



Economic Report

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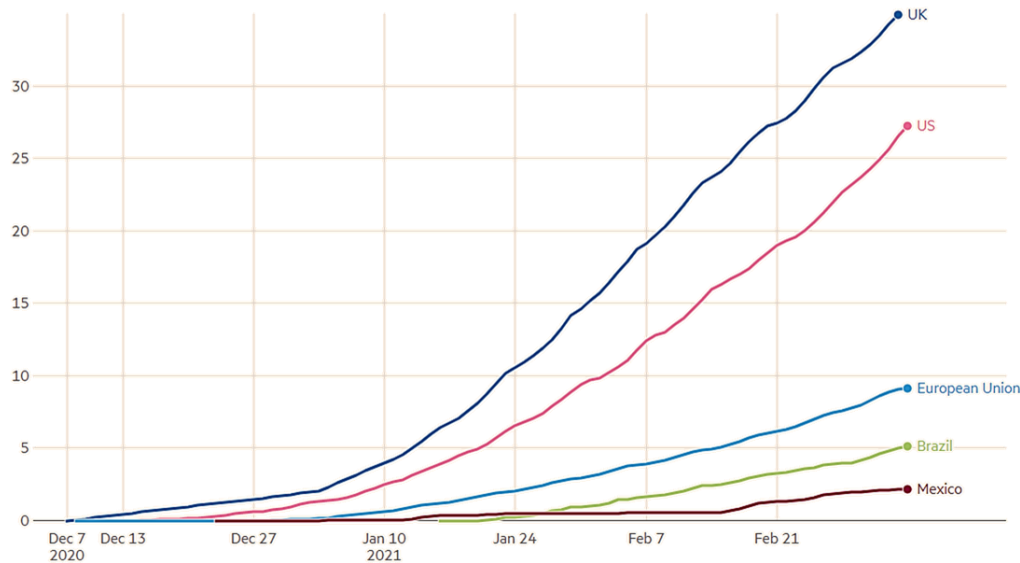


