TURIM

Economic Report

June 2025

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Indice

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Rates:
Deadline for Suspension of Reciprocal Rates Nears Its End
Global

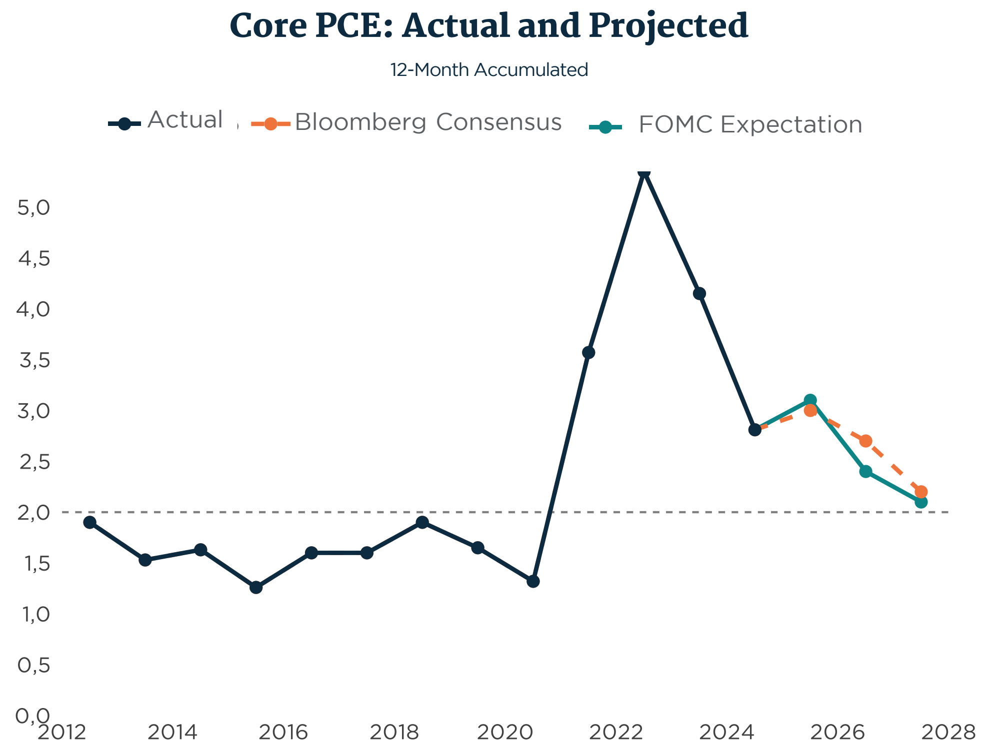
After announcing import tariffs significantly higher than expected on the so-called Liberation Day (April 2nd), President Donald Trump backtracked, postponing or reversing a series of previously announced measures. As a result, projections for the effective rate dropped from around 25% to approximately 12%—still considerably elevated compared to the 2% observed in 2024.

Even so, this retreat contributed to a substantial reduction in the perceived risk of a recession in the United States, as reflected in betting market quotes, illustrated in the adjacent chart.

Nevertheless, there appears to be limited room for further meaningful declines in these estimates, especially when considering the minimum 10% tariff imposed on reciprocal measures, in addition to the president's recent statements. Moreover, the topic may regain visibility as the final deadline for the deferral of part of these tariffs approaches, set for July 9th.

Source: Economic Policy Uncertainty, Polymarket, Turim

Inflation:
Market Projections Still See 2% Target Only by 2027
Global



The main inflation metrics in the United States — including broad-based indicators for both consumers and producers — have been consistently surprising to the upside since February. This sequence of benign data has supported a more pronounced disinflation, even in sectors more sensitive to foreign trade.

