



Economic Report

November 2022

São Paulo

Av. Faria Lima, 2277 / 12th floor
Jd. Paulistano – São Paulo, SP
01452-000
+ 55 11 3071-3329
turimsp@turimbr.com

Rio de Janeiro

Rua Major Rubens Vaz, 236
Gávea – Rio de Janeiro, RJ
22470-070
+ 55 21 2259-8015
turimrj@turimbr.com

Turim UK

111 Park Street
London – W1K 7JF
+44 (0) 20 3585-2436
turimuk@turimuk.com



Global Economy 03

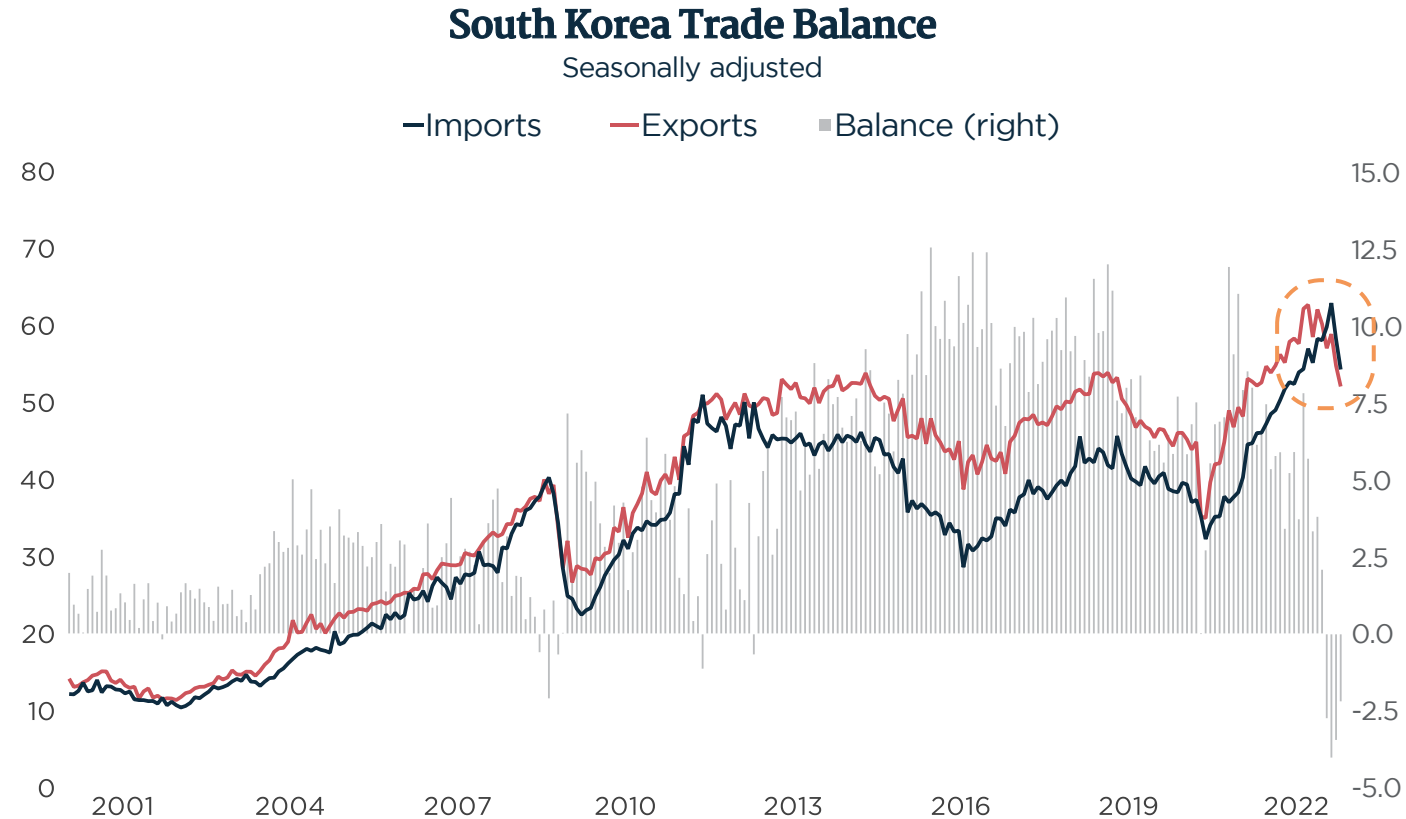
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Activity: Asian trade suggests a slowdown in global activity

