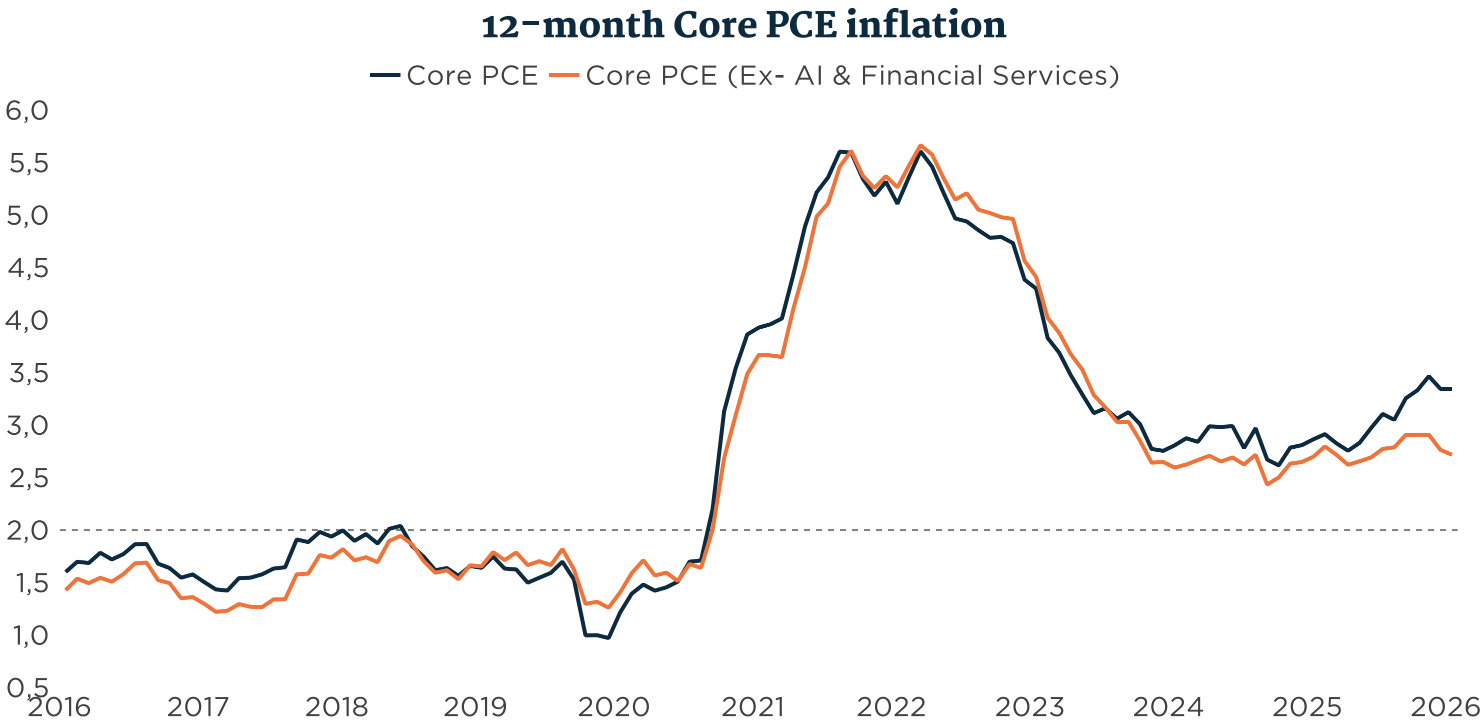
Economic Report

September
2026

Inflation

AI explains part of the recent pressure on core inflation



Inflation as measured by Core PCE began to accelerate again toward the end of last year, reaching 3.3% over the 12 months through July, substantially above the target. However, a significant portion of this increase appears to be explained by just three components: *Computers & Peripheral Equipment*, *Software*, and *Financial Services*.