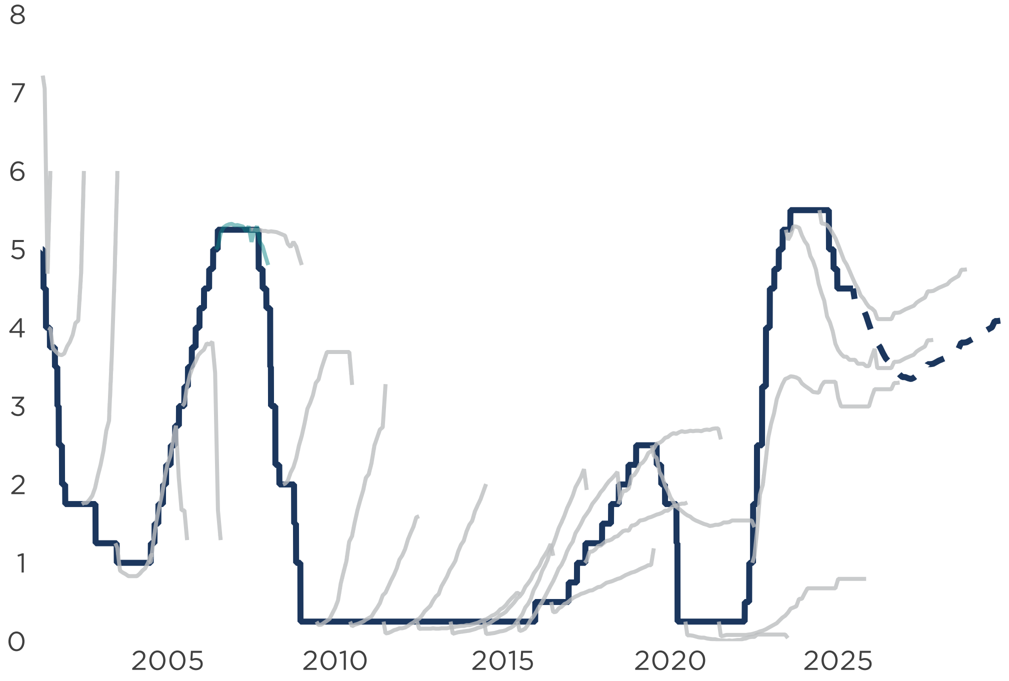
Still, market participants continue to anticipate some residual inflationary pressure in the short term, attributed to the recent increase in Rates and to the fiscal stimulus stemming from the Reconciliation Package — a legislative mechanism that allows for fiscal stimulus to be passed with a simple majority in the U.S. Senate — currently under debate in Congress.

Thus, despite the improvement in current inflation data, expectations — both from the market and from the monetary authority — still point to a very gradual disinflationary process. As illustrated in the chart, the convergence of Core PCE (Personal Consumption Expenditures Core Price Index) to the 2% target remains projected only for 2027.

Source: Bloomberg, Federal Reserve, Turim

Monetary Policy:
FOMC Avoids Forward Guidance Amid Uncertainty in the Outlook
Global

Fed Funds: Daily Rate and Forward Curve



The current "comfortable" scenario — marked by the gradual moderation of inflation amid still-resilient economic activity — has allowed the Federal Reserve to maintain a cautious stance, while it awaits clearer signs of the effects of the new economic policies introduced by the Trump administration.