Covid-19: Vaccination in the US gaining traction

Global Economy

Vaccination

Cumulative doses administered per 100 inhabitants

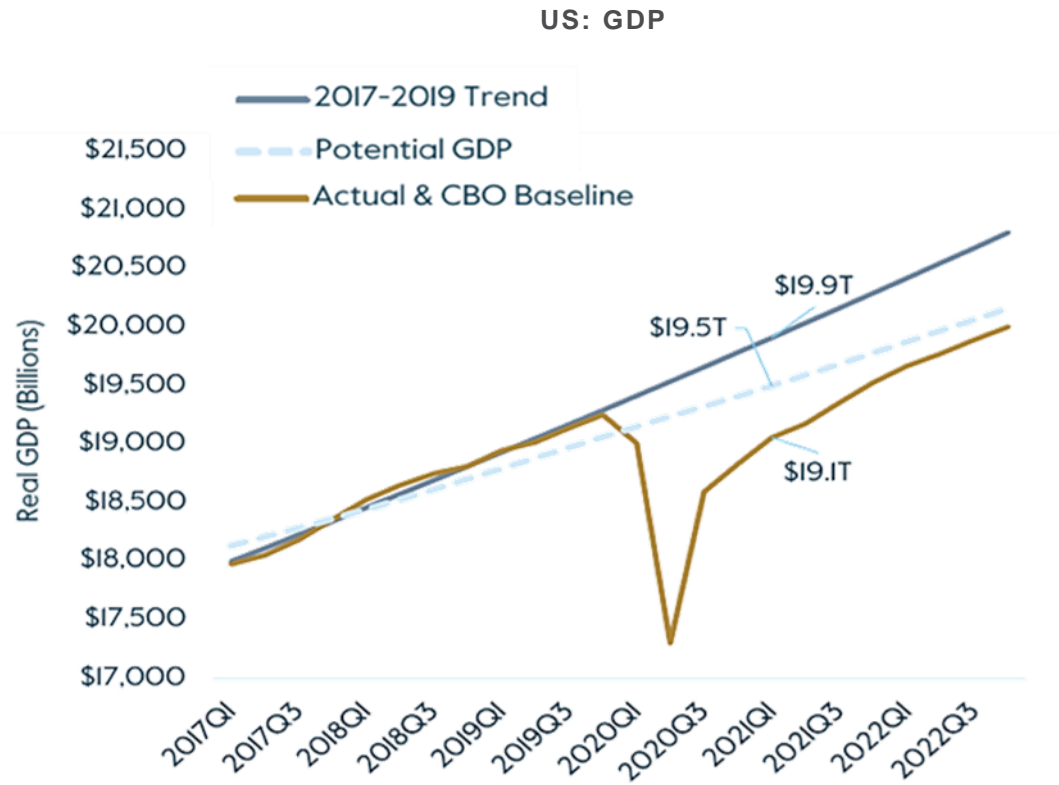


The rate of vaccination in the US (pink line in the accompanying graph) has accelerated over the past weeks, with over 25% of the population already vaccinated. This performance is far superior to that seen in Europe, for example, and should reflect in a diverging economic growth in the coming months, with a faster reopening of the US.



US: US\$ 1.9 trillion fiscal package approved by Senate

Global Economy



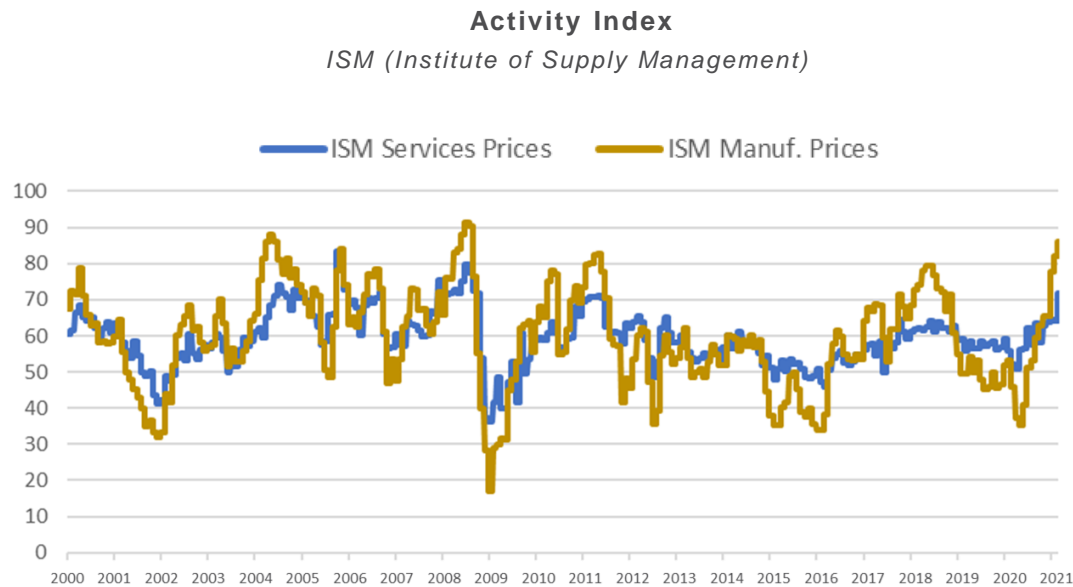
The US Congress approved an aggressive fiscal expansion package, amounting to \$1.9 trillion, which included another round of checks to be sent to households (\$1,400). This will give the fiscal stimulus this year an even bigger boost than in 2020.

Combined with the reopening of the economy and the highly accommodative monetary policy, this should result in a strong acceleration in US growth in the next few quarters.



