TURIM

Economic Report

April 2025

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Indice

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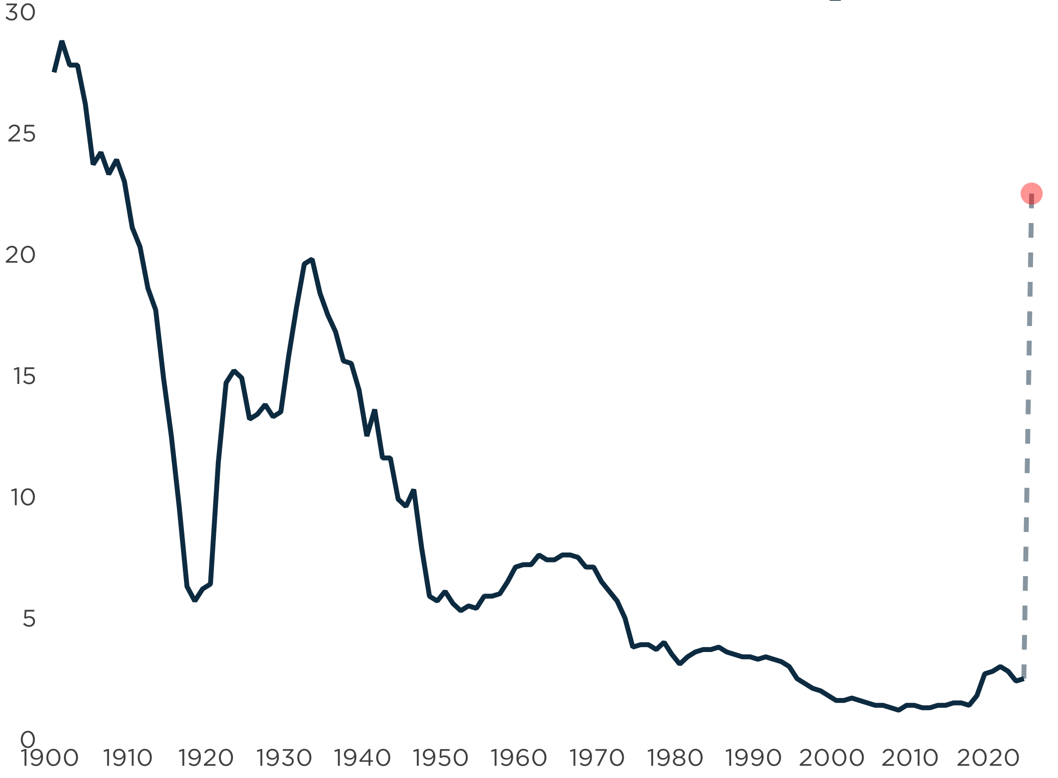
International Trade:
Liberation Day Exceeds All Expectations
Global

