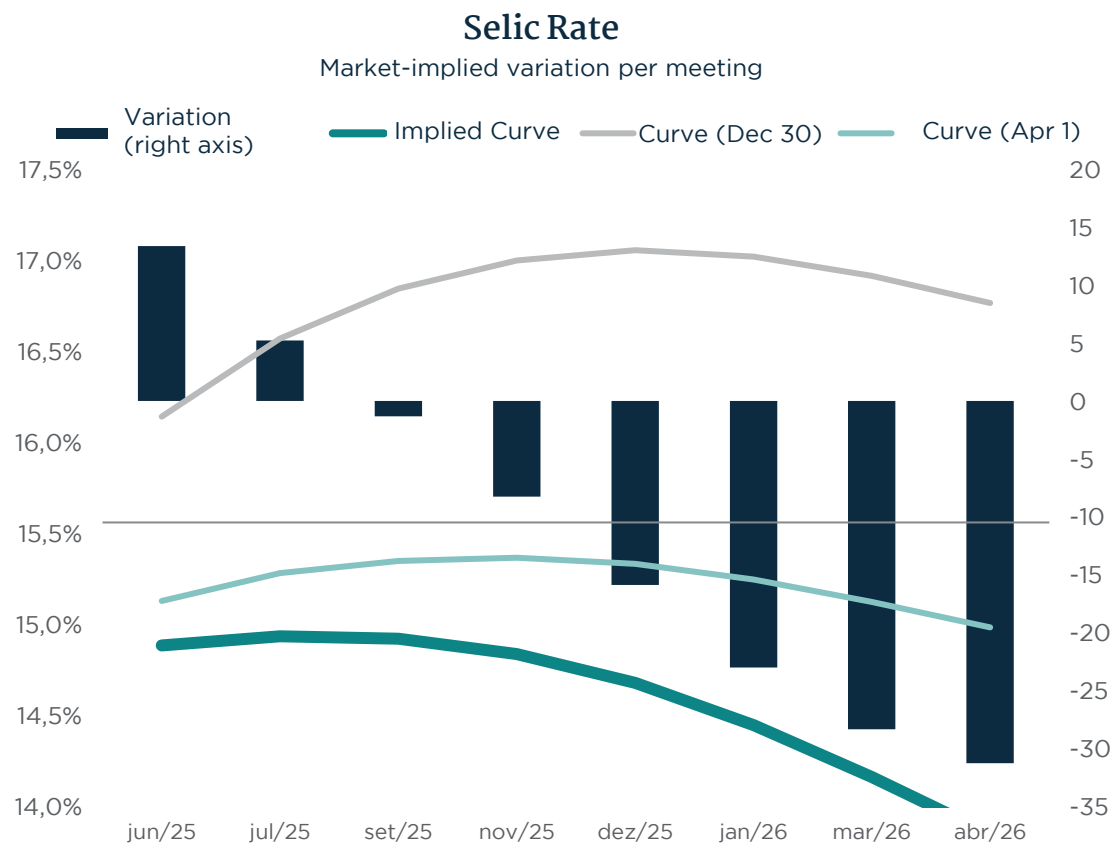
In March, the Caged report showed net formal job creation below expectations, following an exceptionally strong February. Part of this fluctuation can be attributed to seasonal effects, particularly the Carnival calendar, which affected the distribution of monthly records.

The chart on the left displays the combined historical average for February and March, smoothing out short-term distortions. The data indicate that, despite monthly volatility, this year's net figure remains consistent with the post-pandemic pattern. In practice, economic activity and the labor market in Brazil continue to show resilience, although with signs of gradual deceleration.

Monetary Policy:

May Rate Hike May Have Been the Last of the Current Cycle

Brazil



As widely expected, the Central Bank's Monetary Policy Committee (COPOM) raised the Selic rate by 50 basis points to 14.75% per year at its May meeting, in a unanimous decision. The statement indicated a more balanced risk assessment at the margin, though risks remain elevated in both directions.

The committee also revised its assessment of the external environment, highlighting a “more pronounced global slowdown” and a “decline in commodity prices.”