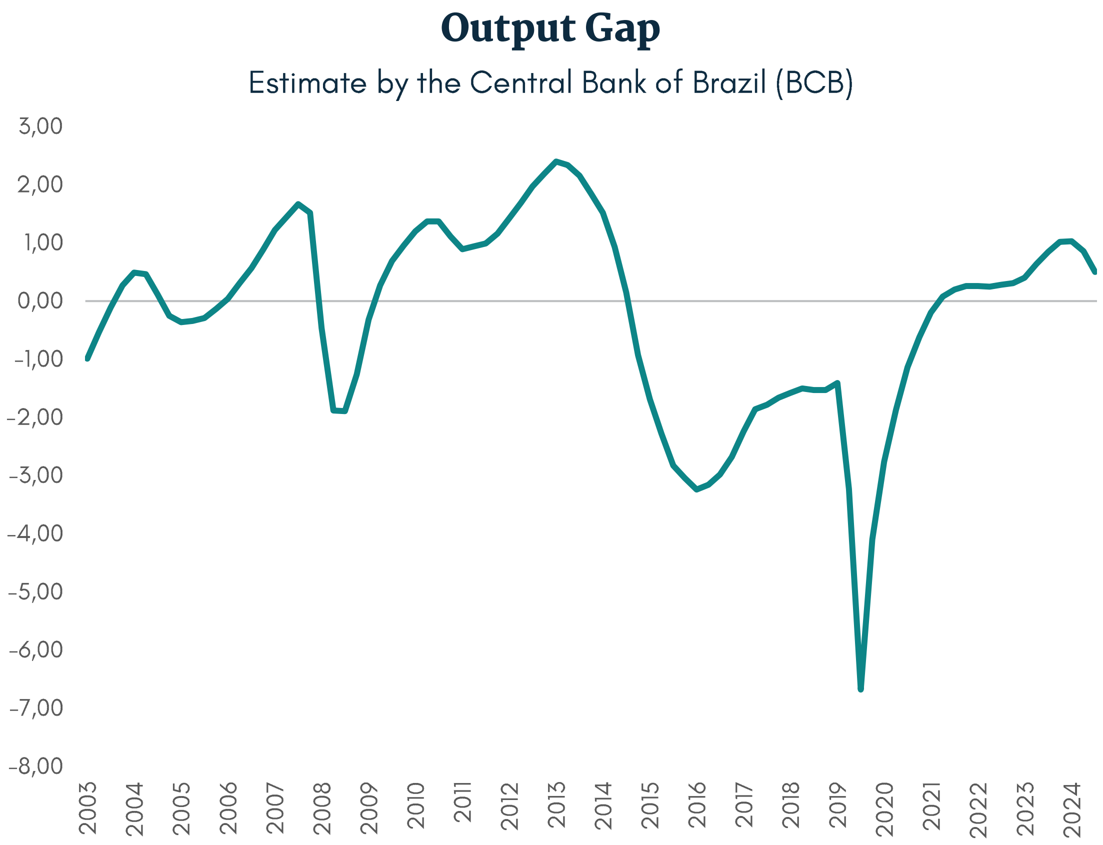
In the absence of the uncertainty brought by these measures, it would be reasonable to assume that the U.S. central bank would have already resumed its interest rate cutting cycle, which was interrupted in December.

It is worth noting, however, that a minority within the monetary policy committee has begun advocating for a more accelerated approach to monetary easing, even considering rate cuts as early as this month's meeting — a stance that aligns with the interests publicly expressed by President Trump.

While the majority of the committee has not indicated any imminent cuts, markets continue to price in reductions as early as 2025, with interest rates converging toward a level considered neutral by 2026, as illustrated by the dotted line in the adjacent chart.

Source: Federal Reserve, Macrobond, Turim

Activity:
Though Still Overheated, the Economy Shows Signs of Deceleration
Brazil



As shown in the adjacent chart, the Central Bank's estimates (updated in the latest Inflation Report) point to a slight narrowing of the output gap at the margin. This indicator, which measures the difference between actual GDP and its potential level, remains in positive territory — consistent with an economy operating above capacity, in an overheating scenario.

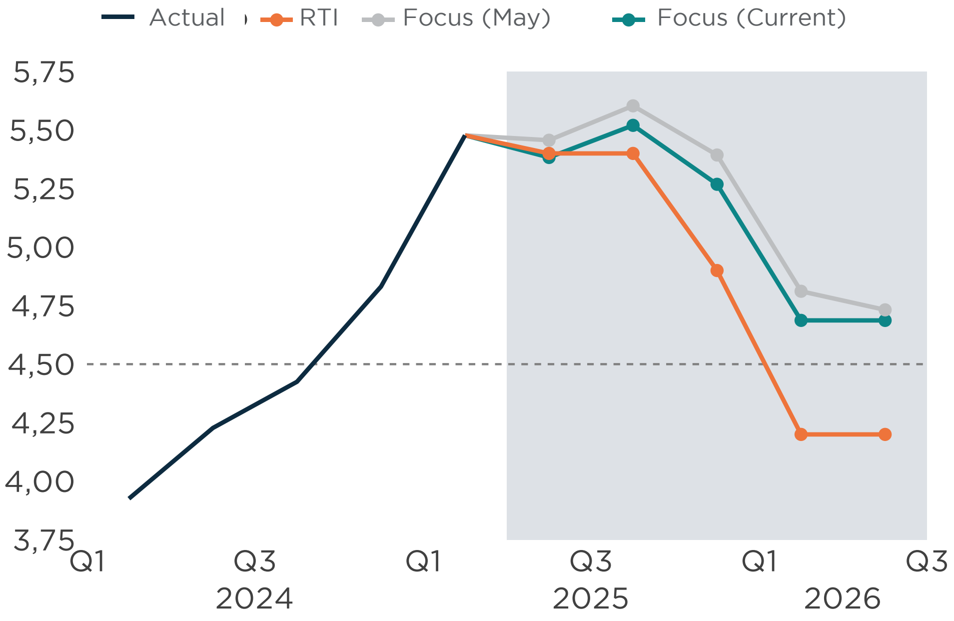
Despite this still-robust level, we have observed signs of moderation in activity, particularly in leading indicators and sectors more sensitive to monetary policy. In this context, the median of expectations collected in the Focus Report projects GDP growth of around 2.2% for 2025. This result is largely influenced by the statistical carryover from the strong performance seen in the first quarter, implying slower economic growth in the second half of the year.

