



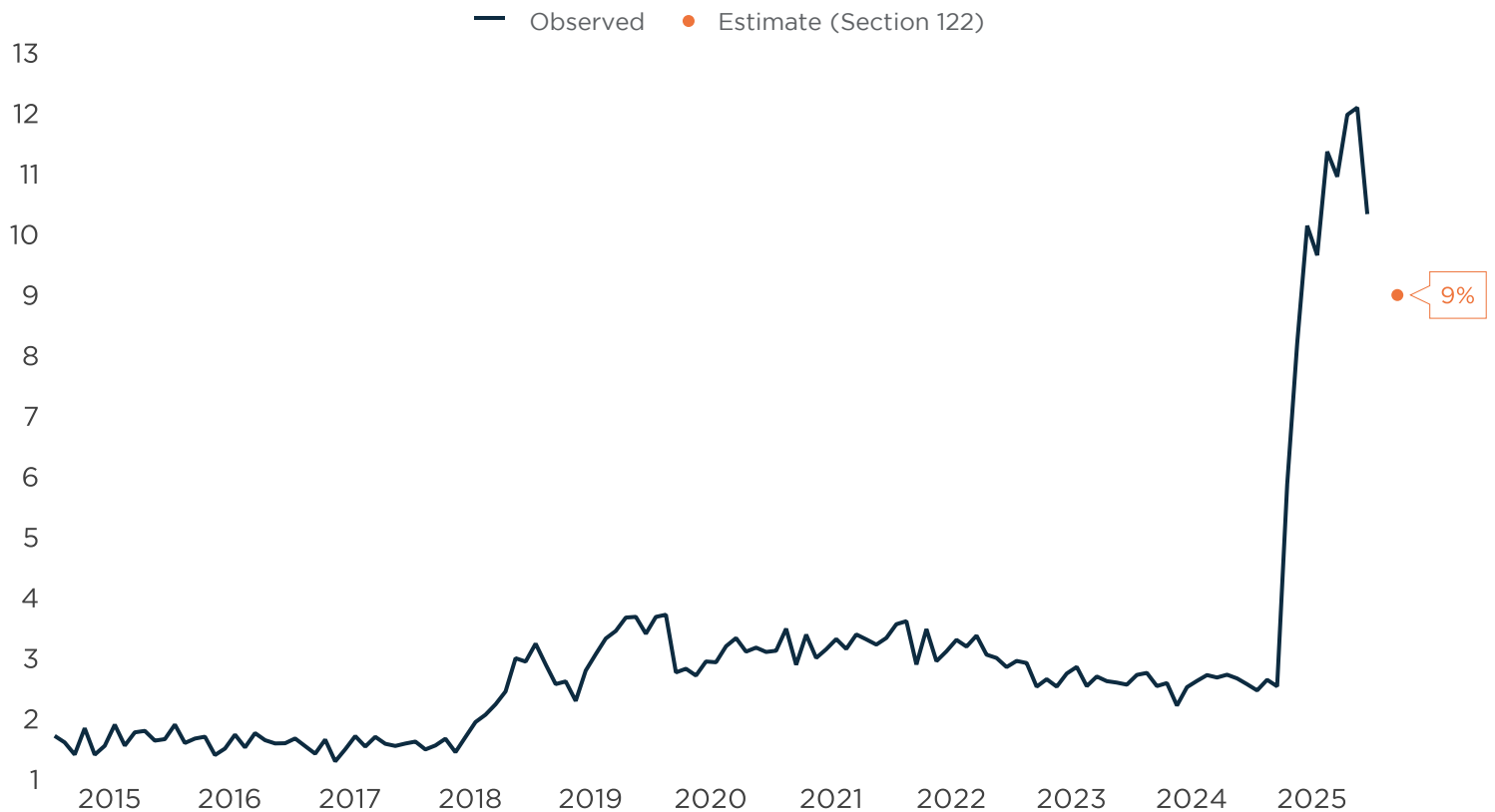
Economic Report

March
2026

Tariffs

Supreme Court strikes down rates based on the IEEPA

Effective tariff rate on U.S. imports



In the second half of February, the U.S. Supreme Court struck down the Rates imposed under the International Emergency Economic Powers Act (IEEPA), representing a setback for the White House. On the same day, Donald Trump publicly announced the implementation of a new global Rate of 10%, this time based on Section 122, later raised to 15%. Preliminary estimates suggest that the effective Rate could decline by around 3 percentage points following these changes, reaching approximately 9%, as illustrated in the chart above.