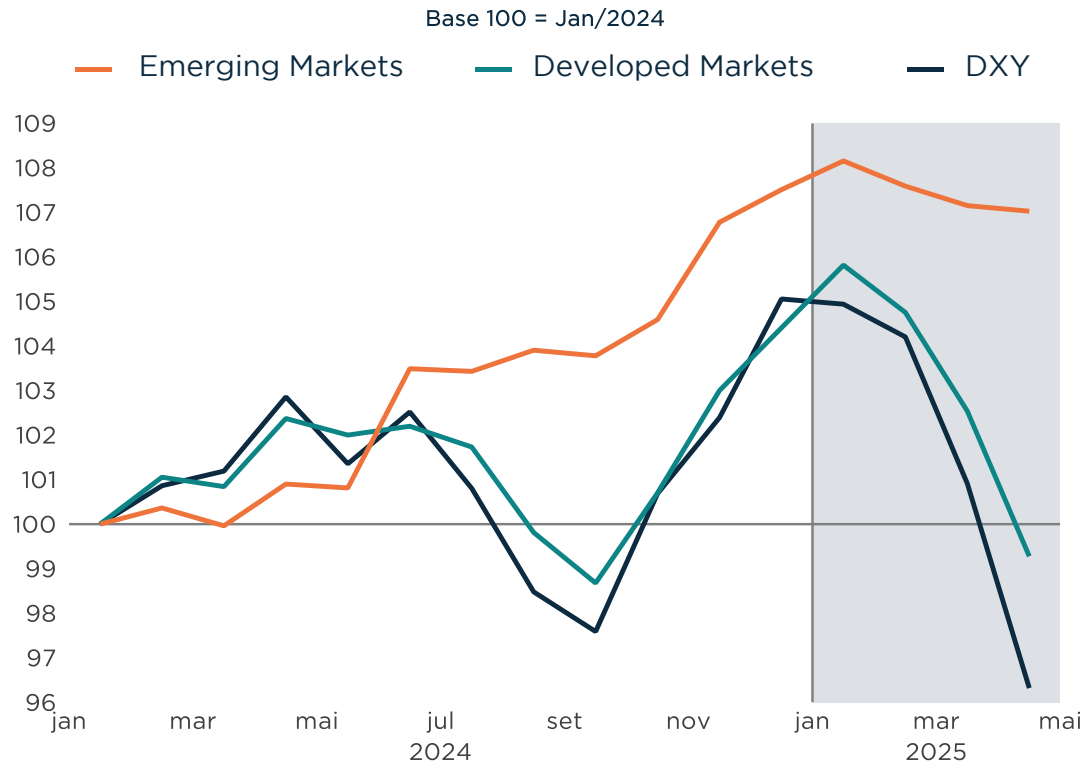
Although no explicit forward guidance was provided, the message suggests a possible pause or only marginal adjustments in the pace of monetary tightening — a perception already reflected in the interest rate curve, as shown in the chart.

Dollar:

Valuation Helps Explain the Move, but Composition Suggests Investors Are Seeking Alternative Safe Havens

Markets

Dollar Performance



While part of the U.S. Dollar's depreciation may be attributed to its previously elevated valuation (according to several metrics), the intensity of its decline relative to other strong currencies — known as hard currencies, such as the euro, yen, and Swiss franc — as opposed to currencies of emerging markets, suggests that investors are increasingly seeking alternatives to the U.S. market.

The chart on the left illustrates this behavior, showing that since the beginning of the year — and especially from April onward — the Dollar has depreciated more sharply against hard currencies than against emerging market currencies. This movement comes after an extended period of strong capital inflows into U.S. assets.