Source: Banco Central do Brasil

Inflation:
Benign Surprises Supporting a Downward Revision in 2025 Inflation Expectations
Brazil

IPCA: Actual and Projected

YoY



Consumer inflation has shown a more intense deceleration than initially anticipated by the market, both in the headline index and in core measures. The 12-month accumulated inflation appears to be near an inflection point, reinforcing the Central Bank's communication and supporting the decision to pause the Selic rate hike cycle, currently at 15% per year.

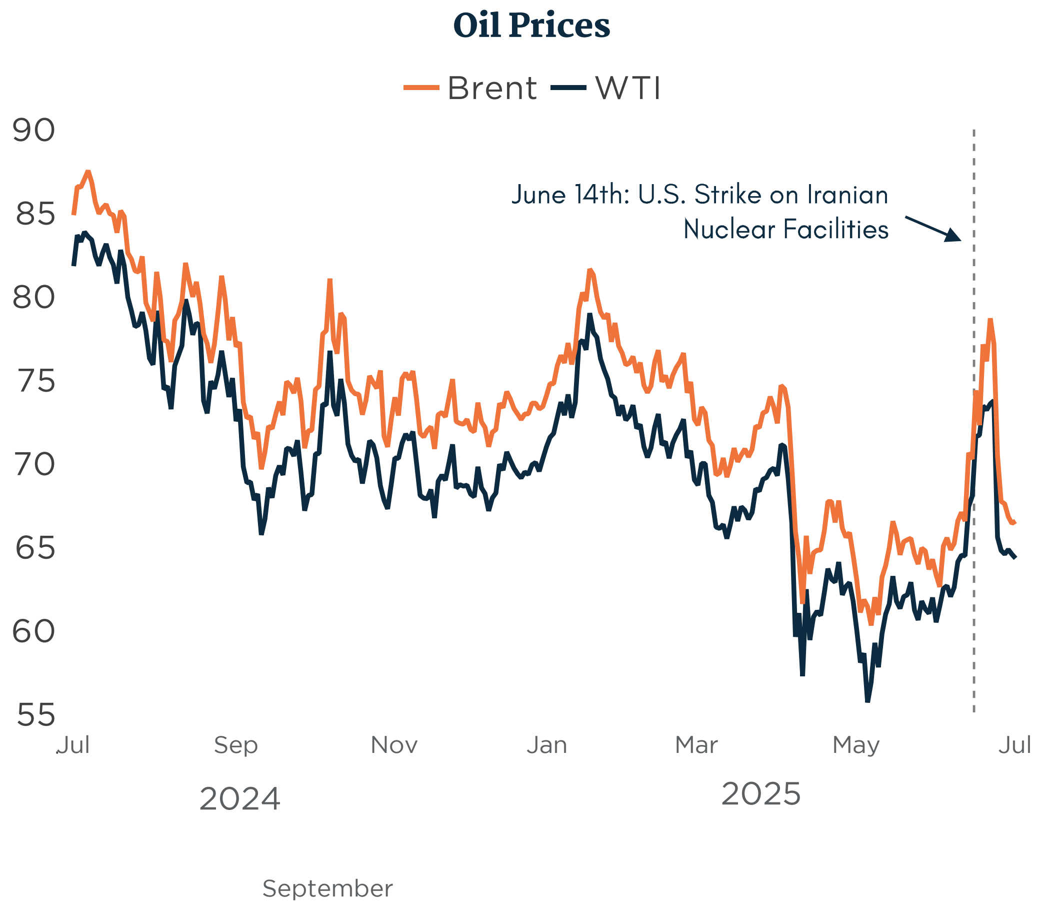
Although neither the monetary authority's expectations nor the median projections from the private sector suggest convergence of inflation toward the target within the monetary policy-relevant horizon (approximately 18 months), the improved figures at the margin have contributed to a modest downward revision in projected inflation.