USA: Effective Tariff Rate on All Imports

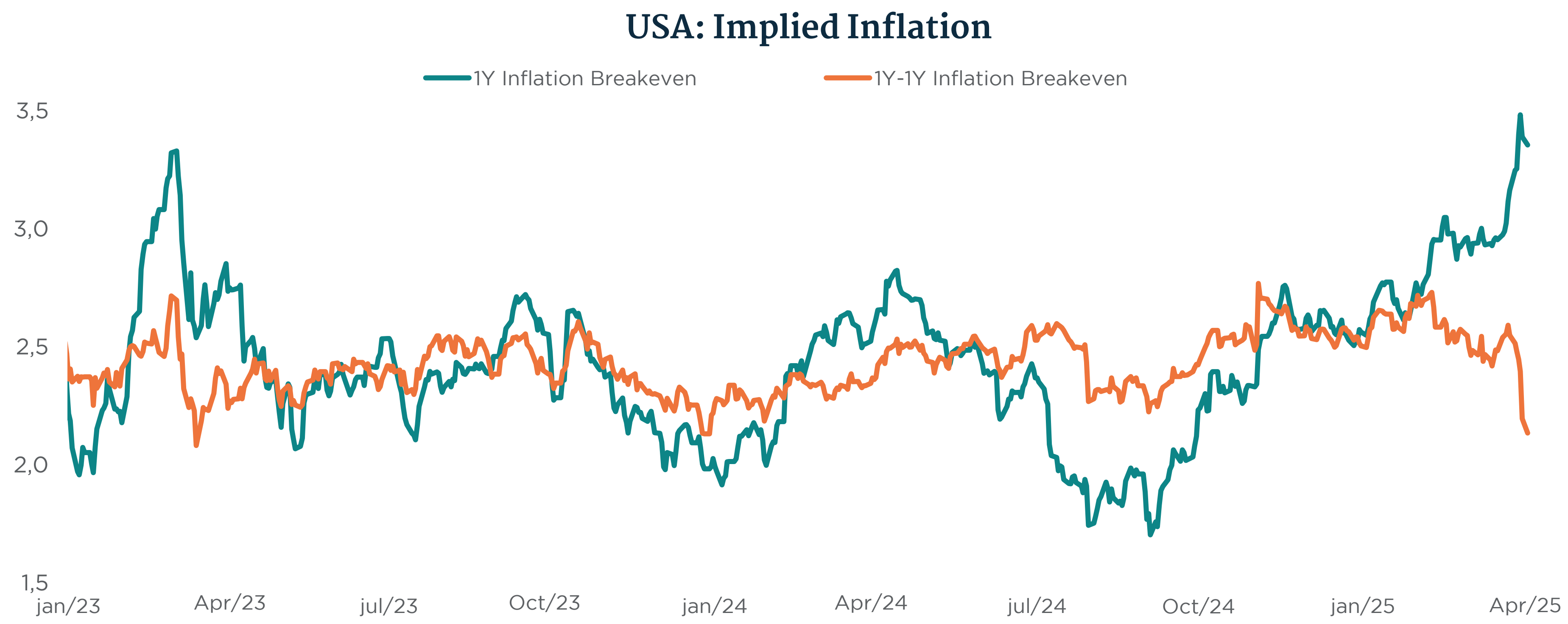


On April 2nd — dubbed "Liberation Day" by President Donald Trump — the long-awaited "reciprocal tariffs" were announced. The measure sets a minimum rate of 10% on imports and imposes additional duties proportional to the United States' bilateral trade deficit with each country.

According to preliminary estimates, if these measures are fully implemented, the average effective tariff on U.S. imports could reach its highest level in over 100 years (as illustrated in the graph on the left). However, on April 9th — the initially scheduled date for the implementation of the "reciprocal" portion of the tariffs — Trump announced a 90-day postponement of the measure. Nonetheless, pressure on China increased, as its exports to the U.S. are already facing tariffs above 100%.

Source: Tax Foundation, Turim

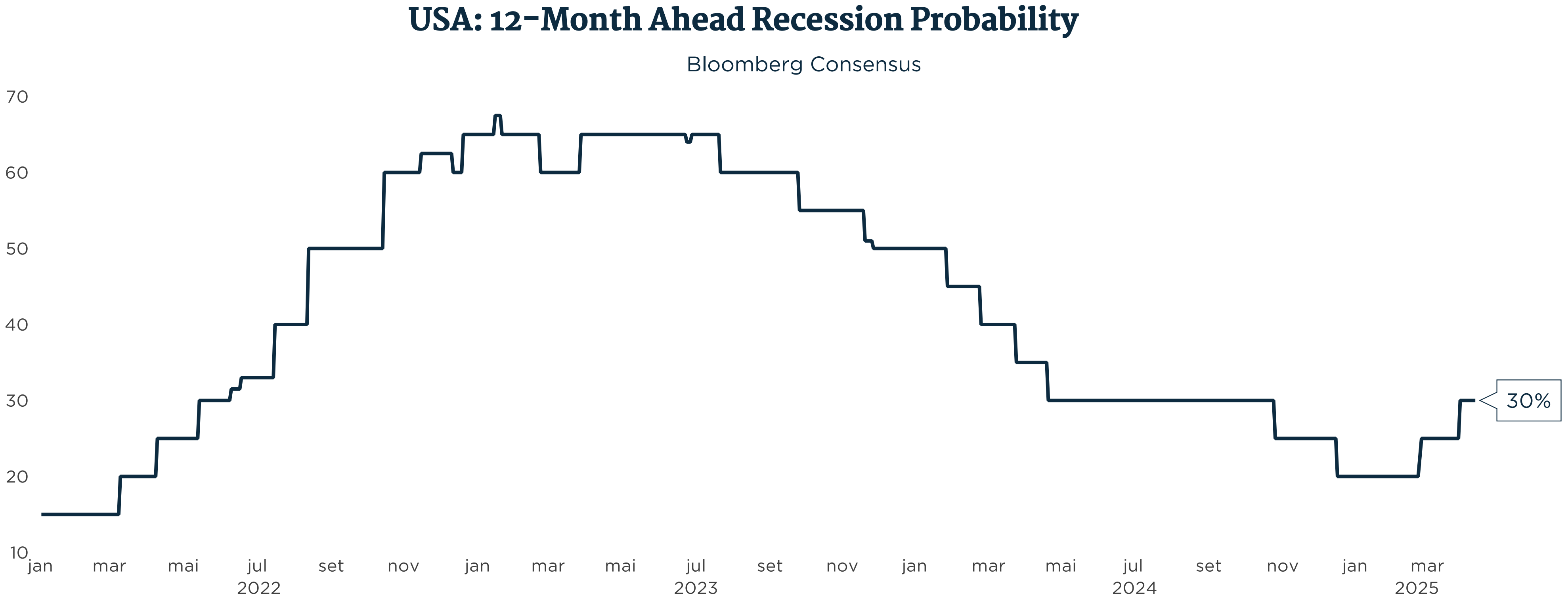
Inflation:
Tariff Effects May Be Temporary
Global