US: Vaccine + Fiscal Stimulus → Inflationary Pressure

Global Economy



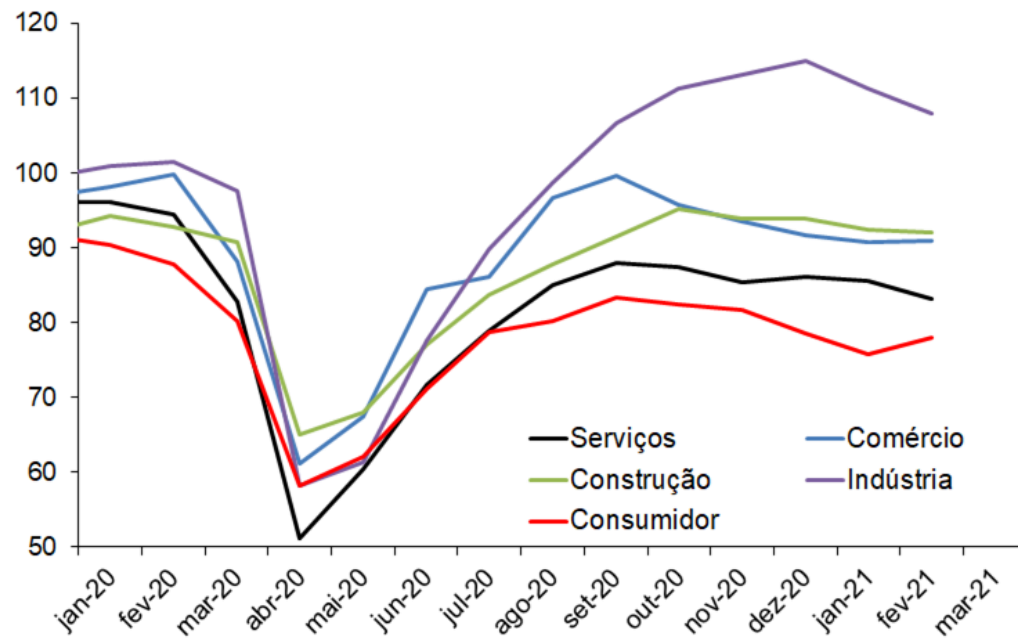
The combination described in the previous slide, of a highly expansionist fiscal and monetary policy, and a strong rate of vaccination, should bring a significant acceleration in growth which will lead to some preliminary pressure in the country's Inflation. Although part of this pressure is a consequence of temporary holdups associated with the pandemic, the fear of a more sustainable upward movement in asset prices over the next few quarters remains a matter of concern for the financial markets.



Activity: New lockdowns should impact numbers

Brazilian Economy

Confidence indicator by sector



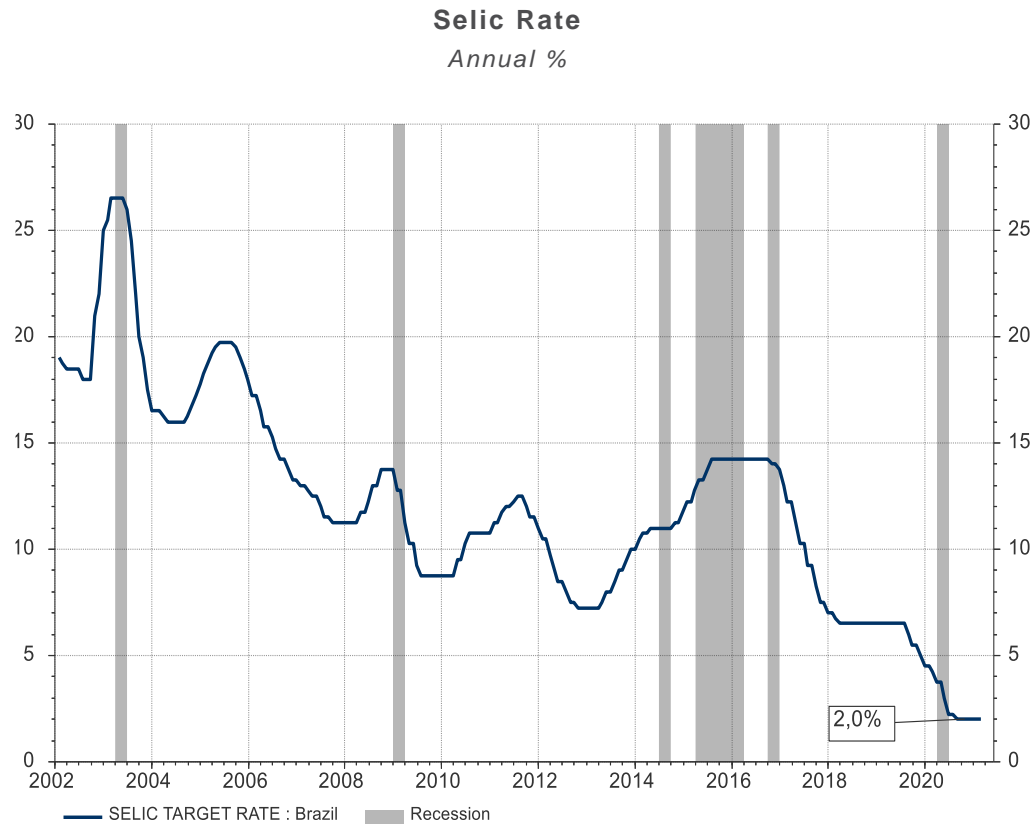
The new round of restrictions on mobility announced in response to the worsening of the Covid-19 pandemic should result in a significant slowdown in the economy in the coming months, as shown in the accompanying graph.