The adjacent chart reflects this dynamic, incorporating both the recent evolution of expectations captured in the Focus Report and the updated projections from the Central Bank's latest Inflation Report.

Source: Banco Central do Brasil, Bloomberg, IBGE, Turim

Energy:
Escalation of the Middle East Conflict Increased Oil Price Volatility

Markets



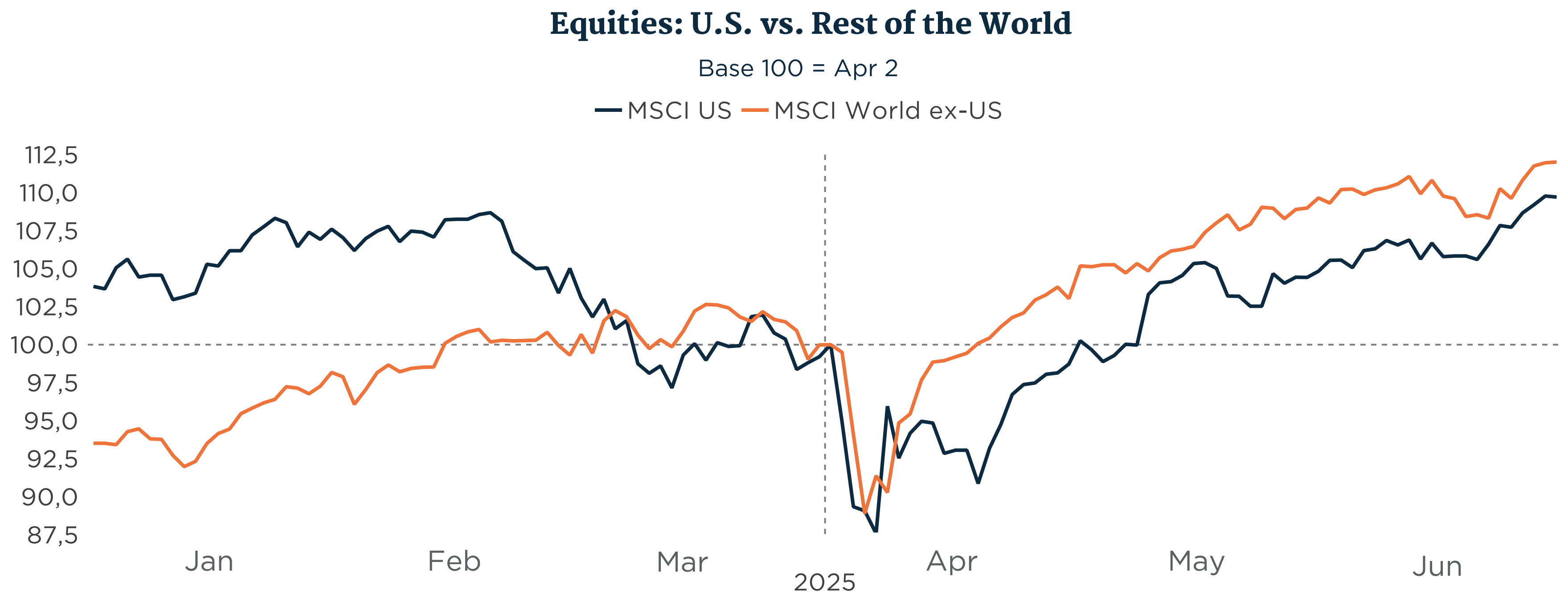
Source: Bloomberg

On June 13th, Israel launched a large-scale airstrike against Iran, targeting strategic military facilities and components of Iran's nuclear program. Among the reported targets were research facilities and key figures in the political and military sectors.