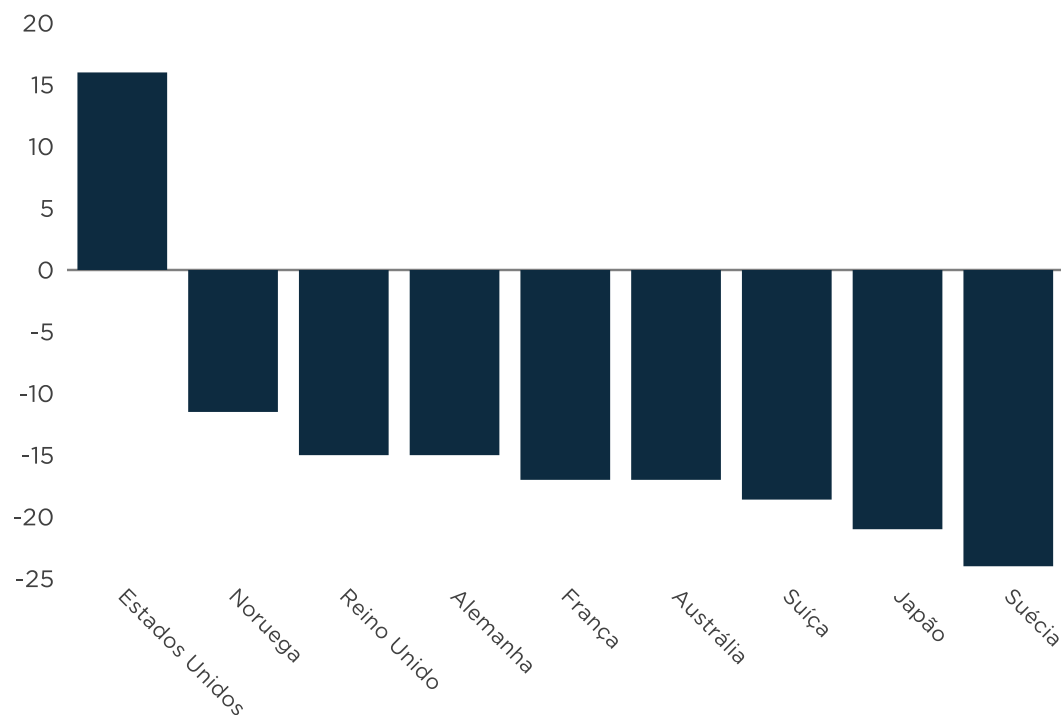
Interest Rates:

U.S. Treasuries Have Underperformed Peers Since April

Markets

10-Year Government Bond Yield Changes

Variation in basis points since April 2, 2025



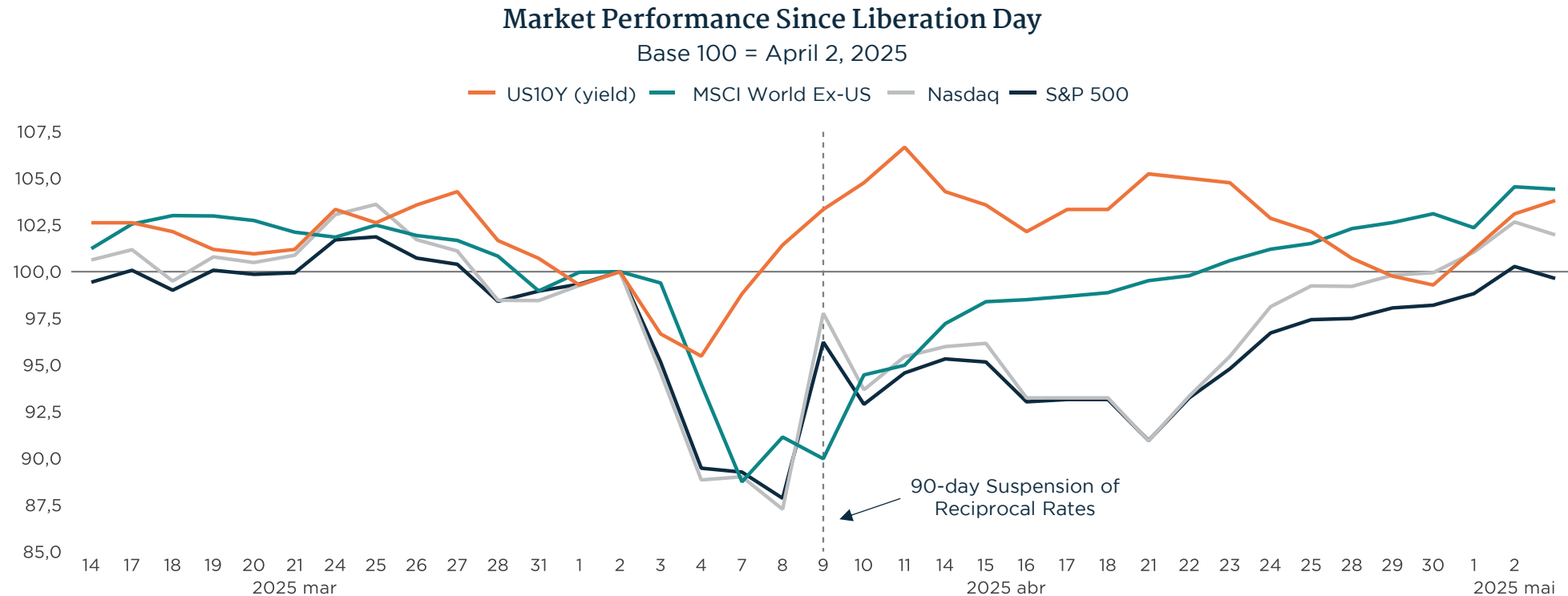
The chart on the left shows the variation in 10-year interest rates across a sample of developed countries, starting from the announcement of reciprocal Rates by the U.S. in early April. While yields declined across most advanced economies, U.S. rates continued to rise.