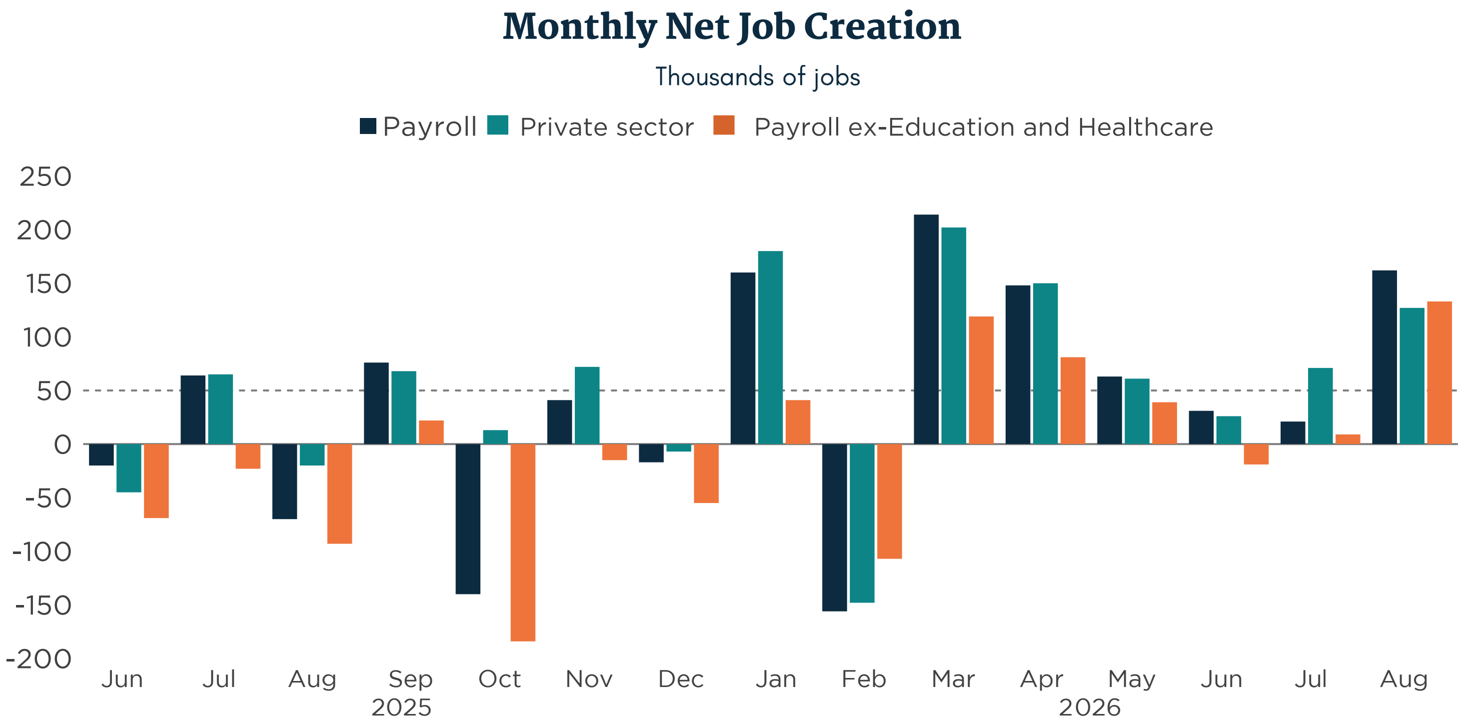
All three components appear to be directly or indirectly related to the expansion of artificial intelligence. The first two comprise technology goods whose prices have been pressured by demand for inputs used in AI infrastructure investment. The third captures the cost of financial services, which is highly correlated with the performance of the U.S. equity market, itself also supported by the AI investment theme.

The chart shows that excluding these components would bring 12-month Core PCE inflation down to around 2.7%. Even after these exclusions, however, the index has remained considerably above the target since 2021.

Source: Bureau of Economic Analysis, Turim

Labor Market

Stronger August reading contrasts with the recent slowdown



The U.S. labor market surprised to the upside again, following two consecutive months of results well below expectations. Job creation, which had shown a clear moderation since March, gained momentum in August, even excluding less cyclical sectors such as education and healthcare, as shown in the chart.

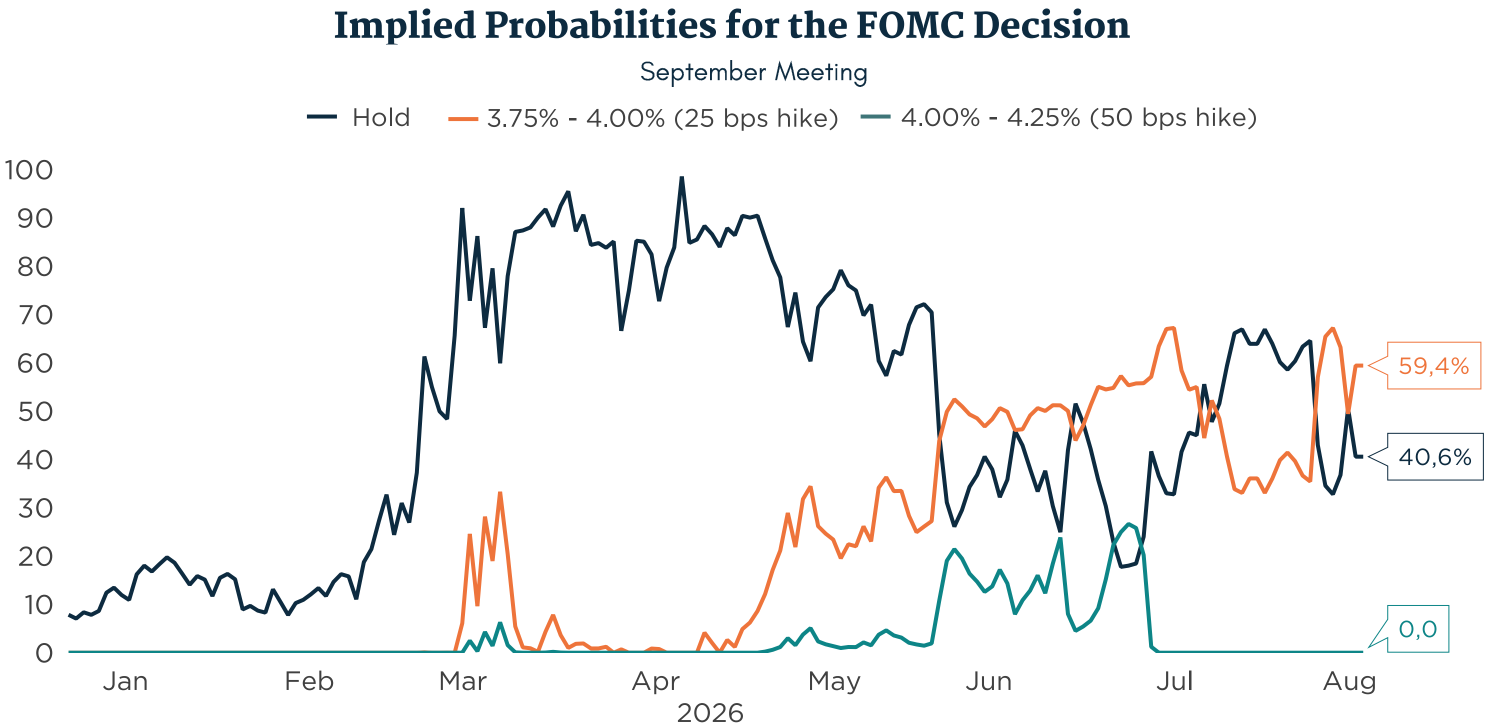
Even so, the broader labor market dynamics continue to point to a gradual slowdown. This view is reinforced by weak real wage growth, which at current levels no longer appears to be generating inflationary pressure, considering typical productivity gains in the U.S. economy. In addition, employment declined in the survey used to calculate the unemployment rate, which would have risen significantly were it not for the recent decline in the labor force participation rate.