The escalation of the conflict between the two nations placed upward pressure on international oil prices and culminated in U.S. intervention, which involved the bombing of Iran's nuclear installations.

After nearly two weeks of intense confrontations, a temporary ceasefire was brokered by the United States. Although the environment remains volatile and marked by a high degree of uncertainty, this de-escalation effort contributed to a swift reversal in commodity prices, which returned to levels close to those observed prior to the recent escalation, as shown in the adjacent chart.

Equities:
U.S. Stock Market Narrows Year-to-Date Performance Gap
Markets



Approximately three months after the sharp correction that impacted global markets following the announcement of reciprocal tariffs, the U.S. equity market has shown a strong recovery (blue line in the chart), gradually closing the recent performance gap relative to other global indices accumulated in previous months. The main contributors to this performance have been technology stocks, which continue to benefit from optimism surrounding advances in the field of Artificial Intelligence.

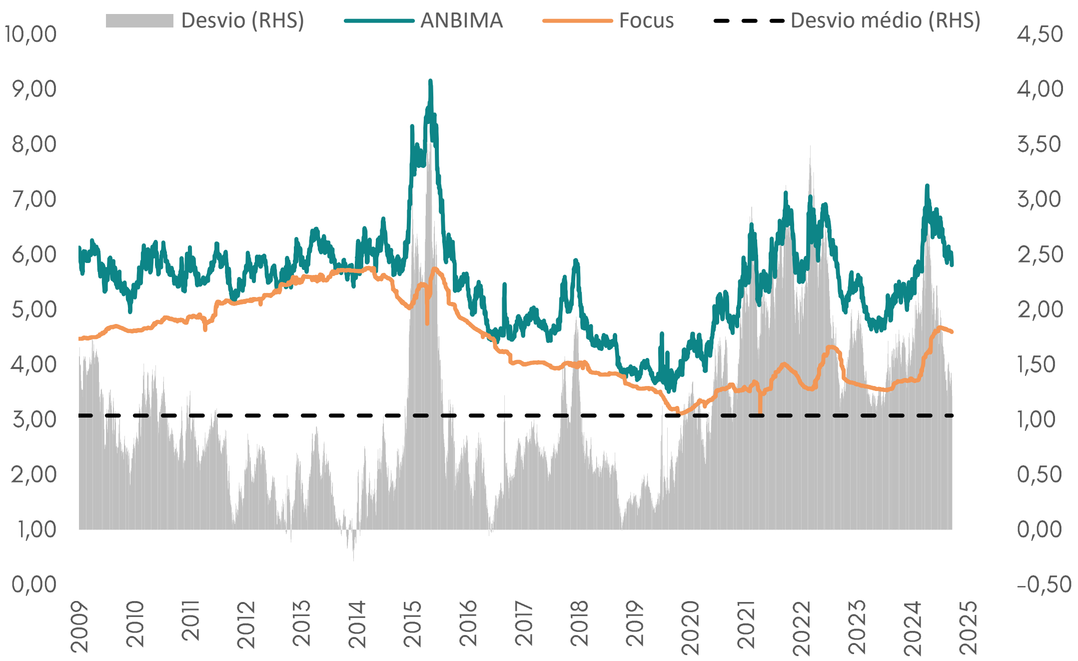
Source: Bloomberg

Fixed Income:
Implied Inflation Continues to Decline and Is Now Converging Toward Economists' Expectations

Markets

Estimated Inflation Five Years Ahead

Anbima vs. Focus



Implied inflation derived from the Brazilian interest rate curve has declined significantly from the peaks observed earlier this year. This movement reflects a notable reduction in the gap between market-implied expectations and those captured by opinion surveys, such as the Focus Report.