This behavior contrasts with the typical risk-off pattern, where longer-dated U.S. Treasuries tend to outperform their peers. The movement — similar to what has been observed in Exchange Rate markets — reinforces the interpretation of a possible portfolio reallocation toward greater geographic diversification in global asset allocation.

Equities:

Most of the Capital Markets Have Already Recovered from “Liberation Day”

Markets

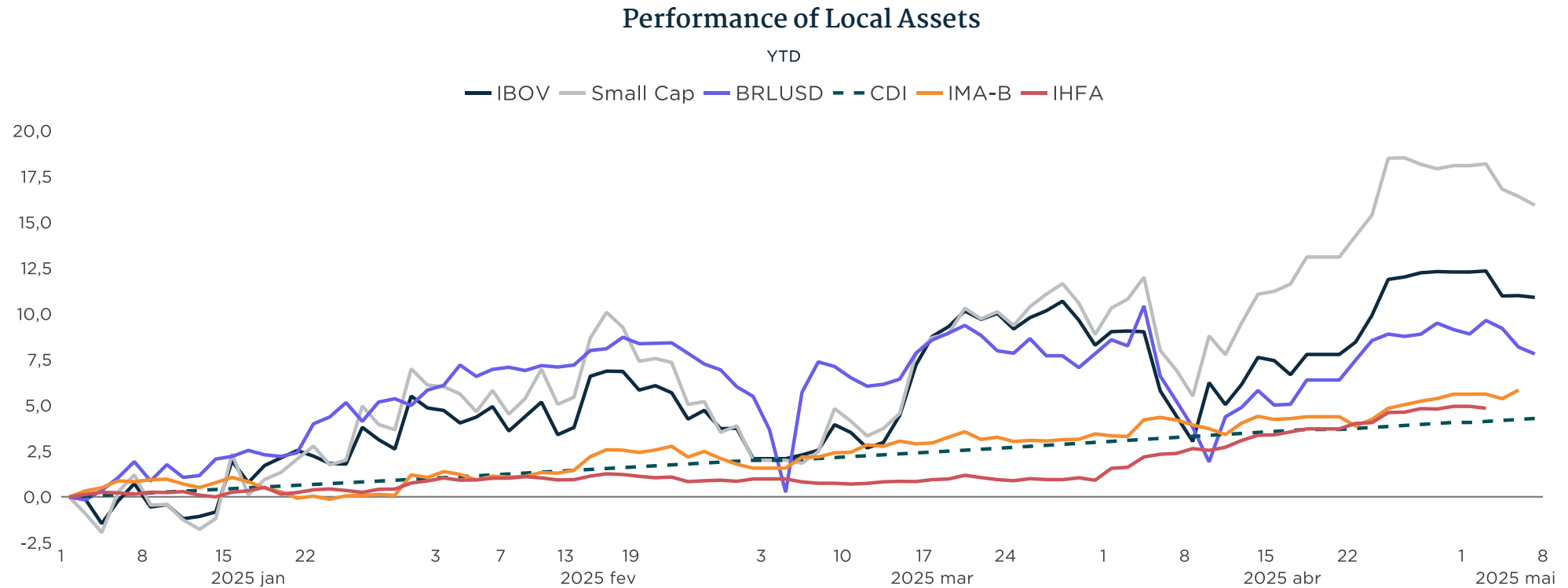


As shown in the chart above, the main global equity indices have already fully recovered from the downturn triggered by the announcement of reciprocal Rates. This rebound was driven by a combination of factors, including the 90-day suspension of the measures (which included rates above 10%) on April 9, as well as better-than-expected corporate earnings. Nevertheless, investor confidence in the U.S. market remains fragile.