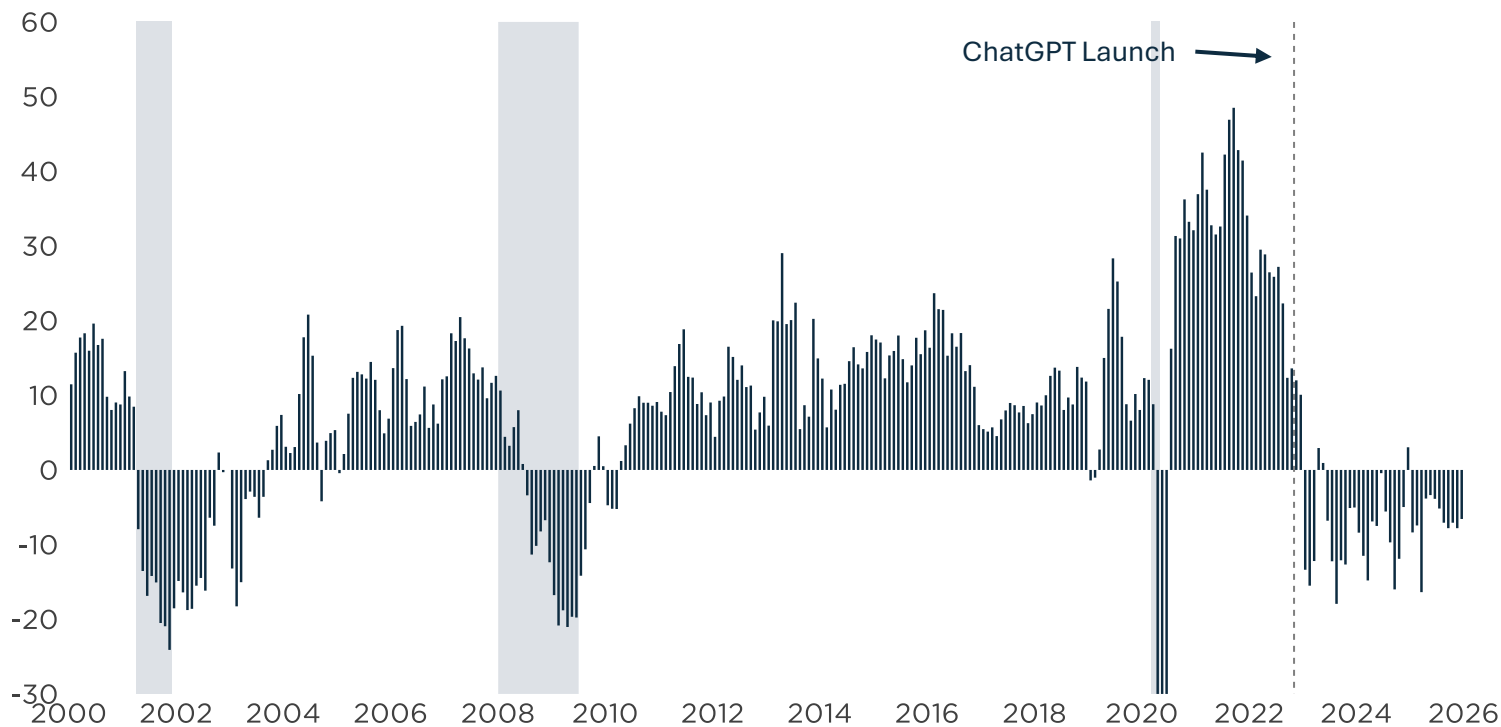
It is worth noting that fiscal revenues from Rates increased significantly in 2025, reaching around USD 264 billion (approximately 0.8% of GDP), a level well above that observed in recent decades. In this context, although the Supreme Court's decision may be interpreted positively from an institutional perspective, it also raises fiscal risks, including the possibility of lower revenues and legal disputes over the reimbursement of taxes associated with the invalidated instrument.

Labor Market

Stronger job creation at the margin, supported by acyclical sectors

Payroll: net job creation in sectors most affected by AI*

Three-month moving average



*Management consulting, graphic design, office administration, telephone call centers, computer systems, software publishers, web search, data processing, movie production, broadcasting, publishing, document preparation services.