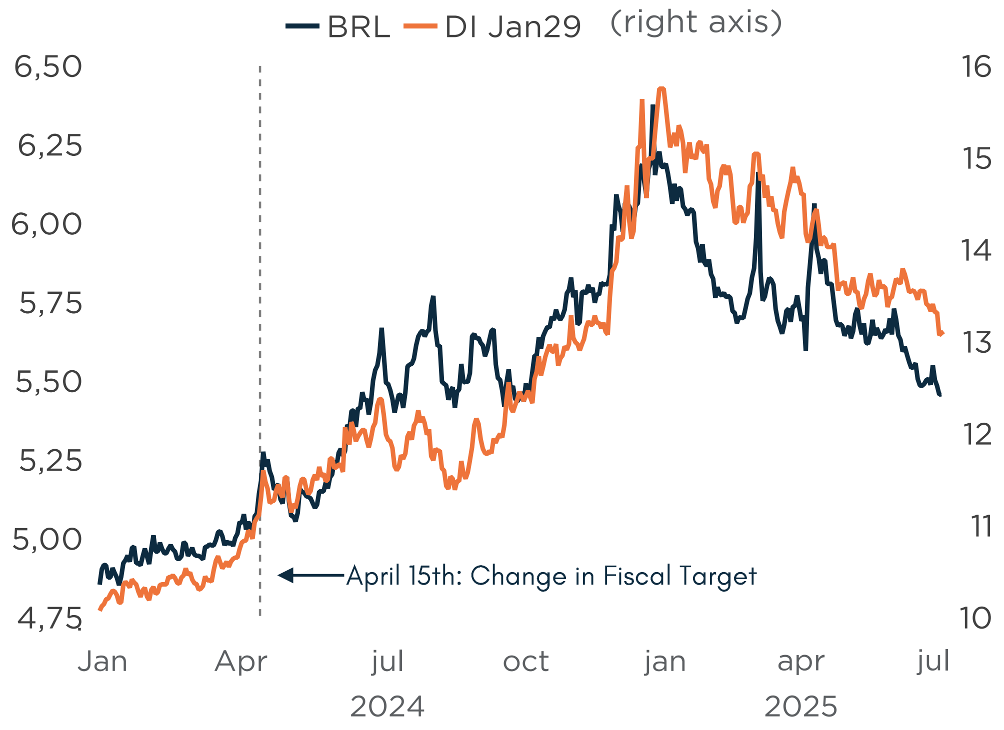
This difference can be interpreted as a risk premium embedded in this type of allocation, rising when uncertainty increases (particularly when the perceived risk points to higher future inflation) and falling in the opposite scenario. The adjacent chart shows that this premium has recently returned to levels close to its historical average, while Focus expectations have also started to trend downward.

Source: ANBIMA, Banco Central do Brasil, Bloomberg, Turim

Country Risk:
Would Markets Remain Resilient Amid Changes to Fiscal Targets?