Projections for the impact of the new tariffs on inflation remain uncertain, largely due to the inconsistent messaging adopted by the U.S. government. Nevertheless, the pricing of implied inflation along the U.S. yield curve suggests that the market expects only temporary inflationary effects.As illustrated in the chart above, inflation expectations for the next 12 months (green line) have been rising rapidly, while projections for the 12 months thereafter (orange line) have been weakening. This reinforces the interpretation of a short-term, front-loaded impact.

Source: Bloomberg, Turim

Activity:
Growth Expectations Declining, Increasing the Risk of a U.S. Recession
Global



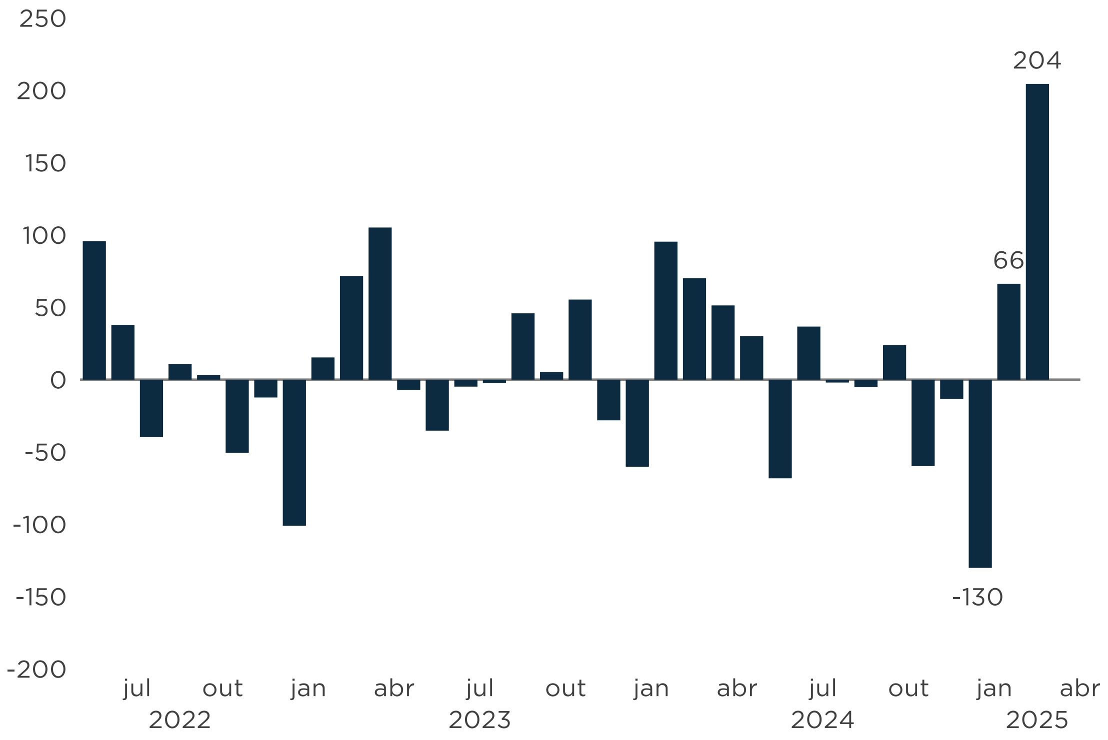
In addition to the impact on prices, the new tariff measures have significantly increased the risks to economic activity. On the margins, several institutions have revised upward their estimates for the probability of a recession in the United States. The chart above illustrates this trend, based on the median of expectations compiled by Bloomberg—even though this metric is, by nature, a lagging indicator.Overall, there is growing consensus that if the proposed measures are fully implemented, the most likely scenario involves a sharper slowdown or even a contraction in economic activity.