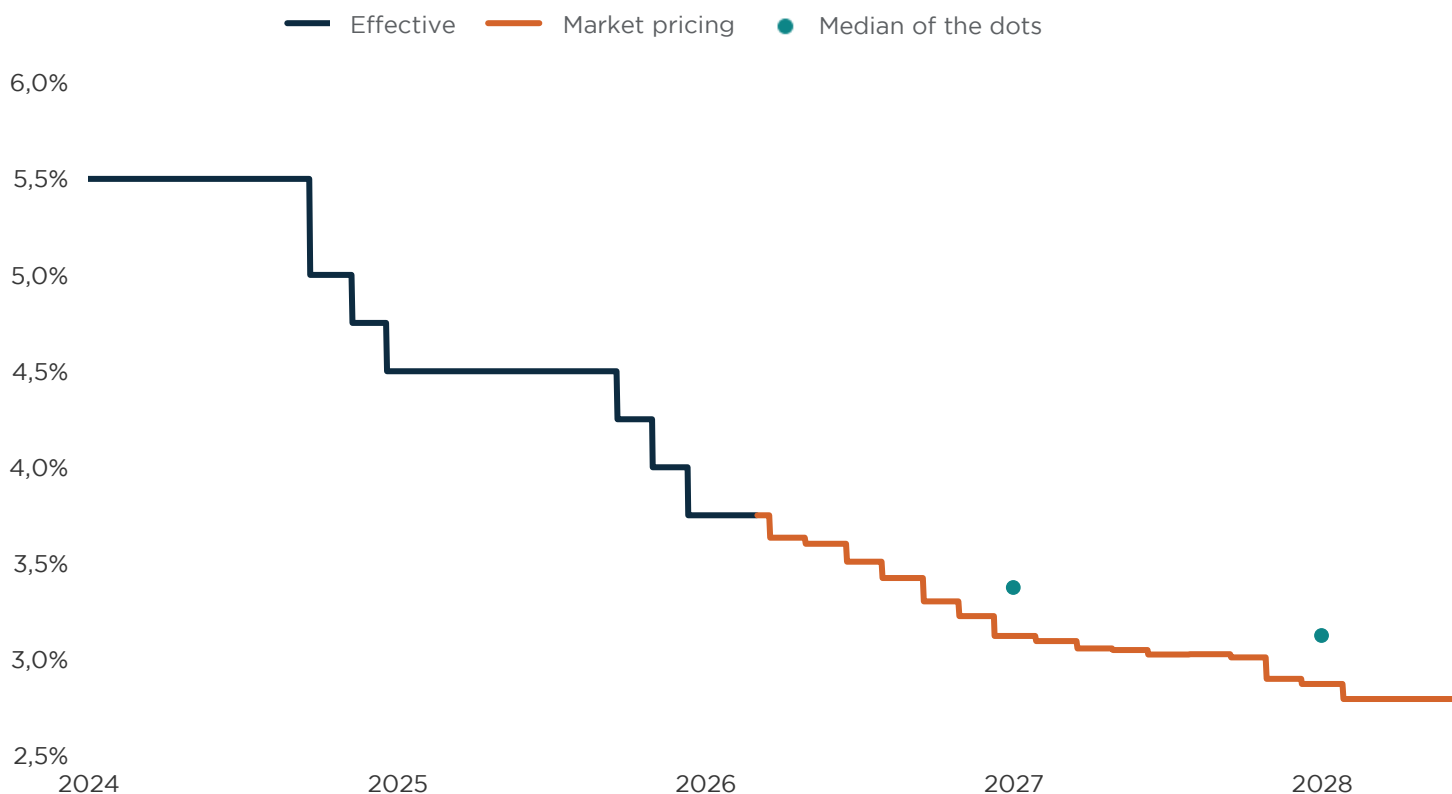
Throughout 2025, a pronounced slowdown was observed in job creation as measured by the Payroll report. Average net monthly job gains were around 15,000 positions, considering the annual revision of the series, well below any estimate of “neutral job creation.” Moreover, even after the stronger figures recorded in January, the main contributions to employment growth remain concentrated in less cyclical sectors, such as healthcare and education.

On the other hand, as shown in the chart above, job creation in certain sectors particularly sensitive to advances in artificial intelligence appears to have been more clearly affected since the launch of ChatGPT in late 2022. Even so, the impact seems limited to a relatively small share of the labor force, suggesting that this technological progress has not yet translated into broad-based productivity gains at the aggregate level of the economy.

Monetary Policy

FOMC less concerned about the labor market, though divided

Effective and projected Fed Funds rate



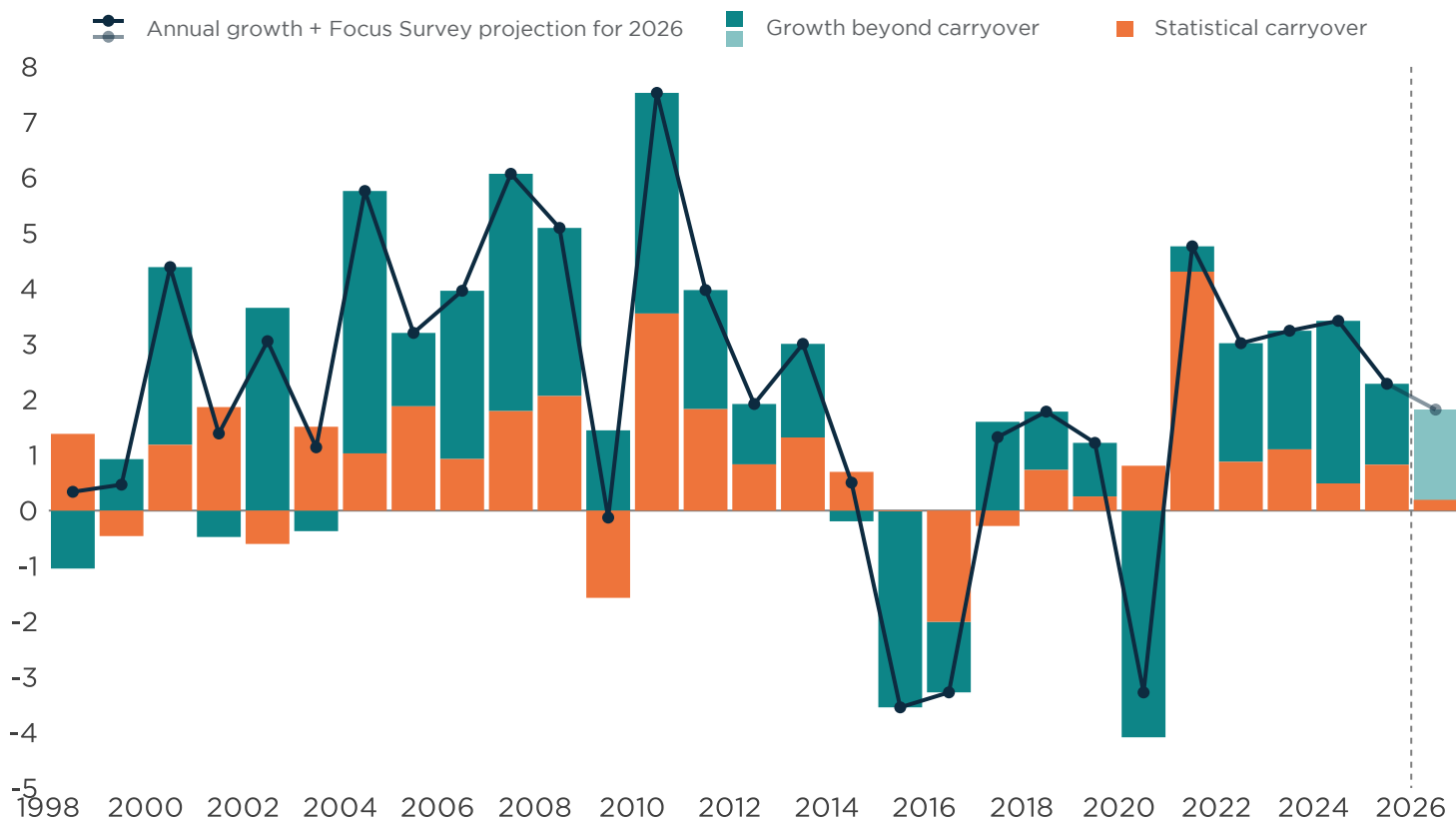
The minutes of the January FOMC meeting reinforced the perception of a highly divided committee and, at the margin, one more inclined to prioritize the fight against Inflation amid a more balanced risk assessment—namely, with reduced concern regarding the labor market. According to the document, most members consider it appropriate to maintain Interest Rates at their current level for some time while awaiting the release of additional data. Nevertheless, a meaningful portion of the committee signaled that it could support further cuts should Inflation moderate in line with expectations.