The confidence indicators released by FGV have been showing a loss of momentum in recent months as a result of the reduction in the emergency aid and, more recently, the worsening of the pandemic. Even with the likely resumption of the emergency aid in March, the amount should be much lower than last year and will not be enough to offset this effect.



Monetary Policy: Central Bank set to start new interest rates cycle in March

Brazilian Economy



The Brazilian Central Bank is expected to start the process of raising interest rates (Selic Rate) at its March meeting. Although the initial pace is still uncertain, the base scenario points of a 50 bp* hike, with the risk of an even higher starting rate. The worsening of the inflationary expectations for 2021, which are already close to 5.0% in some cases, combined with the ongoing rise in commodity prices against a backdrop of a still depreciated BRL, underpin the decision.

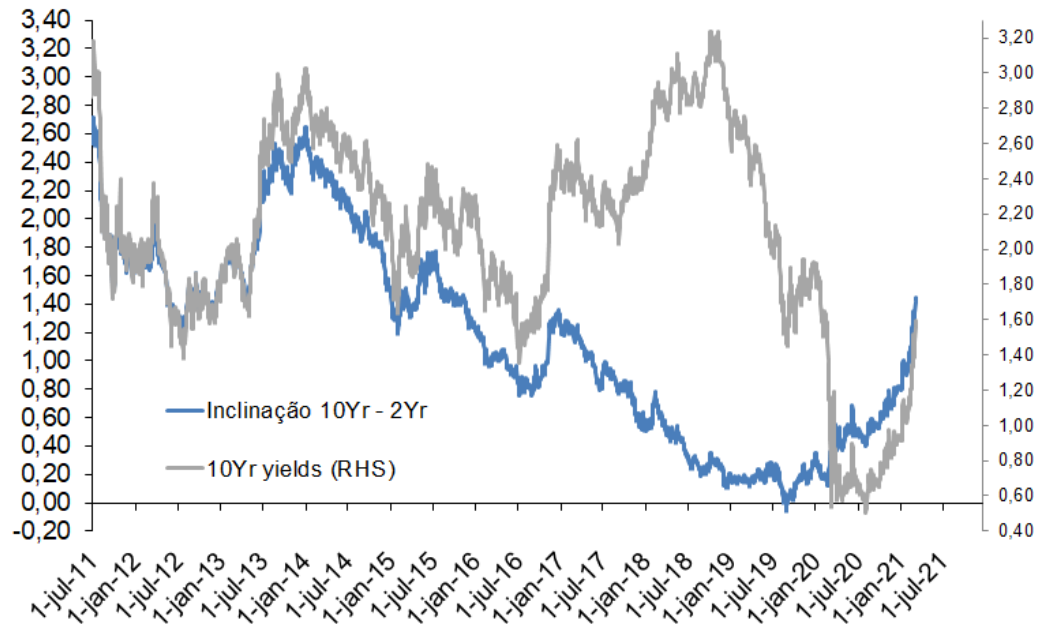
*1 basis points or 1 bp= 0.01% or 1/100 percentage points