Global Economy

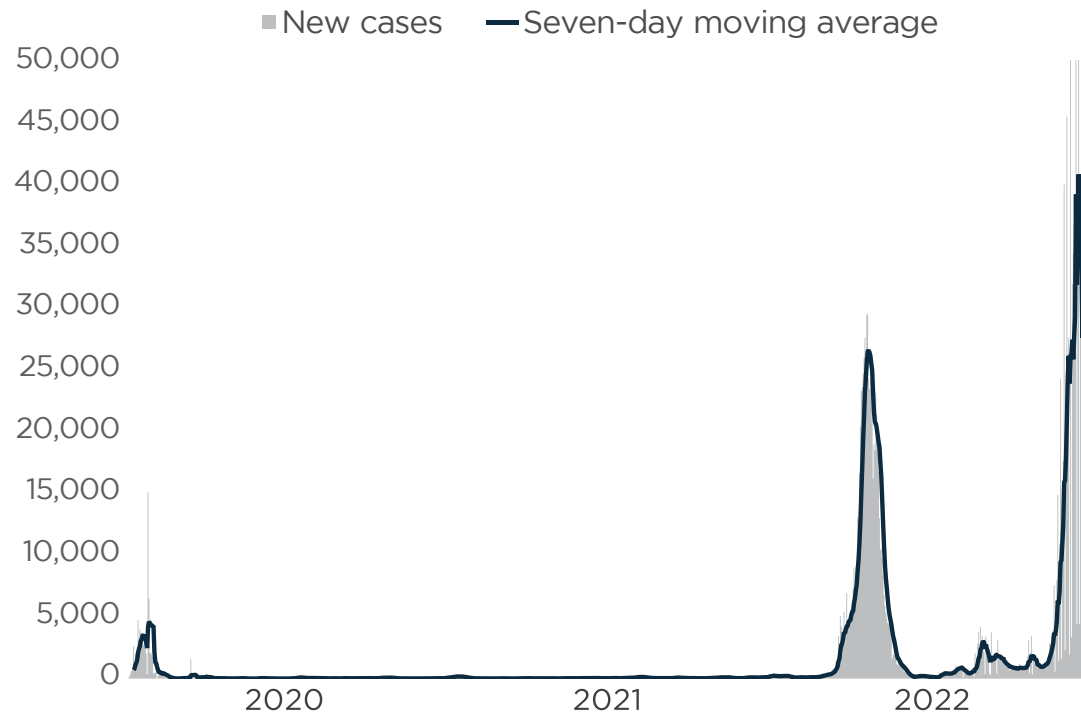


The exports of some Asian countries are seen as a kind of benchmark for the world's economic activity due to the region's importance in the production chains. The above graph shows South Korea's trade balance and allows us to follow the seasonally-adjusted monthly volume of exports in US dollars. As can be seen, there has been a significant decline in recent months following a sharp rise in export volume since the beginning of 2020.

China: Authorities announce relaxation of restrictions and economic growth stimulus measures

Global Economy

New cases of Covid-19 in China



New cases of Covid-19 have grown rapidly in China in recent weeks, but the Chinese authorities have decided to relax measures to combat the virus. This seems to indicate a paradigm shift in which the aim is no longer to reduce cases to zero level but to "flatten the curve", as has occurred in the West.

At the same time, a series of measures to stimulate activity were launched, including actions directed at the real estate sector and the implementation of the expansionist monetary policy.

United States: Inflation eases in sequential terms but certain metrics are still dubious