Despite this, comments from Fed officials suggest some comfort with the latest data, pushing the labor market into the background of the monetary policy debate.

Source: Bureau of Labor Statistics, Turim

Monetary Policy

Markets begin to price in a rate hike in September



In recent weeks, markets have begun to price in a rate hike as the base case for the September FOMC meeting, with the implied probability at around 60%. The chart shows that this pricing has become particularly volatile over the period, amid speeches by Committee members and the release of new economic data.

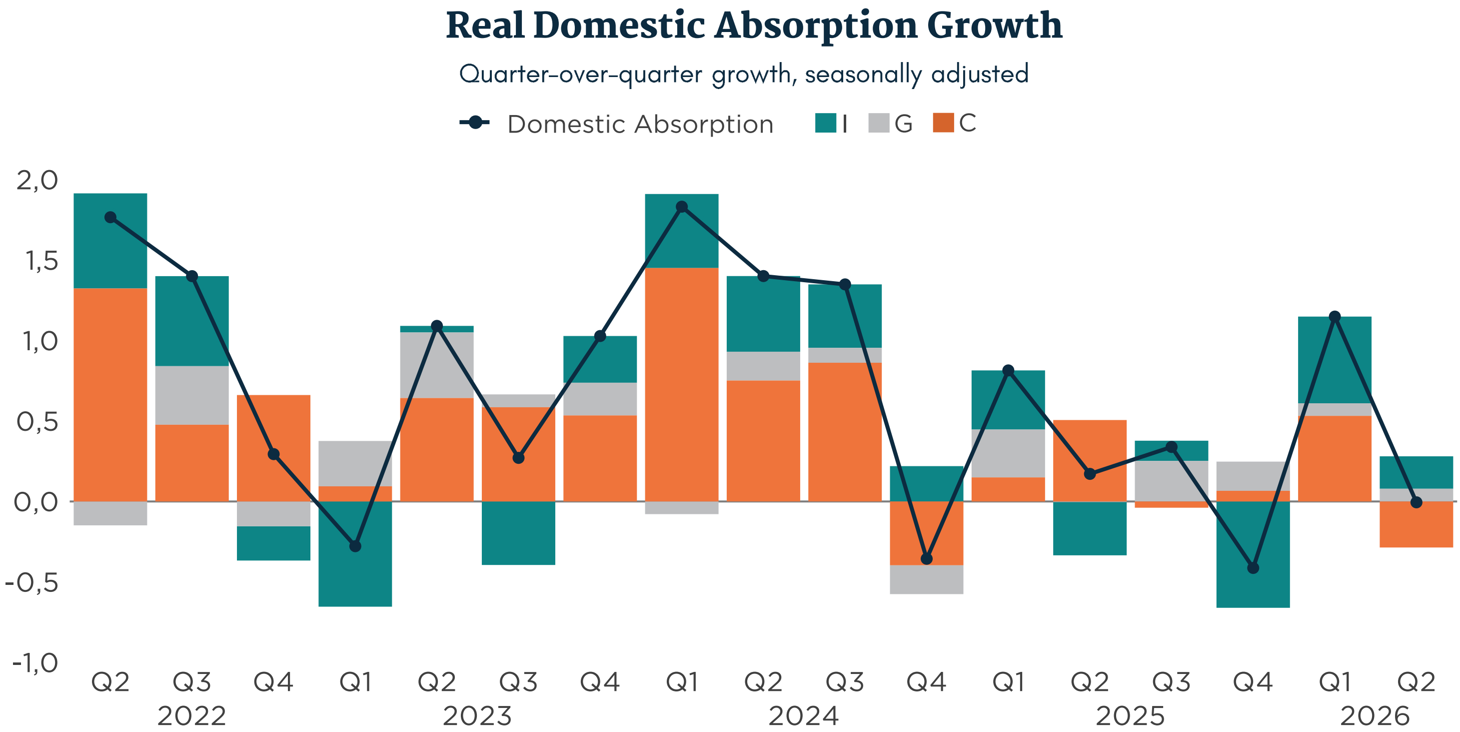
The first sharp increase came after Kevin Warsh's speech at the Jackson Hole Symposium on August 28, when the Fed Chair adopted a more hawkish tone, emphasizing that the labor market remains consistent with full employment and that financial conditions are still not sufficiently restrictive. The following week, on September 3, Christopher Waller struck a more cautious tone, indicating that recent signs of disinflation could justify keeping rates unchanged. The following day, however, the upside surprise in the Payroll report reinforced the perception of some reacceleration in the labor market and weakened the case for a more accommodative stance.