Source: Bloomberg, Turim

Labor Market:
Growth Moderation Is Not Linear
Brazil

Caged: Surprise in Net Job Creation

Data in thousands

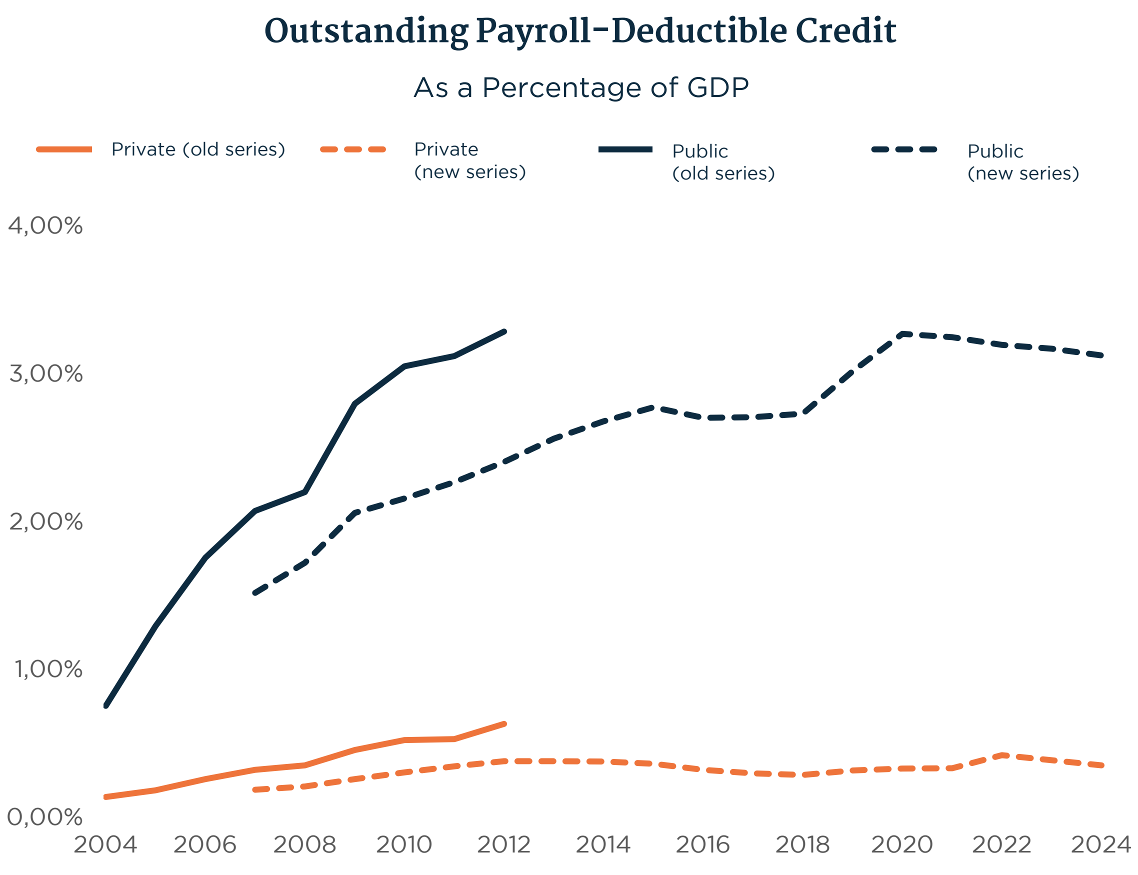


Since the end of last year, the Brazilian economy has shown consistent signs of moderation. These signals are observable both in traditional indicators — such as sectoral surveys on activity and labor market performance — and in high-frequency data. Nonetheless, in some cases, the slowdown has occurred more gradually than anticipated.

The chart on the left illustrates the difference between the number of formal jobs created and the median market expectations for each month. Since the beginning of the year, the data has positively surprised, particularly in February, when job creation exceeded projections by more than 200,000 positions.

Source: Bloomberg, Ministry of Labor, Turim

Credit:
Private Payroll-Deductible Loans May Help Mitigate Economic Slowdown
Brazil