Global Economy

Core Services ex-Rent of Shelter

Accumulated over 12 months

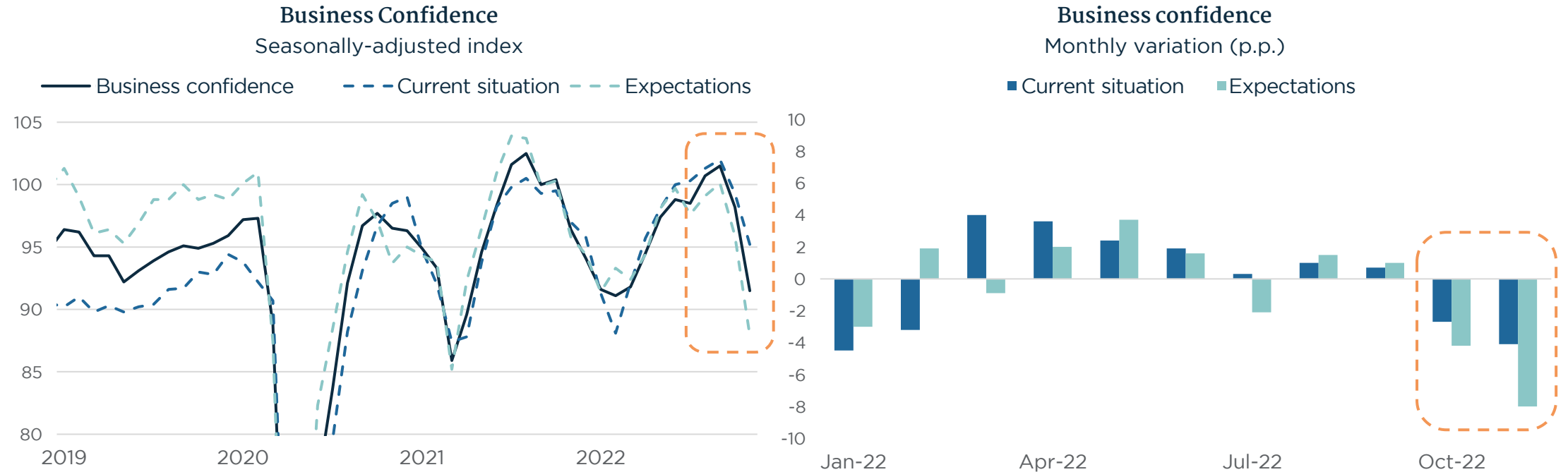


Inflation in October was lower than the market consensus in both the headline and core index. The composition was also slightly more benign, showing a slowdown in some of the more inert inflation items. This reading also helped increase the likelihood of a slowdown in U.S. interest rates at the December FOMC (Federal Open Market Committee) meeting.

Looking ahead, there is some consensus on the deceleration of headline inflation and some core components, such as real estate and rent-related items - exemplified by the accompanying graph. On the other hand, the trajectory of certain metrics, such as core services excluding rent, is still pretty uncertain.

Business Confidence: Expectations plunge faced with slowdown in activity and fiscal uncertainty