**Dovish & Hawkish: These terms are used to describe a central bank's stance on monetary policy. A dovish stance implies a bias toward cutting interest rates or keeping them at lower levels, while a hawkish stance implies a bias toward raising interest rates.*

Source: CME Group, Turim

Activity

Domestic activity slows more than expected



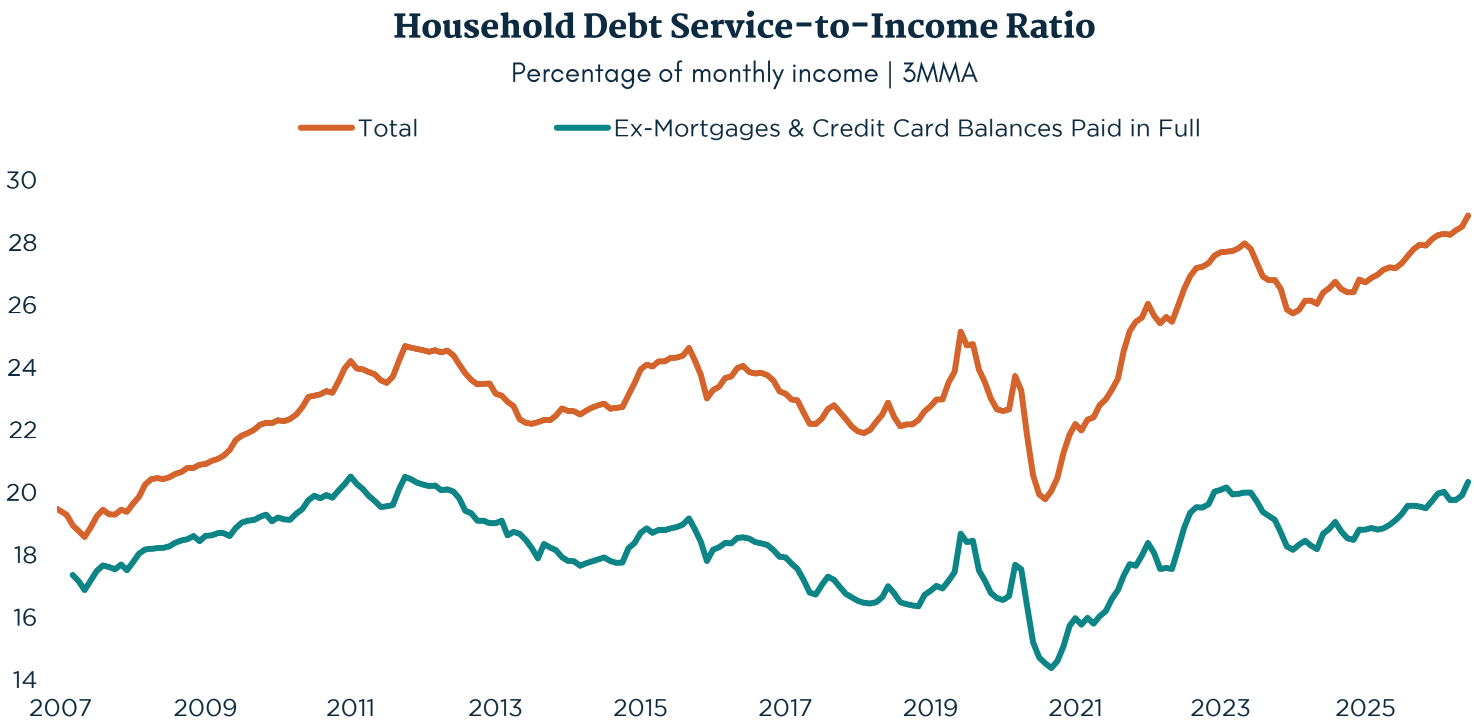
The second-quarter GDP release showed growth of 0.5% quarter-over-quarter, slightly above market expectations of 0.4%. Despite the positive surprise, the composition of the data revealed a sharper slowdown in domestic demand following the strong expansion recorded in the first quarter. The main negative highlight was household consumption, which declined by 0.4%, contrary to expectations for continued growth.

As shown in the chart, domestic absorption, which combines household consumption, government spending, and private investment, was flat in the quarter after growing by 1.1% in the first quarter of 2026. This dynamic reinforces the view that the Brazilian economy is slowing at the margin. For the Central Bank, the moderation in domestic demand helps support the continuation of the monetary policy calibration process.

Source: IBGE, Turim

Activity

Household income commitment remains at record levels



Official household debt service-to-income statistics have continued to reach record highs in recent months, amid rising debt servicing costs and preliminary signs of moderation in household income growth.

