



Economic Report

August 2021

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Global Economy 03

Brazilian Economy 06

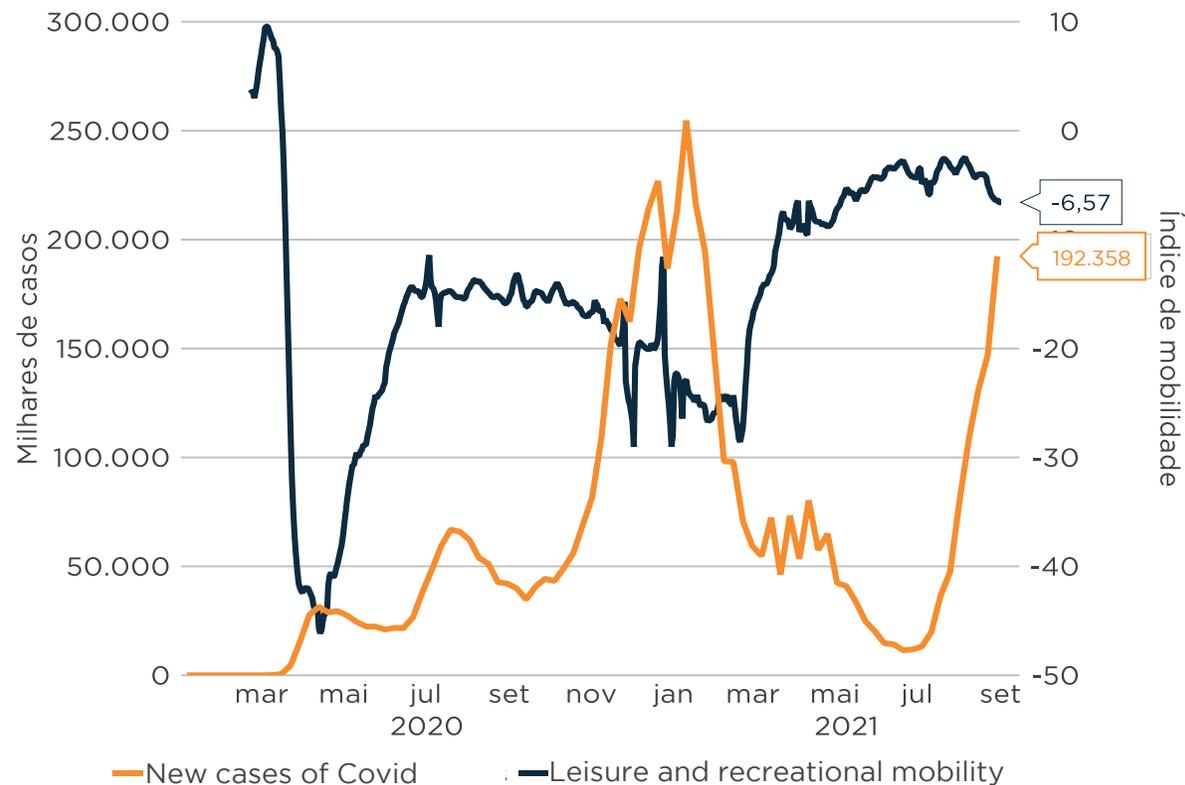
Markets 08

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Global: Third global wave but with limited impact on mobility

Global Economy

Cases of Covid-19 and Mobility in the United States



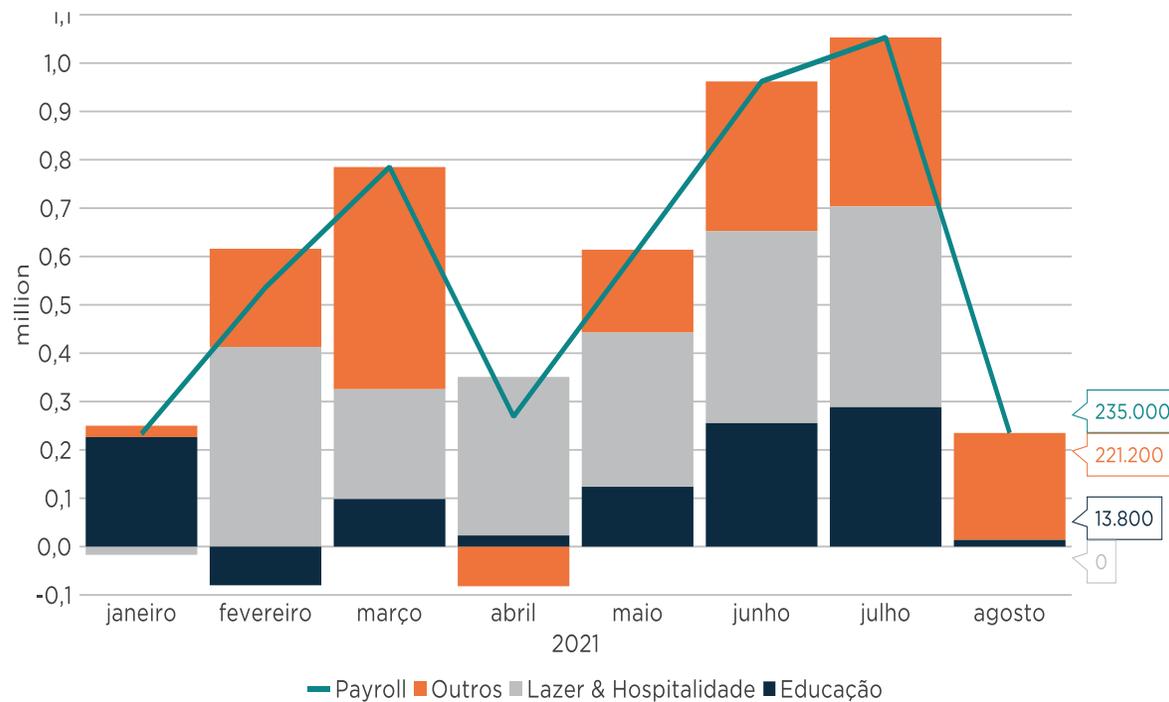
After some relief following the easing of the second wave and the progress made in vaccination campaigns, Covid-19 is back in the spotlight with a new increase in the number of cases (yellow line in graph).