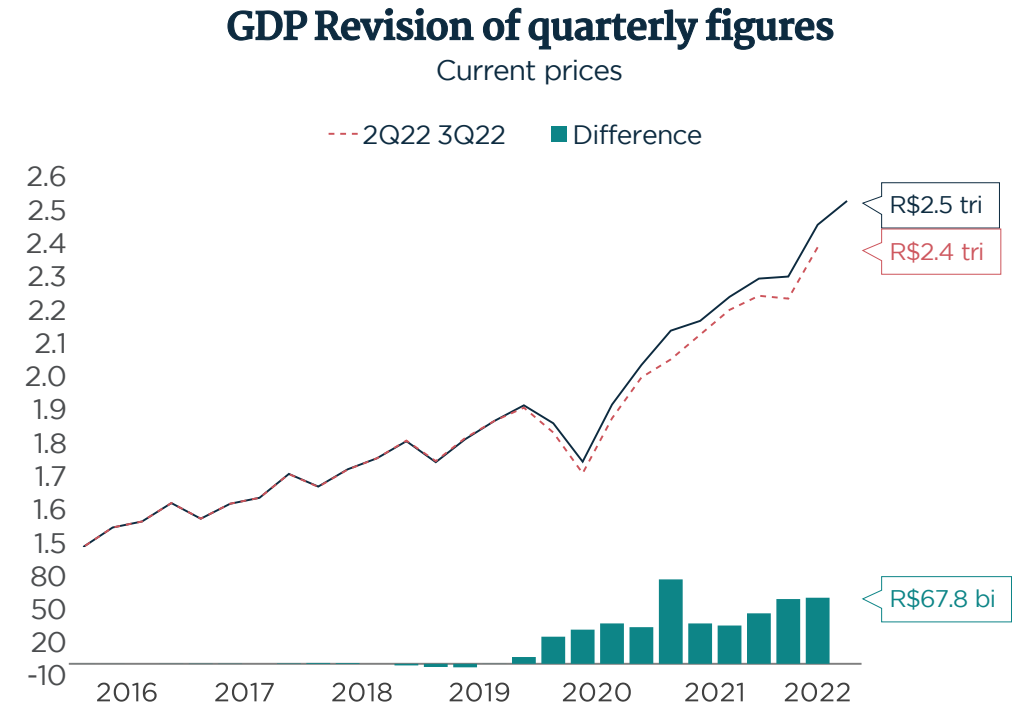
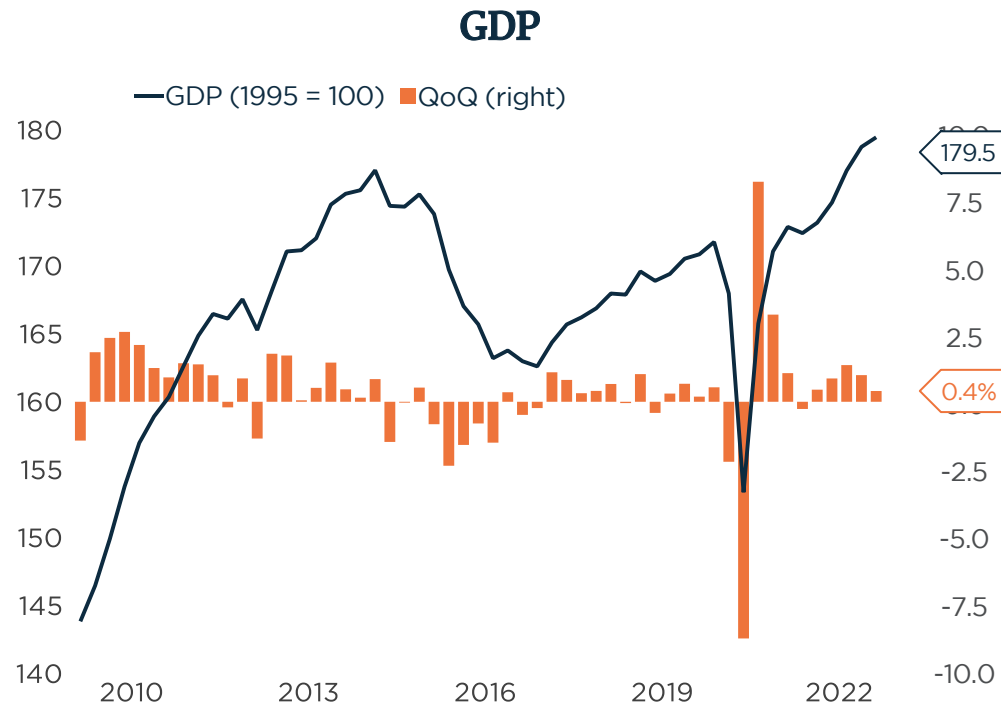
Brazilian Economy



The Business Confidence Index (ICE) showed a sharp, widespread plunge in the months of October and November. The main driver of this movement seems to be the slowdown in economic activity against a backdrop of contractionary monetary policy. Moreover, the increase in uncertainty over the state of the public accounts also contributed to the fall. The ICE brings together the confidence indicators produced by surveys of the Industry, Services, Trade and Construction sectors.