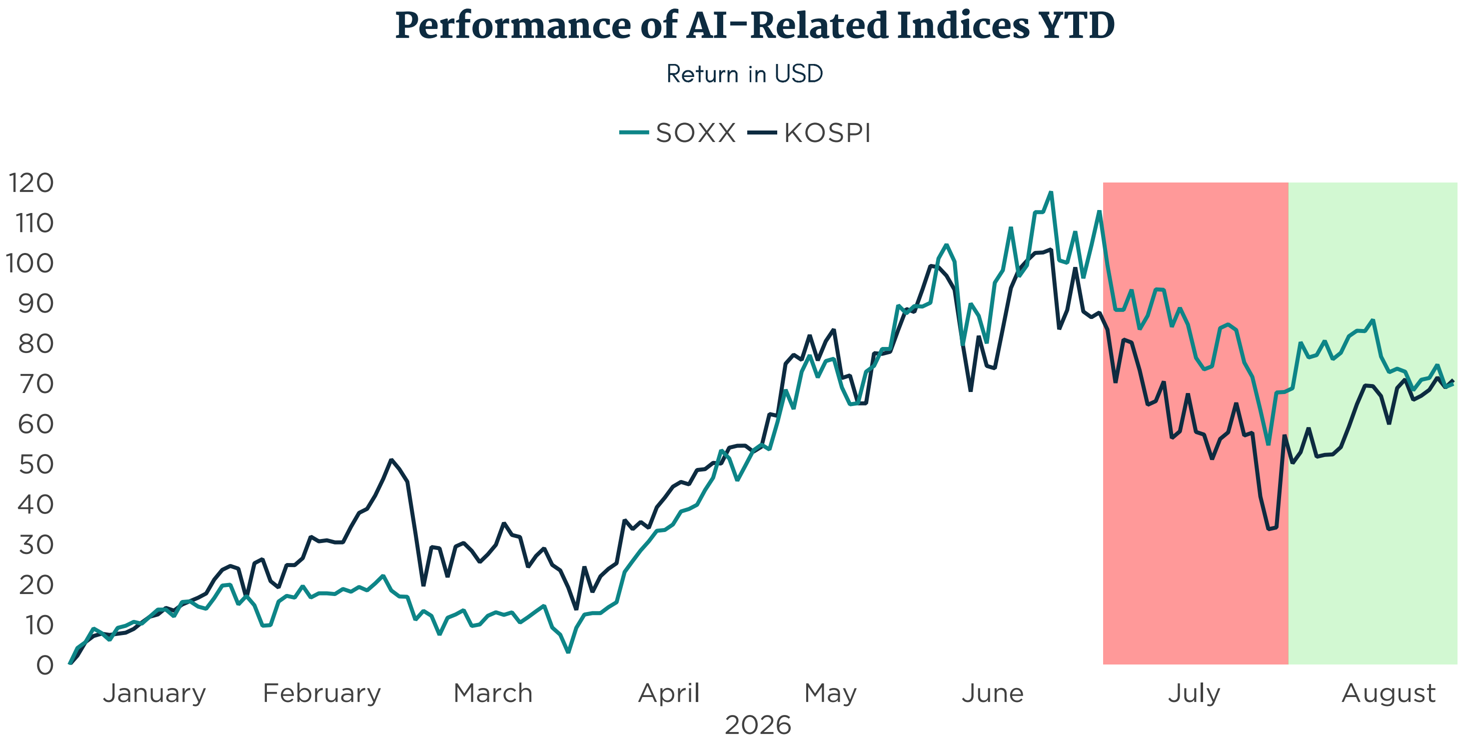
It is important to note, however, that a significant portion of this increase is associated with factors that do not necessarily place a meaningful burden on household budgets. This is the case with mortgage financing, which typically replaces rental expenses, and balances on credit cards paid in full, a component that has grown significantly in recent years amid increased access to banking services but tends to reflect current spending rather than an actual commitment of future income.

Even so, as shown in the chart, the debt service-to-income ratio remains close to the highs observed in 2011, even after excluding these two components. This may help explain the recent slowdown in consumption and could also point to further moderation ahead.

Source: BCB, Turim

Markets

Equity indices with greater AI exposure show a partial recovery in August



Assets with greater exposure to the Artificial Intelligence theme underwent sharp corrections in July, following a period of strong gains in the first half of the year. The move affected both the U.S. semiconductor sector, represented by the SOXX ETF in the light green line, and markets with a high concentration of companies linked to the technology supply chain, such as South Korea, represented by the KOSPI in the dark blue line.