The chart presents the trajectory (observed and projected) of the policy Interest Rate in the United States. Market pricing suggests that Interest Rates will remain at current levels until the end of Powell's term as Fed Chair in May, followed by two cuts in the second half of the year after Kevin Warsh takes office. Under this scenario, the projected terminal Interest Rate for early 2028 stands between 2.75% and 3.0% per year, slightly below the median of the dots released at the December meeting, which point to a terminal Interest Rate between 3.0% and 3.25%.

Activity

GDP grows slightly below expectations in the fourth quarter

Annual growth of Gross Domestic Product (GDP)



The latest GDP release indicated real growth of 0.15% in the fourth quarter of 2025, slightly below the median market forecast (0.2%). On the demand side, household consumption (C) remained broadly stable during the quarter, while private investment (I) declined by 3.5%. As a result, despite a 1% increase in government consumption (G), domestic absorption (C + I + G) fell by 0.4%, subtracting 44 bps from GDP growth in the quarter. Overall, the composition reinforces the picture of economic deceleration, particularly in the private sector.

The chart above presents the decomposition of annual GDP growth between the statistical carryover inherited from the previous year and the effective change observed throughout each year, considering for 2026 the median projections from the Focus Survey. The carryover for 2026 (0.2%) is the lowest since 2017 and remains well below the historical average of around 1%, increasing the challenge of sustaining growth momentum in 2026. Moreover, Focus projections point in the same direction, indicating more moderate growth for this year, at around 1.8%.