GDP: Slowdown seen in third quarter but positive revisions made

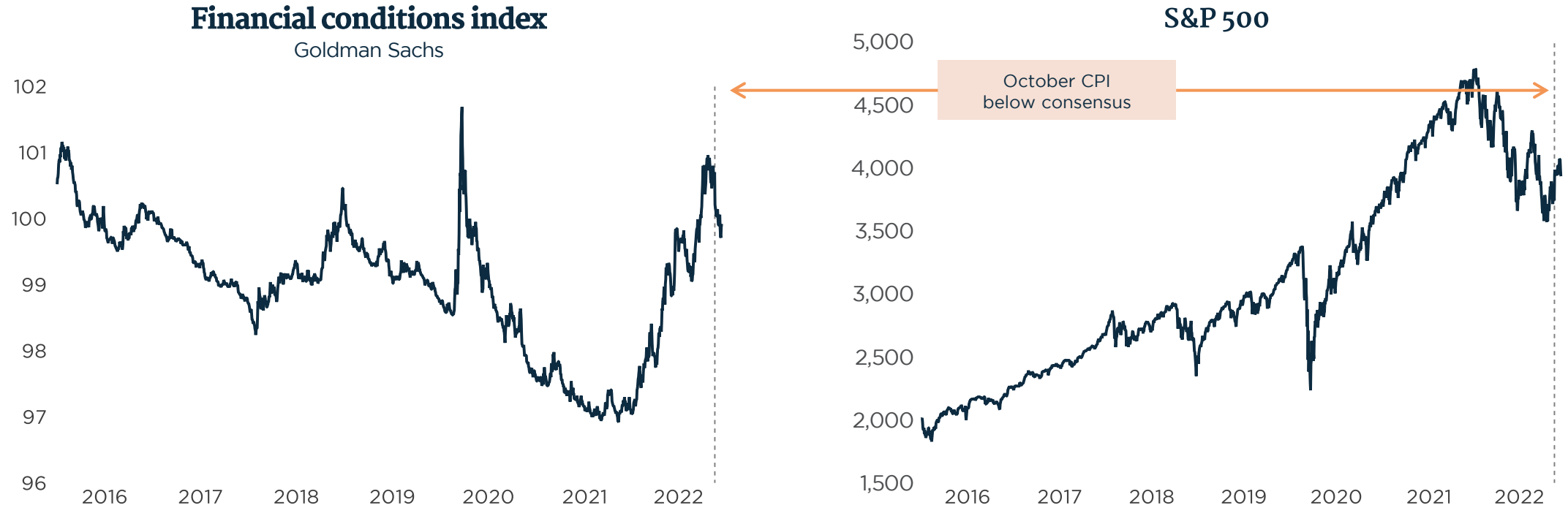
Brazilian Economy



The third quarter GDP figure showed a sharper slowdown than expected, reinforcing the view that the economy started to decelerate in the second half of the year. On the other hand, important positive revisions have been made in recent years, particularly from 2020 on.

Markets: Financial conditions experience some relief after the October CPI result

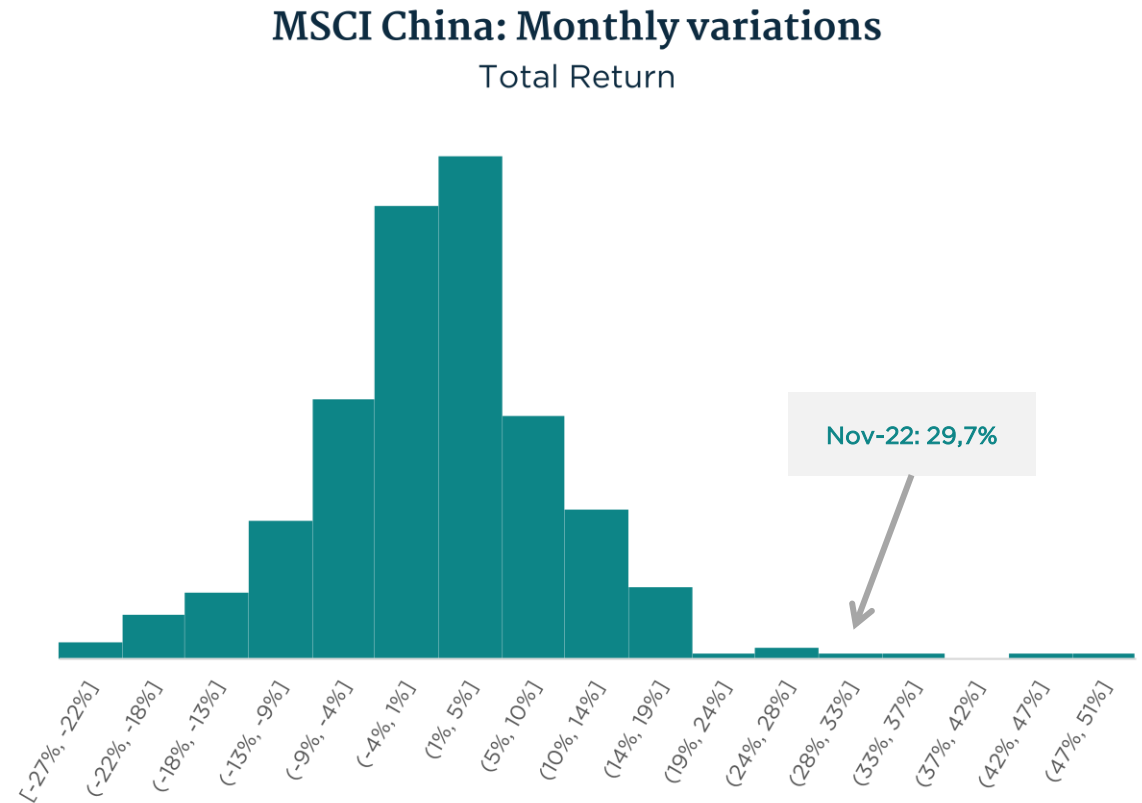
Markets



The Consumer Price Index (CPI) for October triggered a loosening of financial conditions (graph on left), with some emphasis on the improvement of the American stock market (graph on right). This occurs in a situation that favors less timely increases in US interest rates at the next meetings of the Federal Reserve's Monetary Policy Committee, the FOMC.