Markets

Brazil: Exchange Rate vs. Interest Rates



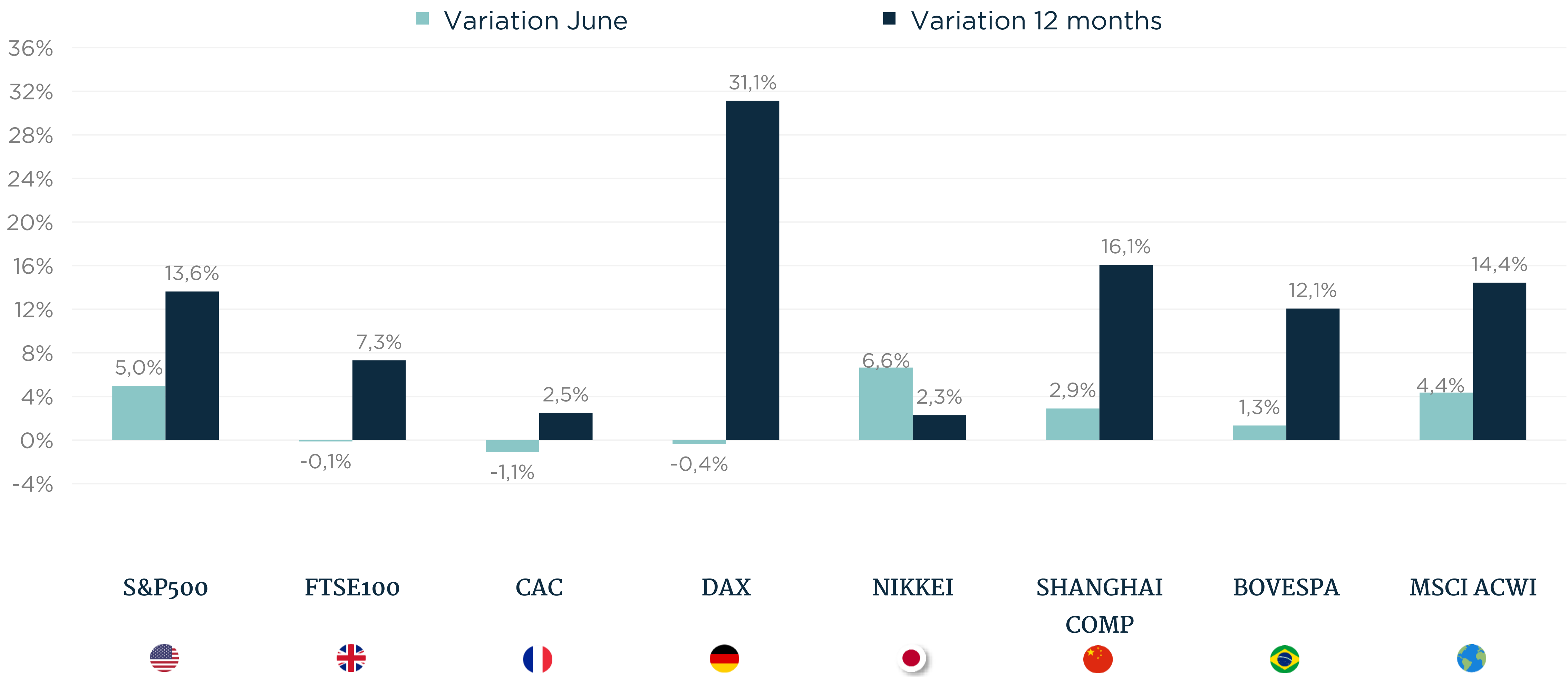
The government suffered a significant setback with the Congressional repeal of the decrees that raised the Tax on Financial Transactions (IOF). Although the judicial review of the measure is still ongoing, the episode signals greater difficulty in advancing the fiscal adjustment agenda through revenue increases. This raises the likelihood of a downward revision to the 2026 primary surplus target — currently set at 0.25% of GDP.

In 2024, discussions around changes to fiscal targets led to an increase in risk premia embedded in various local assets, particularly in exchange rates and interest rates (as shown in the adjacent chart). At the margin, markets have demonstrated resilience to these domestic “shocks”, but the risks ahead could once again increase investment volatility in the country.

Source: Bloomberg

Stock Markets

Markets



Source: Bloomberg

Indices

	Variation May	Value in 30/06/2025	Variation in 2025	Variation in 12 months
COMMODITIES				
OIL WTI	7,1%	65,11	-9,2%	-20,1%
GOLD	0,4%	3.303,14	25,9%	42,0%
MOEDAS (EM RELAÇÃO AO US$)				
EURO	3,9%	1,18	13,8%	10,0%
LIBRA	2,0%	1,37	9,7%	8,6%
YEN	0,0%	144,03	9,1%	11,7%
REAL	5,4%	5,43	13,7%	3,0%
ÍNDICES				
S&P500	5,0%	6.204,95	5,5%	13,6%
FTSE100	-0,1%	8.760,96	7,2%	7,3%
CAC	-1,1%	7.665,91	3,9%	2,5%
DAX	-0,4%	23.909,61	20,1%	31,1%
NIKKEI	6,6%	40.487,39	1,5%	2,3%
SHANGHAI COMP	2,9%	3.444,43	2,8%	16,1%
BOVESPA	1,3%	138.854,60	15,4%	12,1%
MSCI ACWI	4,4%	917,89	9,1%	14,4%

*Amounts and results in local currency

Source: Bloomberg

Disclaimer

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