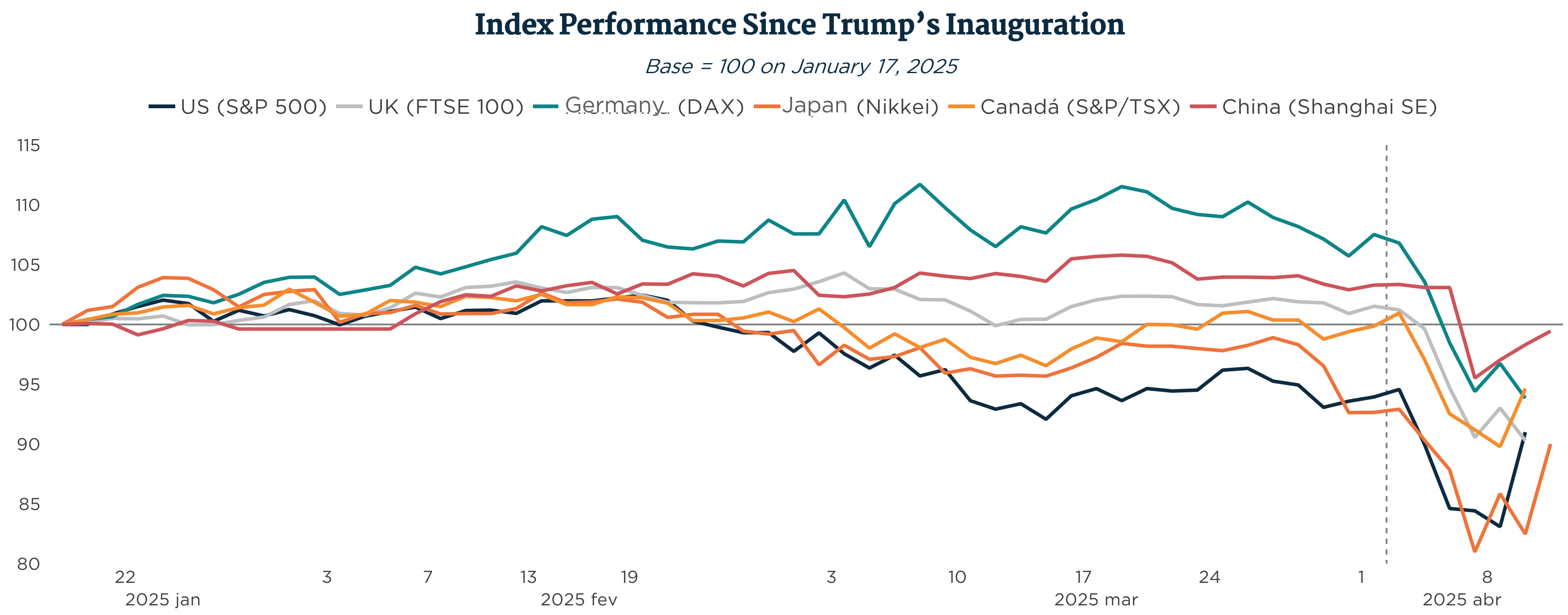
Despite signs of economic deceleration, recent measures adopted by the government may serve as compensatory mechanisms. One of the key developments is the expansion of the payroll-deductible credit line for the private sector, which should facilitate access to this instrument for all formally employed workers in the country.

The chart on the left shows the evolution of payroll-deductible credit stock — public and private — as a proportion of GDP since its introduction in 2004, based on updated data from the Central Bank. The modality has seen wide adoption in the public sector, significantly contributing to the expansion of free credit. In contrast, regulatory constraints have limited progress in the private sector until now.

Although the room for a substantial new credit expansion appears limited — given the high household debt levels — replacing more expensive credit lines with options offering more favorable terms and longer maturities may alleviate income commitment and, consequently, help sustain short-term consumption.