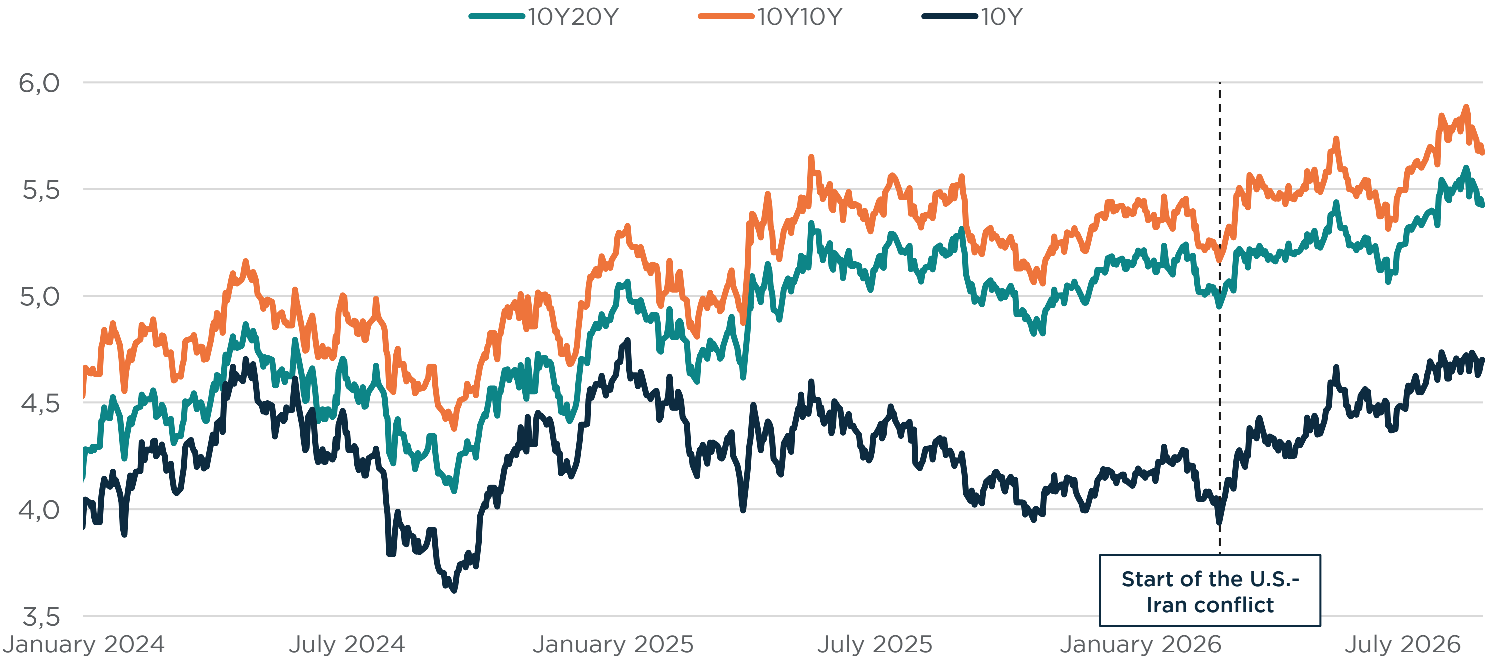
The recovery observed in August suggests that, despite the price adjustment, the structural investment thesis of expanding demand for semiconductors and computing capacity remains intact. Even so, the recovery so far has been modest relative to the magnitude of the decline recorded in July.

Source: Bloomberg, Turim

Interest Rates

Long-term yields remain elevated amid increased bond supply

Long-Term Nominal Interest Rates



Long-term interest rates in developed economies remain elevated, reflecting persistent inflation, a higher term premium (the additional compensation investors demand for holding longer-dated bonds), and technical factors related to increased fixed income issuance. Bond supply has also been influenced by the strong expansion in credit used to finance investment in artificial intelligence infrastructure.

Against this backdrop, the 10-year Treasury yield has moved back above 4.5%, while yields at longer horizons have reached even higher levels. The chart illustrates this effect through forward rates (rates agreed today for periods that begin in the future). The orange line shows the 10-year rate starting 10 years from now (10Y10Y), while the green line shows the 10-year rate starting 20 years from now (10Y20Y). Both are trading well above the current 10-year yield, in the 5%-6% range, highlighting a much steeper yield curve than in the recent past.

Higher yields also pose greater challenges for public finances by increasing debt-servicing costs. Against this backdrop, U.S. officials have increasingly signaled discomfort with the level of yields at the longer end of the curve.

Source: Bloomberg, Turim

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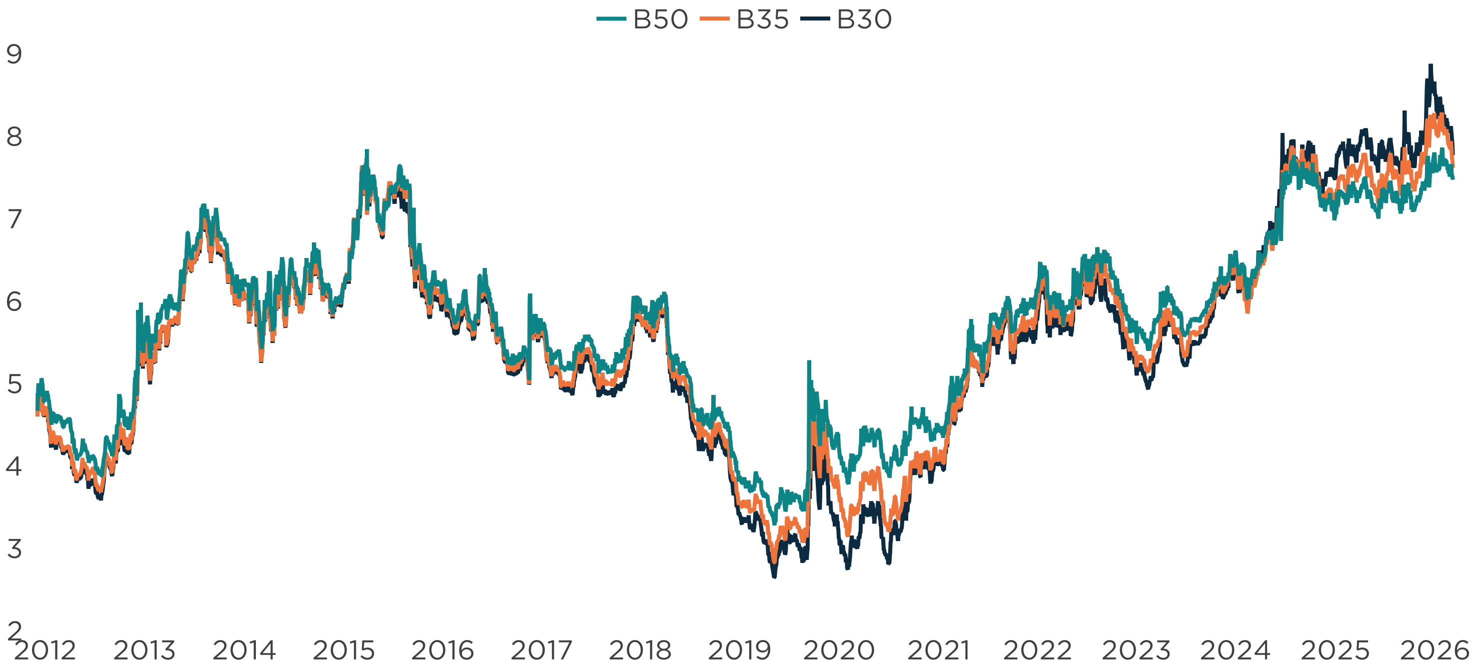
Interest Rates