Interest rates: Acceleration in 10-year Treasury rate in the US

Markets

US: 10-year Treasury rate and Inclination

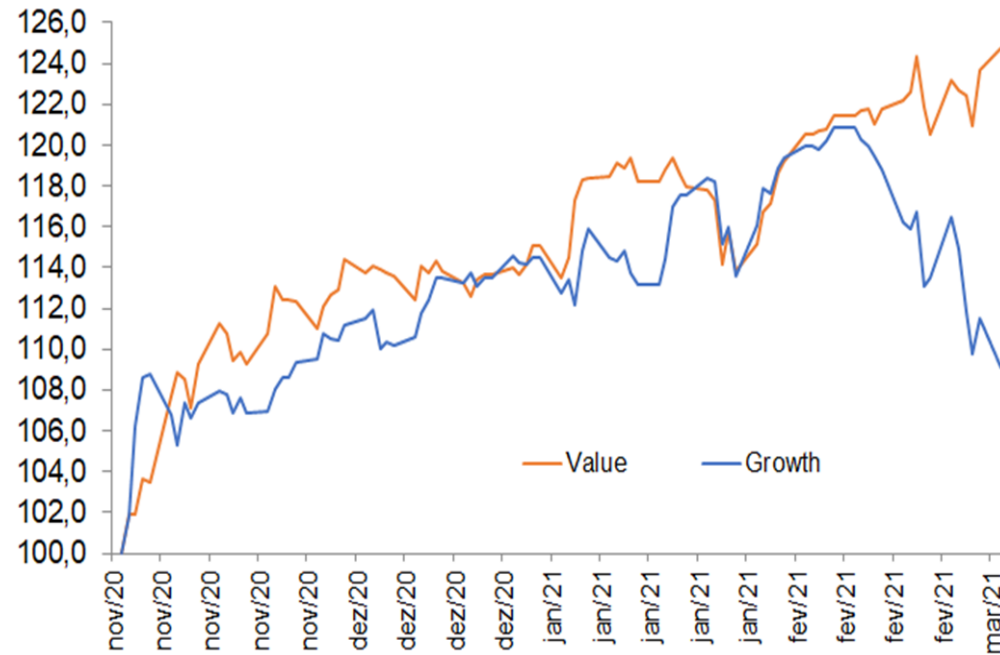


The 10-year US Treasury bond rate has continued to rise and recently hit a post-Covid high of 1.61%. Most of this movement reflects a rise in long-term inflationary expectations, highlighting the prospect of a quick recovery in the economy with lots of stimulus measures, both monetary and fiscal.



Shares: Value vs Growth Markets

Russell 1000: Value vs Growth



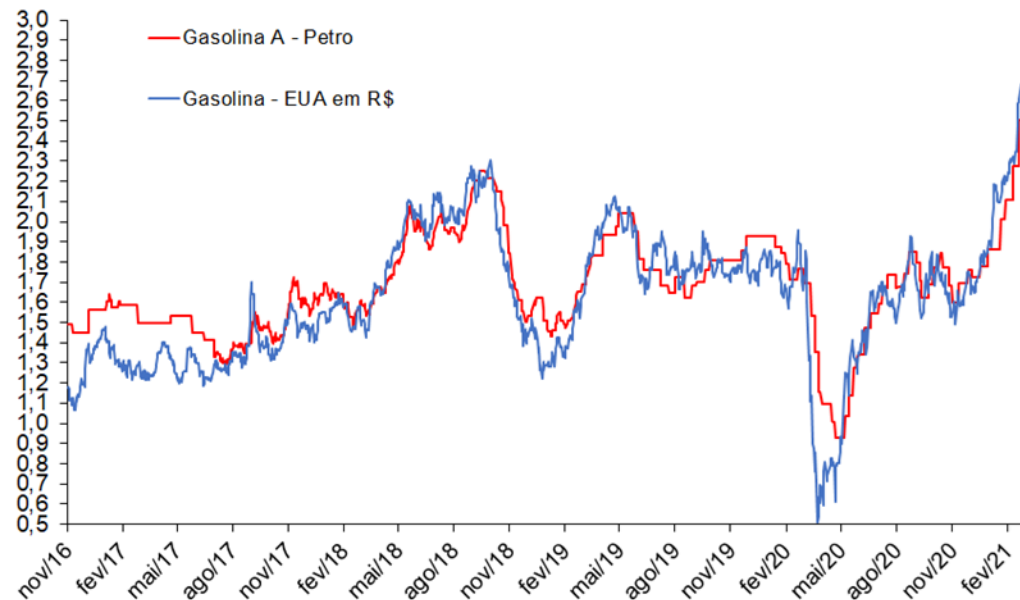
This movement generated volatility in the markets, with a price correction in growth stocks (companies with high-growth potential in the long term), which are more sensitive to the discount rate (long-term interest rates) while value stocks (companies that are priced below their intrinsic value) performed much better. We believe the most important factor looking ahead will be the speed of the long-term interest rate movement rather than the direction itself: an orderly upward movement would be more to the market's taste.