Source: BCB, Turim

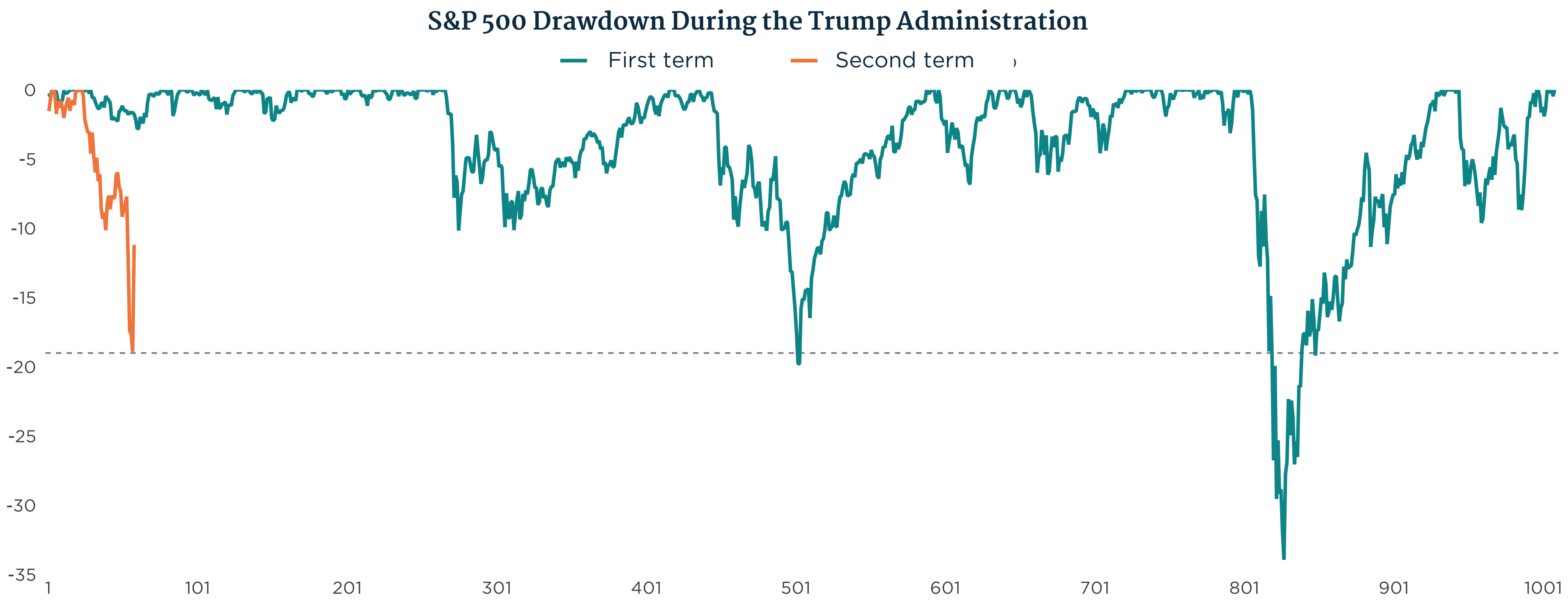
Equities:
Global Stock Markets Plunge After White House Announcement
Markets



Global market performance deteriorated sharply following the announcement of new tariffs by the United States. This movement reflected not only the increased risk of a sharper economic slowdown — with direct effects on corporate earnings — but also heightened uncertainty surrounding the global political and economic outlook, which has driven up risk premiums and compressed valuation multiples.With the postponement of the tariff measures announced last Wednesday, a significant, albeit partial, recovery was observed across various risk assets. However, the immediate relief in growth-related concerns was not enough to dispel the persistent structural uncertainties weighing on the global outlook.

Source: Macrobond, Turim

Equities:
Have We Finally Reached the *"Trump Put"*?
Markets



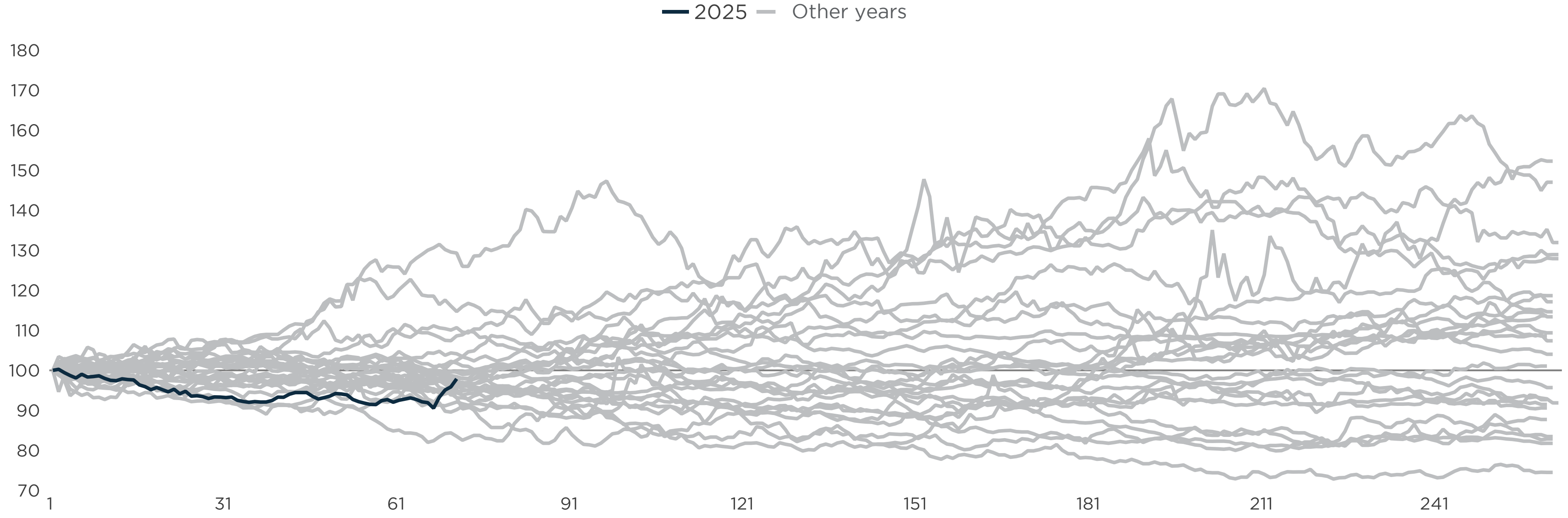
Unlike in his first term, President Donald Trump had been showing little sensitivity to fluctuations in financial asset prices (as exemplified by the cumulative decline of the S&P 500 in the chart above) since taking office in January. However, the abrupt market deterioration — not only in equities but also in fixed income — following the announcement of reciprocal tariffs was soon followed by a de-escalation in tariff policy for the rest of the world (with the exception of China).This sequence leads us to consider the possibility of a "strike" level (exercise price of an option) for a potential "Trump Put" — an analogy to the financial market mechanism that offers downside protection.