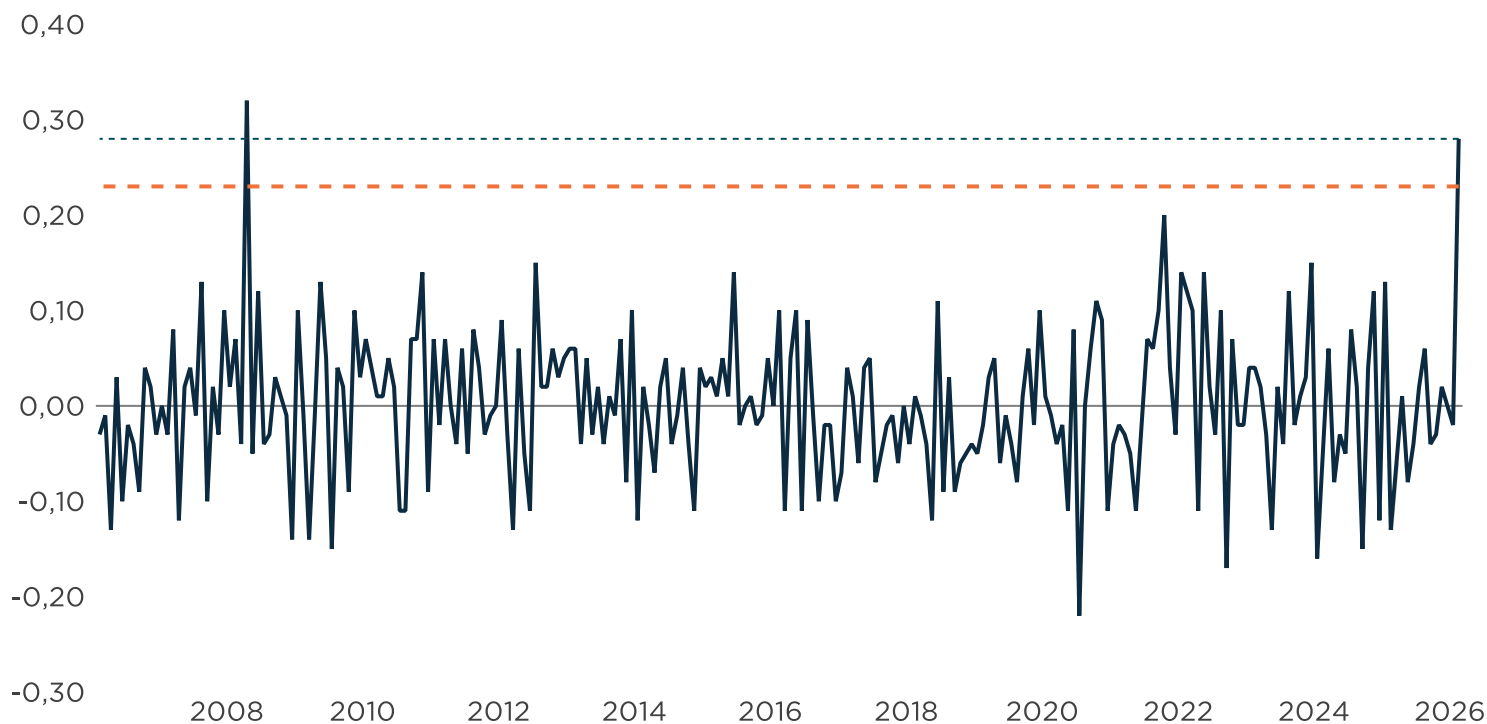
Inflation

Major upside surprise in the February IPCA-15 reflects one-off factors

IPCA-15 surprises

Observed - median market expectations (percentage points)

— Monthly surprises - - - 3 standard deviations



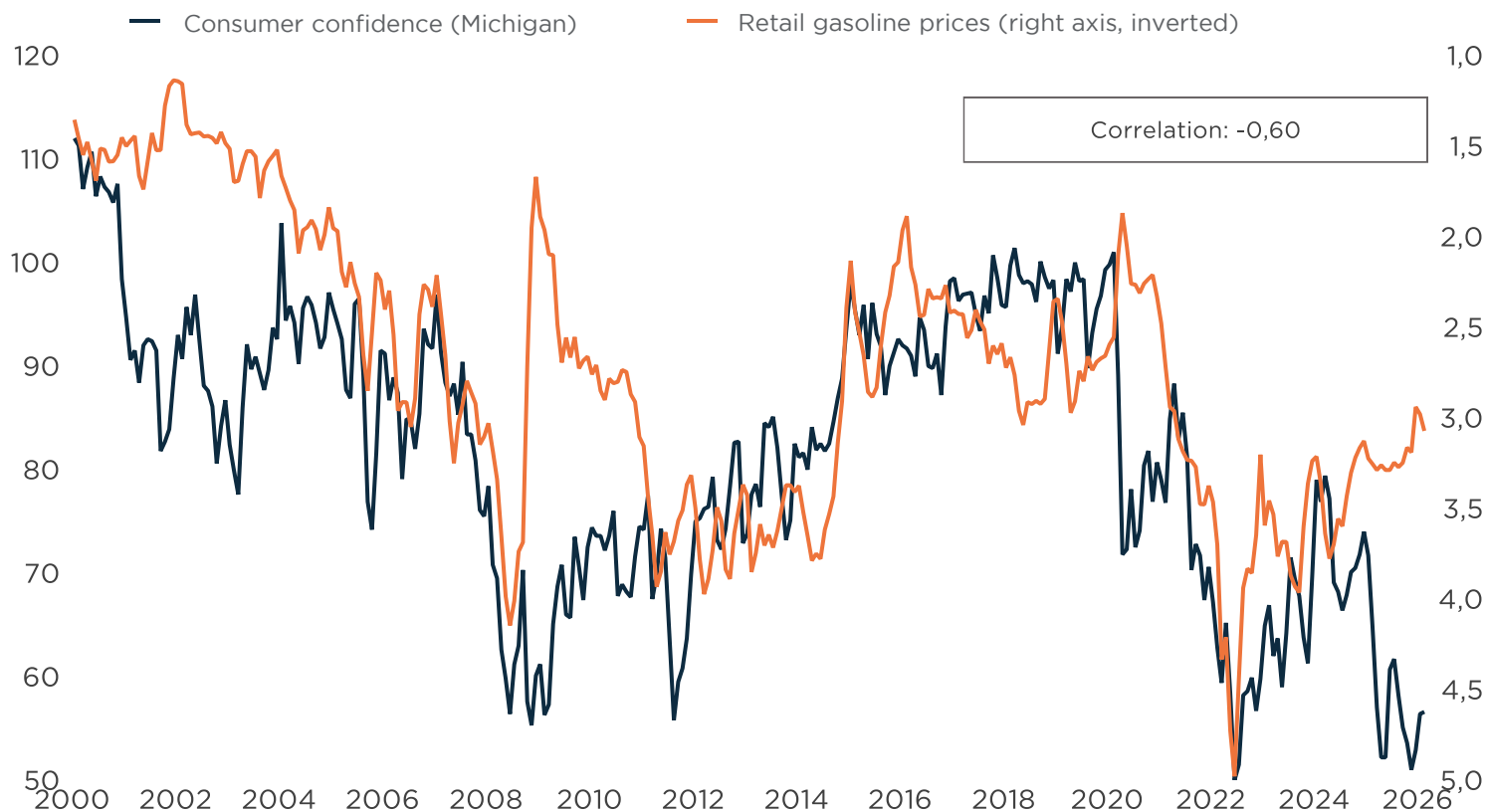
The release of the IPCA-15 showed a 0.84% increase in consumer Inflation between mid-January and mid-February, about 0.28 percentage points above the median market expectation. The chart above illustrates the magnitude of this surprise by presenting the historical series of differences between the observed figure and market projections. This represents the largest surprise since April 2008, exceeding by more than three standard deviations the average observed over the past two decades.