Stocks: Signs of change in the Zero Covid policy give Chinese assets a boost

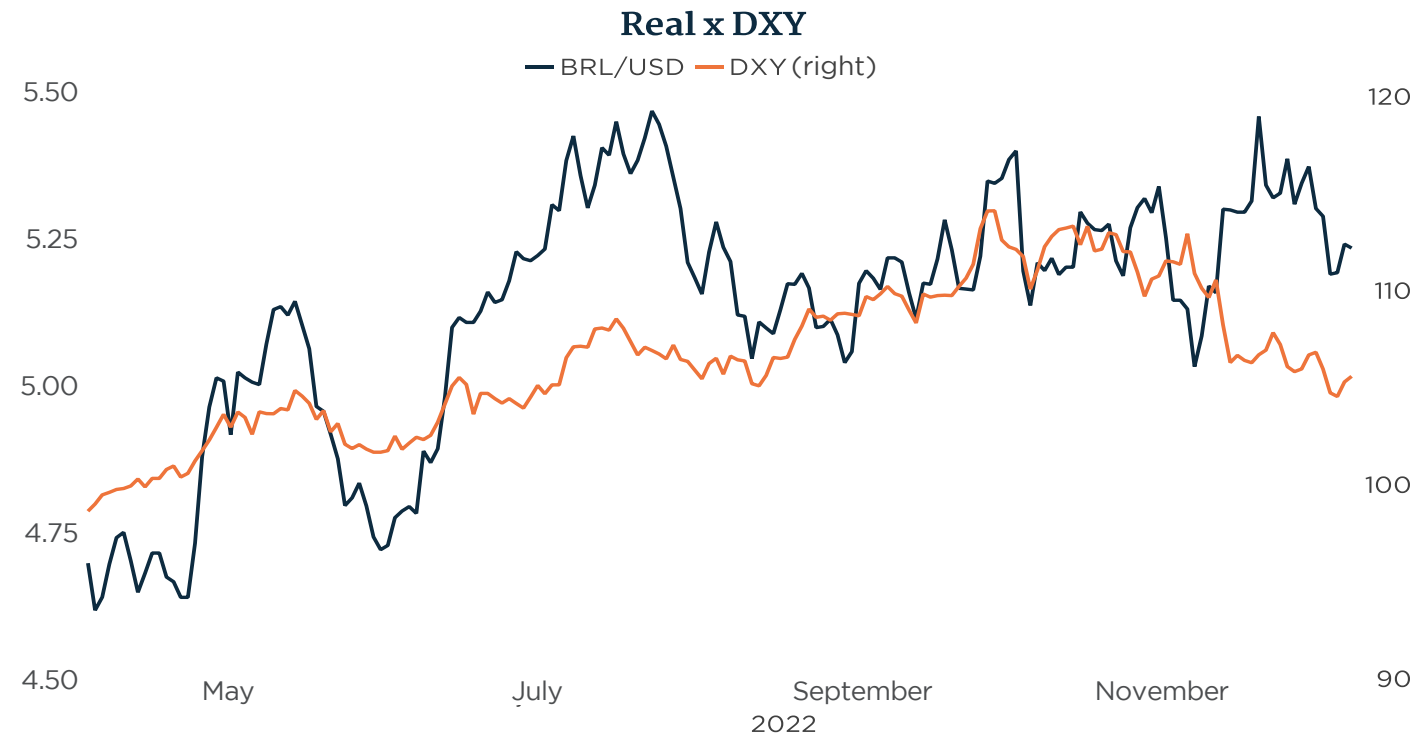
Markets



After a prolonged downfall period since its peak (in early 2021), the Chinese stock market showed an abrupt upward movement, as seen in the above graph. The possibility of the zero covid policy reaching its end combined with a set of technical factors led the index to register a rise of approximately 30% in November, a scale rarely seen in the historical series.