Source: Macrobond, Turim

Exchange Rate:
Dollar Reverses Much of Its Q1 Losses
Markets

DXY: Cumulative Return Since the Start of Each Year

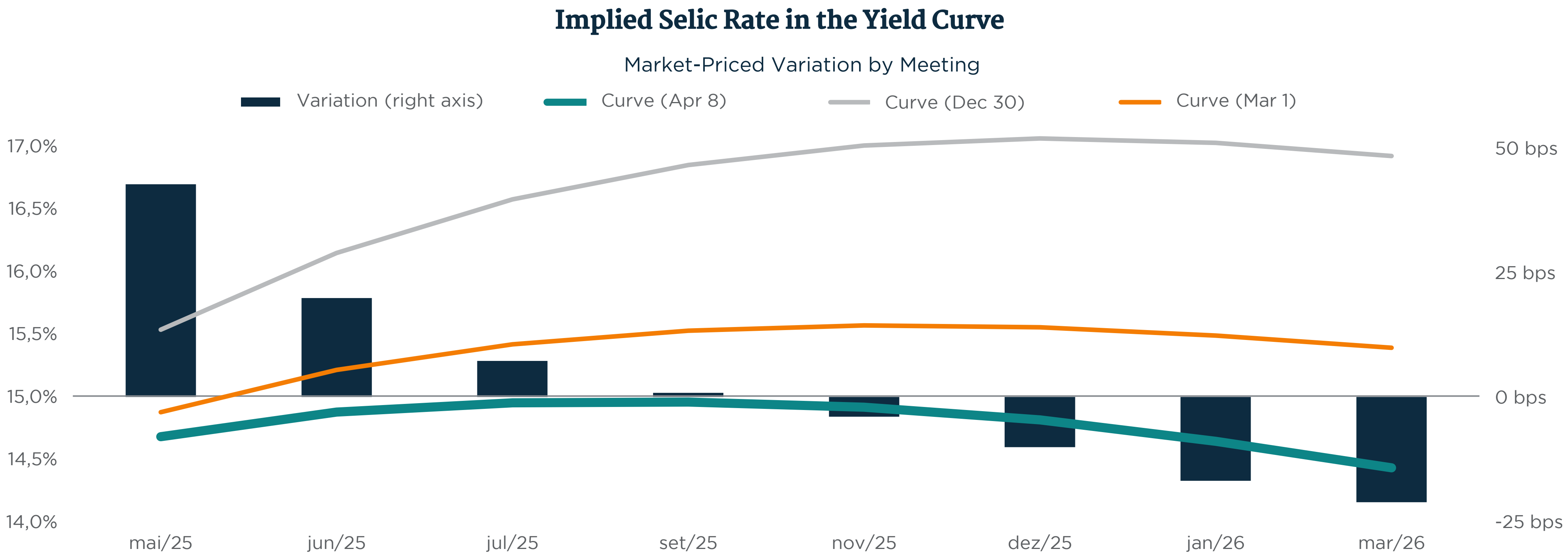
Data since 2000



The performance of the DXY — the index that measures the value of the U.S. Dollar against a basket of currencies from trading partners — was, in Q1 2025, one of the weakest in recent decades. The result was surprising, given that expectations at the beginning of the year suggested a strengthening of the U.S. currency in response to the implementation of new trade tariffs. However, in recent weeks, the index has recovered, regaining much of the ground lost at the start of the year.