Markets:

Brazilian Assets Performed Well This Month

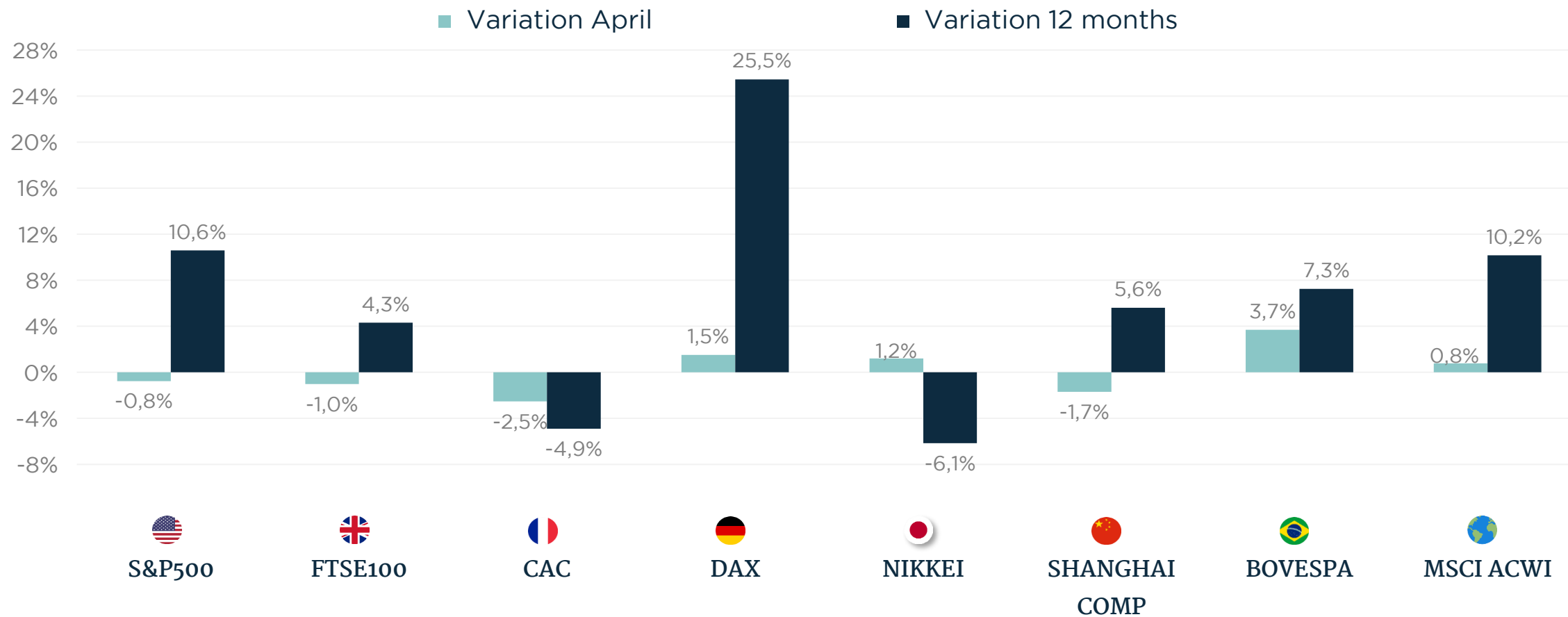
Markets



Risk assets also showed positive performance in Brazil throughout the month, outperforming the CDI across major asset classes — including equities, interest rates, Exchange Rate, and multimarket funds. Although much of this movement reflects external dynamics, the approaching end of the interest rate hiking cycle and expectations surrounding the upcoming electoral cycle should also be considered relevant performance drivers.

Bolsas

Mercados



Indices

	Variation April	Value in 30/04/2025	Variation in 2025	Variation in months
COMMODITIES				
PETRÓLEO WTI	-18,6%	58,21	-18,8%	-29,0%
OURO	5,3%	3.288,71	25,3%	43,8%
MOEDAS (EM RELAÇÃO AO US\$)				
EURO	4,7%	1,13	9,4%	6,2%
LIBRA	3,2%	1,33	6,5%	6,7%
YEN	4,8%	143,07	9,9%	10,3%
REAL	0,6%	5,67	8,9%	-8,5%
ÍNDICES				
S&P500	-0,8%	5.569,06	-5,3%	10,6%
FTSE100	-1,0%	8.494,85	3,9%	4,3%
CAC	-2,5%	7.593,87	2,9%	-4,9%
DAX	1,5%	22.496,98	13,0%	25,5%
NIKKEI	1,2%	36.045,38	-9,6%	-6,1%
SHANGHAI COMP	-1,7%	3.279,03	-2,2%	5,6%
BOVESPA	3,7%	135.066,97	12,3%	7,3%

*Valores e resultados apresentados na moeda local

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