Currencies: Underperformance in a month marked by a weak US Dollar

Markets

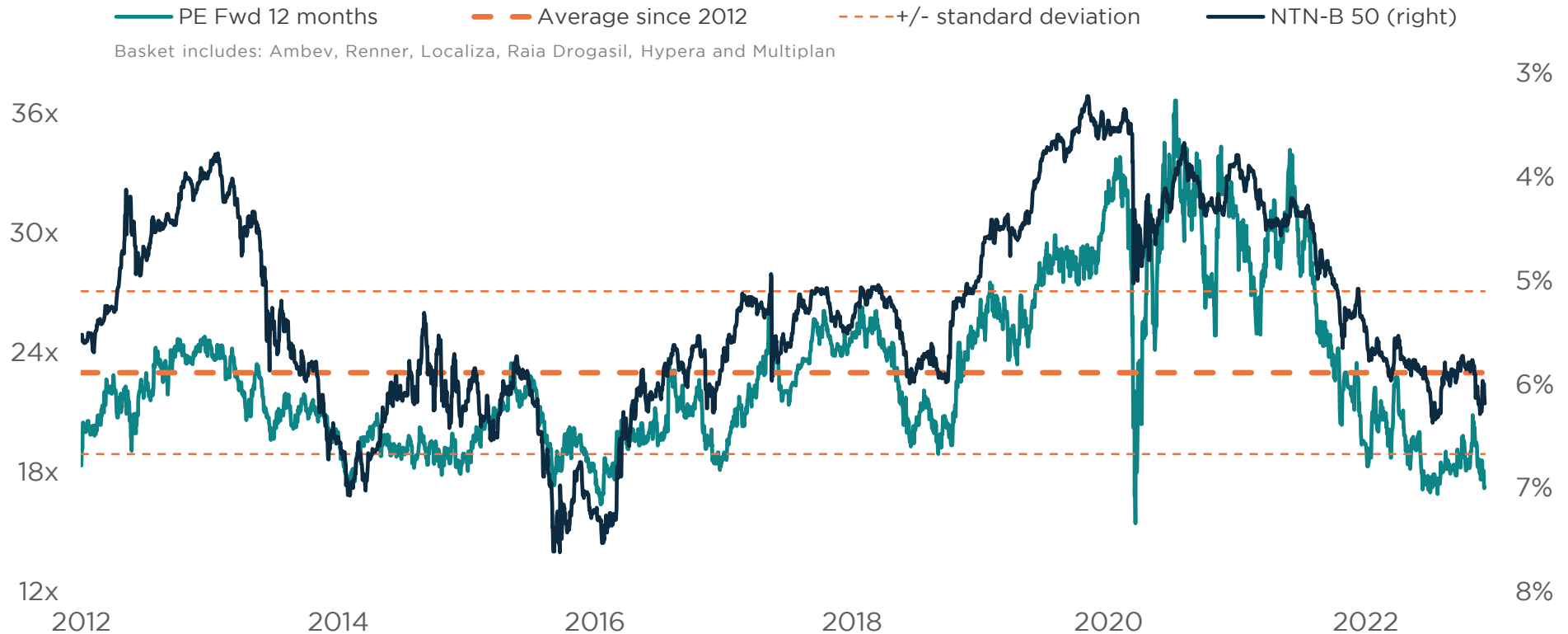


One of the main issues over this past month in Brazil has been a worsening outlook for the country's fiscal situation, particularly in view of the possible transition constitutional amendment (PEC), which should bring about a significant increase in public spending in the coming years. The fiscal expansion without any clear sign of a new fiscal regulation led to a general worsening in the markets, including the exchange rate, which had been performing well in the year against its peers. The above graph compares the performance of the Brazilian Real versus the US dollar with the DXY index which measures the dollar against a basket of currencies from developed countries.