Even so, the breakdown of the index suggests that a significant share of the surprise was concentrated in more volatile components, such as airfares and auto insurance, items that historically display erratic behavior and lower persistence. In addition, the beginning of the year is typically marked by seasonal factors that increase the challenge for analysts, including annual adjustments in school tuition, health insurance plans, and certain administered prices. As such, the surprise should not materially alter the forward-looking outlook for monetary policy.

Commodities

Oil prices may vary depending on the duration of the conflict in Iran

U.S.: Consumer confidence vs. gasoline prices

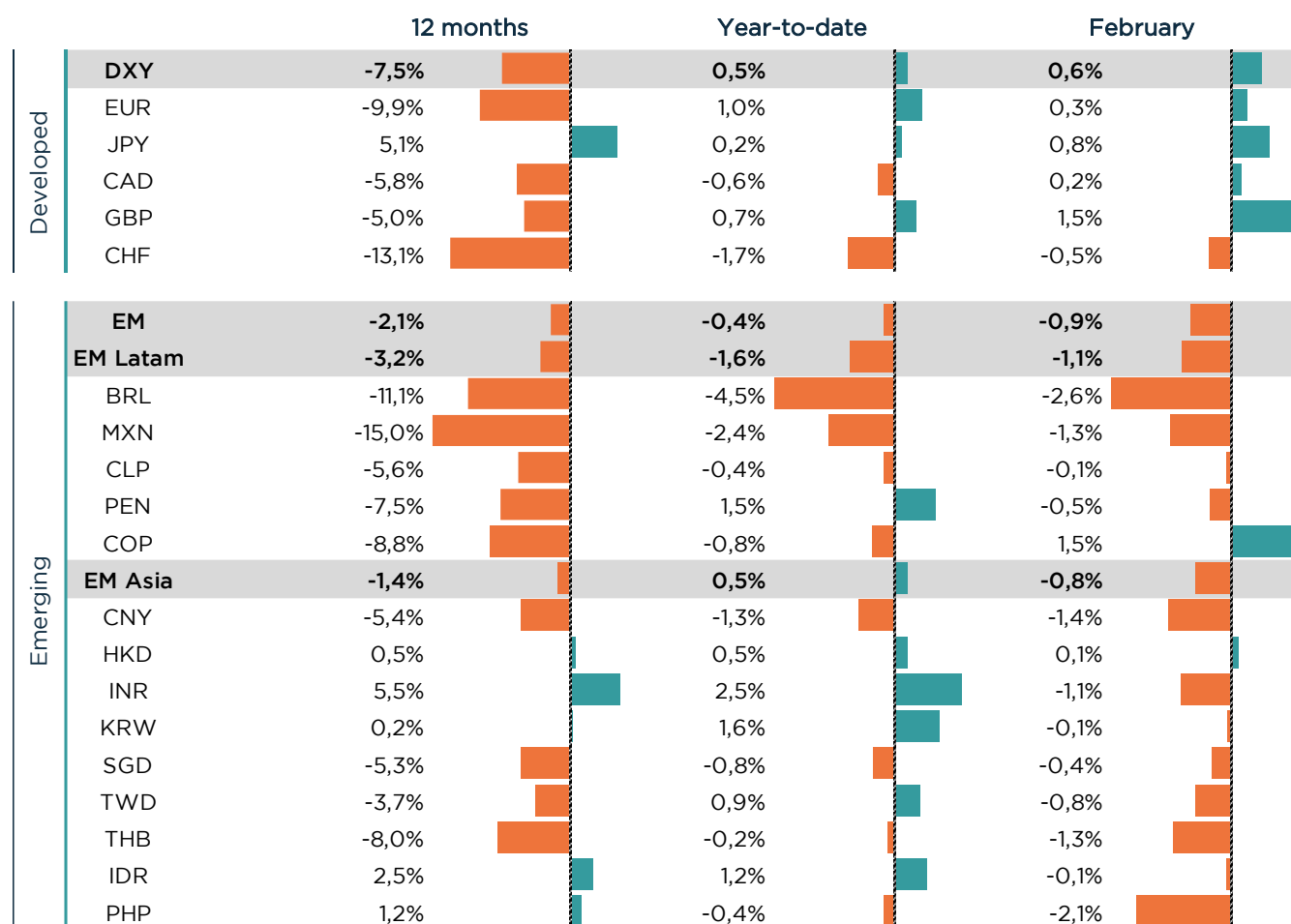


The recent escalation of the conflict in the Middle East, following the coordinated attack by the United States and Israel on Iran, led to a sharp increase in oil prices and heightened volatility across global financial assets. The forward-looking outlook remains uncertain: it is still unclear who will assume leadership of the country or how long the conflict may persist. From the perspective of the energy market, the main risk is a prolonged disruption of the Strait of Hormuz, through which roughly one-fifth of global oil flows transit, although the United States has already signaled measures to mitigate this risk.