Source: Macrobond, Turim

Monetary Policy:
Selic Rate Hike Cycle Appears Nearing Its End
Markets

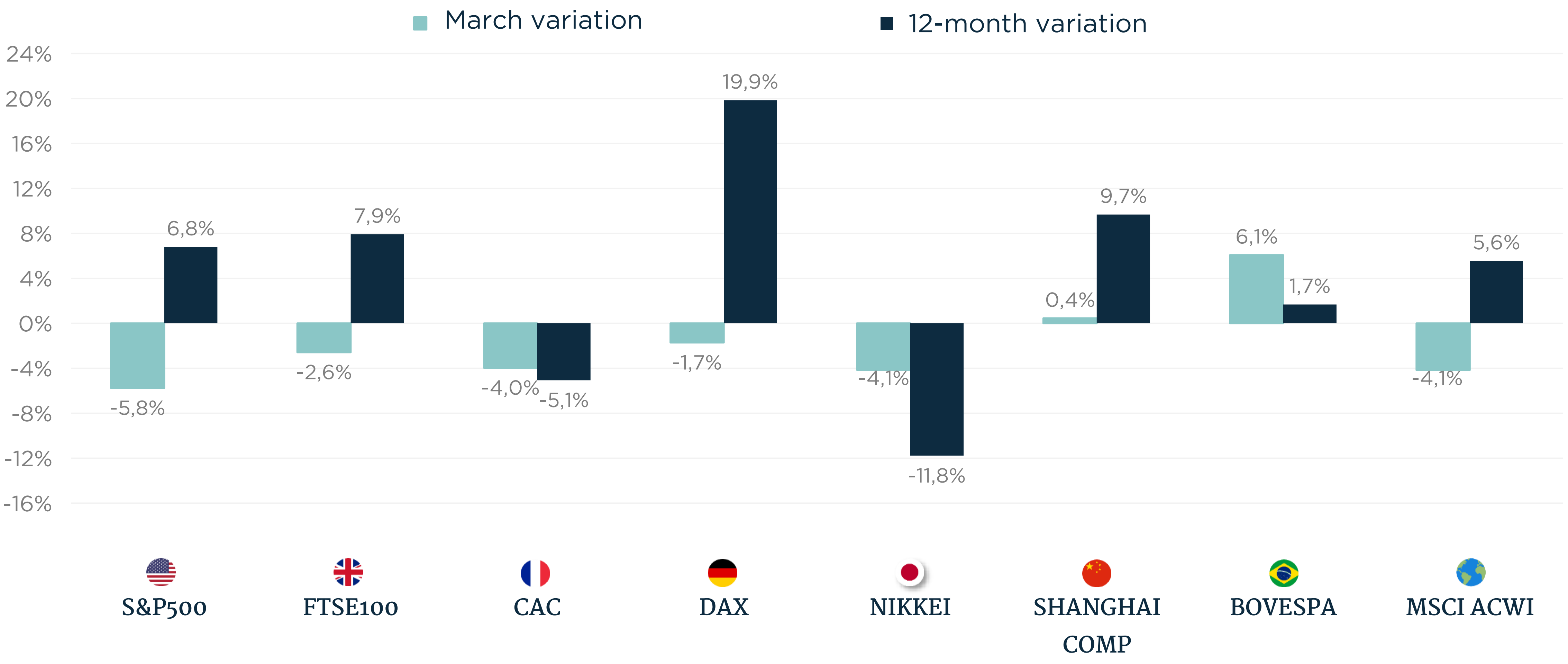


In Brazil, the end of the monetary tightening cycle appears increasingly near, driven primarily by the outlook for a slowdown in economic activity. The chart illustrates the declining trend in market-implied interest rates, with the terminal rate falling from around 15.50% in early March to levels closer to 15% throughout April.

Source: Bloomberg, Turim

Equities

Markets



Source: Bloomberg

Indices

	March Change	Value on 03/31/2025	YTD Change (2025)	12-Month Change
COMMODITIES				
WTI Oil	2,5%	71,48	-0,3%	-14,1%
GOLD	9,3%	3.123,57	19,0%	40,1%
CURRENCIES (vs USD)				
EURO	4,3%	1,08	4,5%	0,2%
POUND	2,7%	1,29	3,2%	2,3%
YEN	0,4%	149,96	4,8%	0,9%
REAL	3,1%	5,71	8,3%	-12,1%
INDICES				
S&P500	-5,8%	5.611,85	-4,6%	6,8%
FTSE100	-2,6%	8.582,81	5,0%	7,9%
CAC	-4,0%	7.790,71	5,6%	-5,1%
DAX	-1,7%	22.163,49	11,3%	19,9%
NIKKEI	-4,1%	35.617,56	-10,7%	-11,8%
SHANGHAI COMP	0,4%	3.335,75	-0,5%	9,7%
BOVESPA	6,1%	130.259,54	8,3%	1,7%
MSCI ACWI	-4,1%	827,15	-1,7%	5,6%

* Values and returns presented in local currency

Source: Bloomberg

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