Real yields decline but remain elevated

Performance of AI-Related Indices YTD



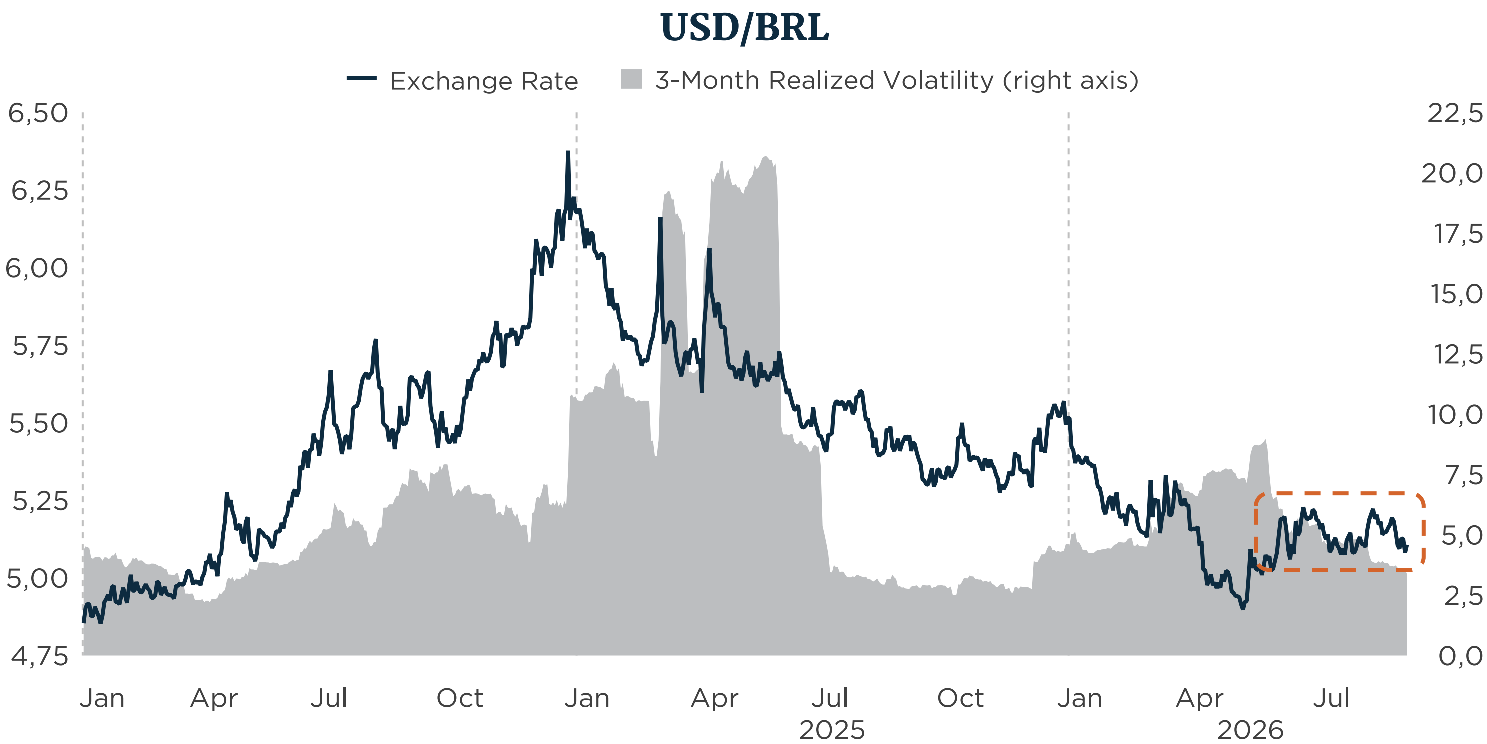
Brazilian real yields, that is, interest rates adjusted for inflation, have declined in recent weeks after reaching exceptionally high levels around the turn of June to July. During this period, the 2030 NTN-B traded close to 8.9% per year, while longer-dated maturities also exceeded 8%, historically very high levels. As shown in the chart, yields have since declined relatively broadly across the curve, although the move has been more pronounced in shorter-duration bonds.

The recent decline in yields may reflect a combination of factors, including clearer signs of slowing domestic activity and a perceived increase in the probability of a change in government, with potentially favorable fiscal implications. On the other hand, persistent fiscal uncertainty and still-elevated global interest rates may limit a more pronounced decline in long-term yields.