The chart highlights the historical relationship between gasoline prices and consumer confidence in the United States. The negative correlation indicates that periods of rising gasoline prices tend to be associated with a deterioration in consumer sentiment. In this context, a more persistent shock in oil prices could begin to weigh on the confidence of American households and affect the government's popularity, particularly as the midterm elections approach.

Exchange Rates

DXY rises in February, but the U.S. Dollar continues to weaken against emerging market currencies



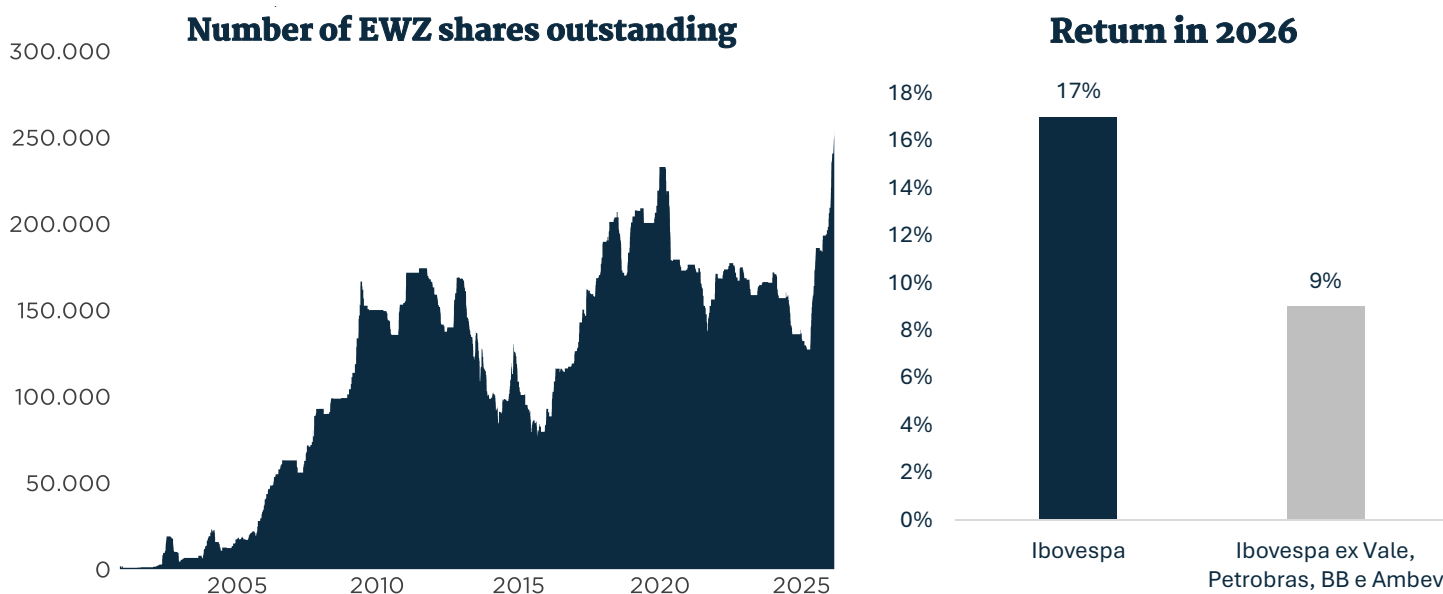
Legend: USD appreciation / local currency depreciation
Local currency appreciation / USD depreciation

In February, the U.S. Dollar appreciated broadly against developed market currencies, resulting in a 0.6% increase in the DXY index. The move largely offsets the depreciation observed in January, leaving the index essentially flat for the year (0.1%), as shown in the table above.

Against emerging market currencies, however, the Dollar’s performance remains weak. The table shows that the vast majority of emerging market currencies appreciated against the Dollar in February. Year-to-date, Latin American currencies continue to stand out, generally supported by higher Interest Rates differentials. Even within the region, the Brazilian real stands out, although part of the move likely reflects a normalization of the Exchange Rate following the depreciation observed at the end of last year.

Exchange Rates

The performance of the Brazilian real continues to be closely linked to global movements



January and February were marked by strong foreign capital inflows into Brazilian Equities, amid a broader global shift toward emerging markets. The chart on the left shows that the number of shares outstanding in EWZ (an ETF traded in international markets that tracks the performance of Brazilian Equities) reached a historical high, following a sharp expansion in recent months. This inflow of foreign capital also contributed to the appreciation of Brazilian Equities at the beginning of the year, pushing Ibovespa multiples back toward levels closer to their historical average.

Despite the appreciation, the move appears to be concentrated in a relatively small number of companies. As illustrated in the chart on the right, roughly half of the Ibovespa’s year-to-date gains can be attributed to the contributions of Vale, Petrobras, Banco do Brasil, and Ambev, reinforcing that the index’s performance has been heavily influenced by a limited set of assets.