Stocks: Valuations remain discounted

Markets

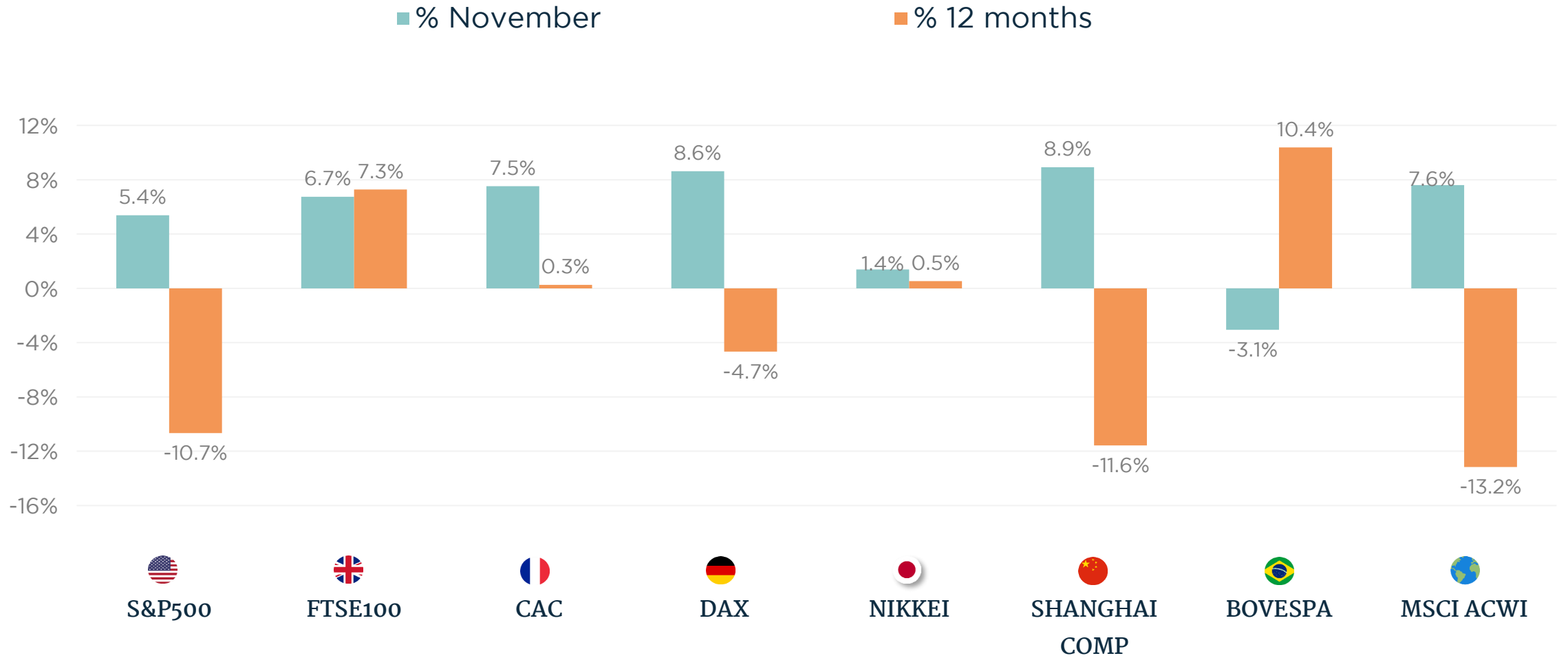
Ibovespa consumer basket



In terms of equities, local asset prices also showed a steep drop, with some sectors returning to levels close to the lows reached at the end of 2015. As a result, some assets are discounted as they were at that time although they were then faced with a lower real interest rate.

Stock Markets

Markets



Indexes

	% November	Value on 30/11/2022	% 2022	% 12 months
COMMODITIES				
OIL WTI	-6.9%	80.55	4.6%	21.7%
GOLD	8.3%	1,768.52	-3.3%	-0.3%
CURRENCIES (IN RELATION TO THE US\$)				
EURO	5.3%	1.04	-8.5%	-8.2%
GBP	5.1%	1.21	-10.9%	-9.3%
YEN	7.7%	138.07	-16.7%	-18.0%
REAL	-0.2%	5.19	7.4%	8.3%
INDEXES				
S&P500	5.4%	4,080.11	-14.4%	-10.7%
FTSE100	6.7%	7,573.05	2.6%	7.3%
CAC	7.5%	6,738.55	-5.8%	0,.%
DAX	8.6%	14,397.04	-9.4%	-4,.%
NIKKEI	1.4%	27,968.99	-2.9%	0.5%
SHANGHAI COMP	8.9%	3,151.34	-13.4%	-11.6%
BOVESPA	-3.1%	112,486.01	7.3%	10.4%
MSCI ACWI	7.6%	630.92	-16.4%	-13.2%



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