Source: Bloomberg, Turim

Foreign Exchange

Currency volatility remains below historical pre-election levels

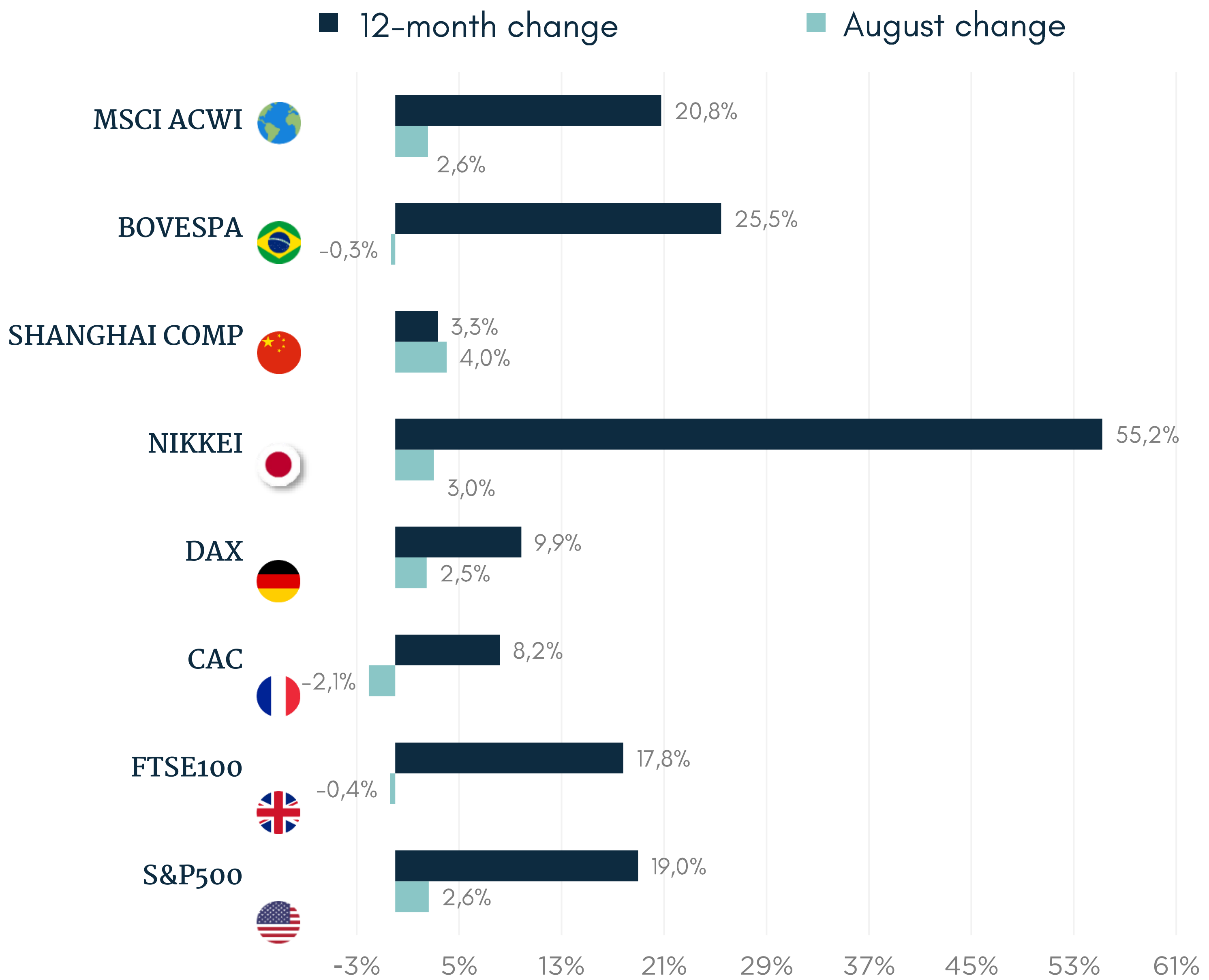


Despite the approaching presidential election, Brazil's foreign exchange market remains relatively stable. In the vast majority of previous election cycles, the period leading up to the vote was marked by higher volatility. This year, however, that pattern has yet to emerge. The chart shows that the Brazilian Real has traded within a relatively narrow range, around BRL 5.10 per U.S. dollar, while three-month realized volatility remains at historically low levels.

Part of this stability may be explained by a combination of factors, including the wide interest rate differential, more favorable terms of trade, particularly amid higher oil prices, and a weaker global U.S. dollar environment. However, a potential deterioration in expectations related to the electoral outlook could put this stability at risk.

Source: Bloomberg, Turim

Stock Markets



Source: Bloomberg

	July Change	Value on 31/08/2026	Change in 2026	12-month Change
COMMODITIES				
PETRÓLEO WTI	7.5%	91.01	58.5%	42.2%
OURO	9.7%	4,437.38	2.7%	28.7%
CURRENCIES				
EURO	0.8%	1.16	-1.1%	-0.6%
LIBRA	0.5%	1.35	0.5%	0.3%
YEN	-1.5%	159.74	-1.9%	-7.9%
REAL	-2.2%	5.19	5.6%	4.7%
INDICES				
S&P500	2.6%	7,686.14	12.3%	19.0%
FTSE100	-0.4%	10,824.26	9.0%	17.8%
CAC	-2.1%	8.334,50	2.3%	8.2%
DAX	2.5%	26,258.11	7.2%	9.9%
NIKKEI	3.0%	66,311.93	31.7%	55.2%
SHANGHAI COMP	4.0%	3,986.30	0.4%	3.3%
BOVESPA	-0.3%	177,418.78	10.1%	25.5%
MSCI ACWI	2.6%	1,149.22	13.3%	20.8%

*Figures and results presented in local currency

Source: Bloomberg

Disclaimer

Our analyses and views are based on continuous and comprehensive monitoring of a wide range of sources, including global studies and reports produced by various market participants.

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