Interest Rates

Markets anticipate the beginning of the easing cycle in March

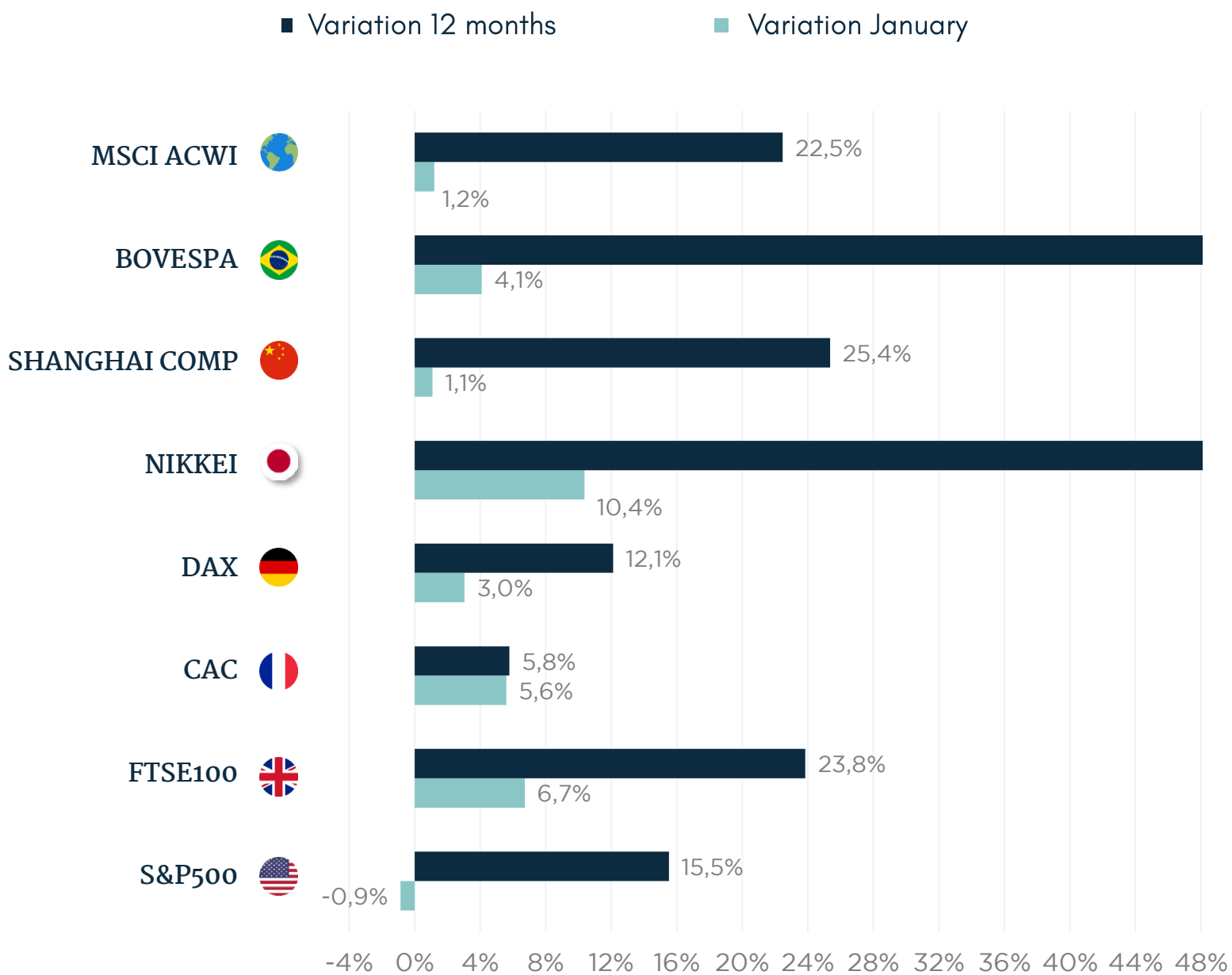
Implied probabilities for a rate cut at the March Copom meeting



Communication from Central Bank officials made clear the intention to begin the easing cycle at the next meeting. Although the Committee did not commit to the magnitude of the initial move, markets already assign a higher probability to a first cut of 50 basis points in March, as illustrated in the chart above, which presents the implied probabilities for the decision based on Copom option prices.

The Committee also did not provide clear guidance on the expected size of the easing cycle. Current market pricing, however, suggests that the “terminal rate” (at the end of the cycle) could reach between 12.25% and 12.5% per year. At that level, the policy Interest Rate would remain above typical estimates of the neutral rate, consistent with the Committee’s intention to maintain an “adequate” degree of restrictiveness, as documented in the latest meeting minutes.

Stock Markets



	February Change	Value on 28/02/2026	Change in 2026	12-month Change
COMMODITIES				
OIL WTI	9.3%	71.30	24.2%	2.2%
GOLD	7.9%	5,278.93	22.2%	84.7%
CURRENCIES (VS. USD)				
EURO	-0.3%	1.18	0.6%	13.9%
LIBRA	-1.5%	1.35	0.7%	7.2%
YEN	-0.8%	156.05	0.4%	-3.5%
REAL	2.7%	5.13	6.8%	14.8%
INDICES				
S&P 500	-0.9%	6,878.88	0.5%	15.5%
FTSE 100	6.7%	10,910.55	9.9%	23.8%
CAC 40	5.6%	8,580.75	5.3%	5.8%
DAX	3.0%	25,284.26	3.2%	12.1%
NIKKEI	10.4%	58,850.27	16.9%	58.4%
SHANGHAI COMP	1.1%	4,162.88	4.9%	25.4%
BOVESPA	4.1%	188,786.98	17.2%	53.7%
MSCI ACWI	1.2%	1,056.76	4.2%	22.5%

*Figures and results presented in local currency



Disclaimer

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