Brazil: Oil vs Inflationary Pressure

Markets

Petrobras: Gasoline
R\$/liter



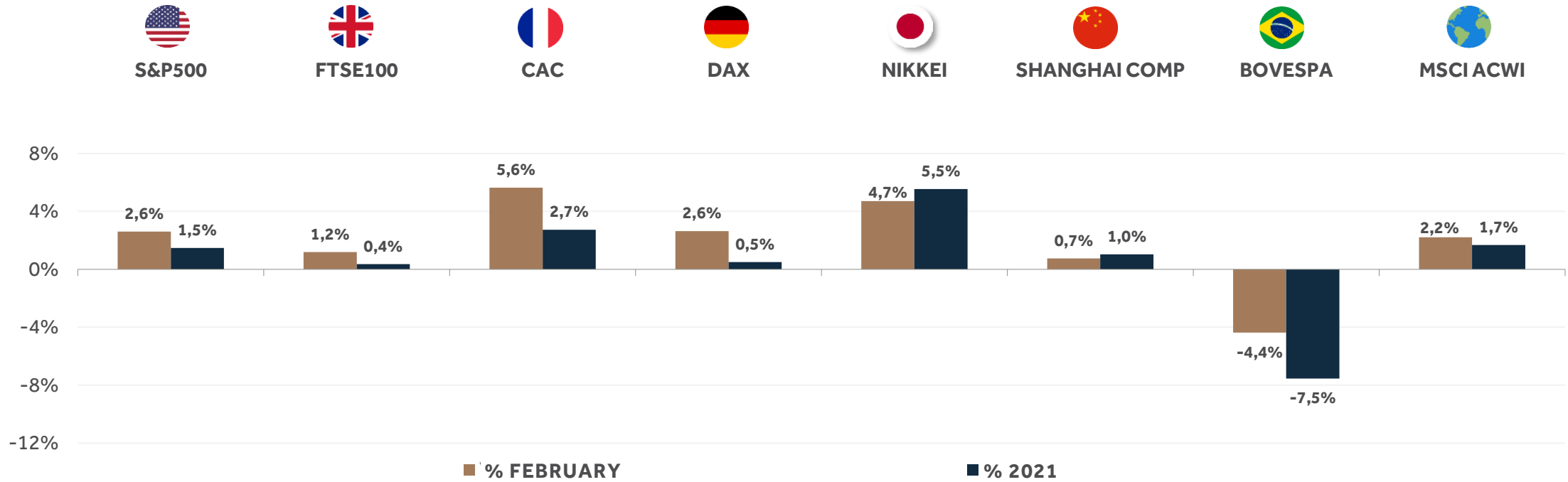
The sharp rise in oil prices on international markets, combined with the persistent depreciation of the BRL, has pressured a big hike in domestic fuel prices, as the accompanying graph illustrates.

Petrobras, in particular, introduced a series of readjustments in gasoline and diesel prices which led to a new threat of a truckers' strike, culminating in the dismissal of the CEO Roberto Castello Branco. In the event of no appreciation of the BRL and continuing high oil prices, this issue has the potential to cause more turmoil in the short term.



Stock Markets

Markets





Indexes

Values and Results presented in local currency

	% FEBRUARY	VALUE ON 26.02.2021	% 2021	% 12 MONTHS
COMMODITIES				
OIL WTI	17,8%	61,5	26,8%	26,2%
GOLD	-6,1%	1.734,04	-8,7%	5,7%
CURRENCIES (IN RELATION TO THE US\$)				
EURO	-0,5%	1,2075	-1,2%	11,0%
GBP	1,6%	1,3933	1,9%	8,0%
YEN	-1,8%	106,57	-3,1%	3,6%
REAL	-2,3%	5,6033	-7,2%	-20,6%
INDEXES				
S&P500	2,6%	3.811,15	1,5%	22,3%
FTSE100	1,2%	6.483,43	0,4%	-7,9%
CAC	5,6%	5.703,22	2,7%	0,3%
DAX	2,6%	13.786,29	0,5%	7,9%
NIKKEI	4,7%	28.966,01	5,5%	29,2%
SHANGHAI COMP	0,7%	3.509,08	1,0%	17,4%
BOVESPA	-4,4%	110.035,20	-7,5%	4,1%
MSCI ACWI	2,2%	657,15	1,7%	21,7%



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