Despite the big rise in cases, the number of deaths remains contained, as does the economic impact, as seen by the relative stability of the mobility data from the United States (blue line in graph).

US: Job creation loses force in August as a result of Covid

Global Economy

Payroll: Variation in selected sectors



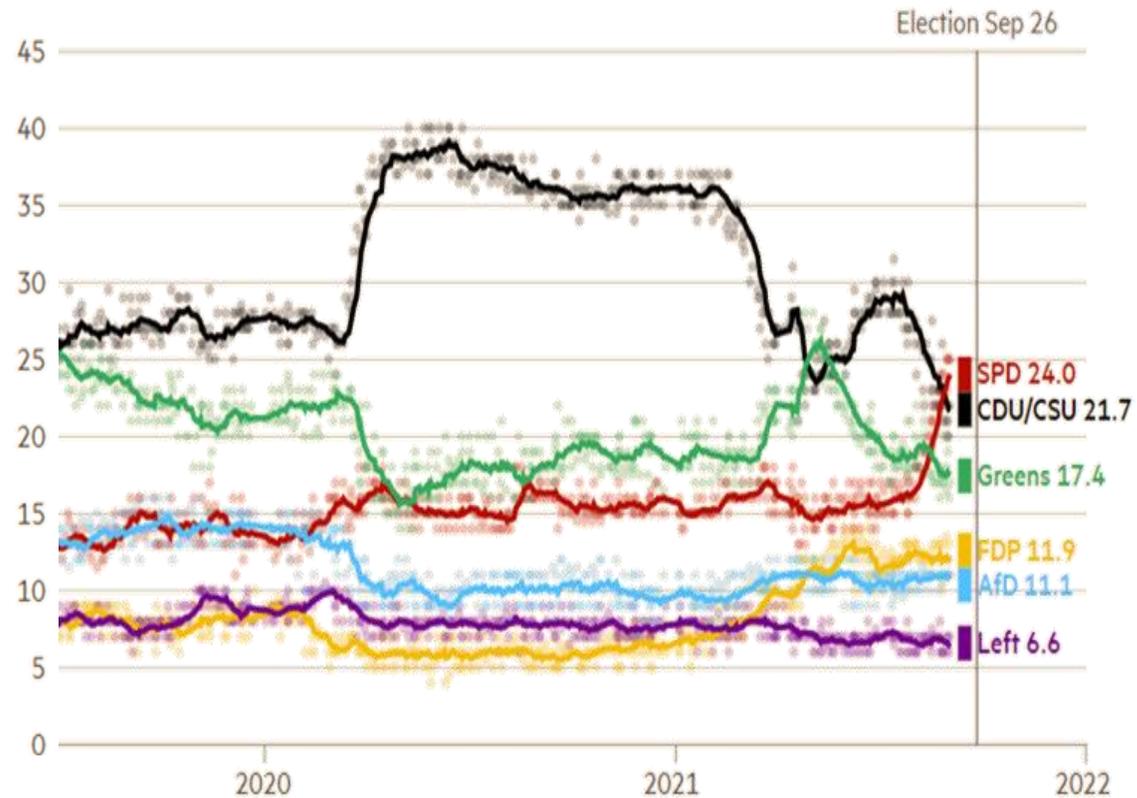
Despite a lower aggregate effect, some sectors of the US labor market are showing impacts from the implications of the third wave of Covid, temporarily interrupting the reopening process that has not yet been completed.

Jobs linked to education, leisure and hospitality activities (represented by blue and gray respectively in the accompanying graph), which had been recovering as the reopening process made progress, had a weak performance in August.

Europe: Elections in Germany may lead to change in the fiscal policy

Global Economy

Bundestag: Voting intentions
Lines = weighted averages | Points = opinion polls (%)

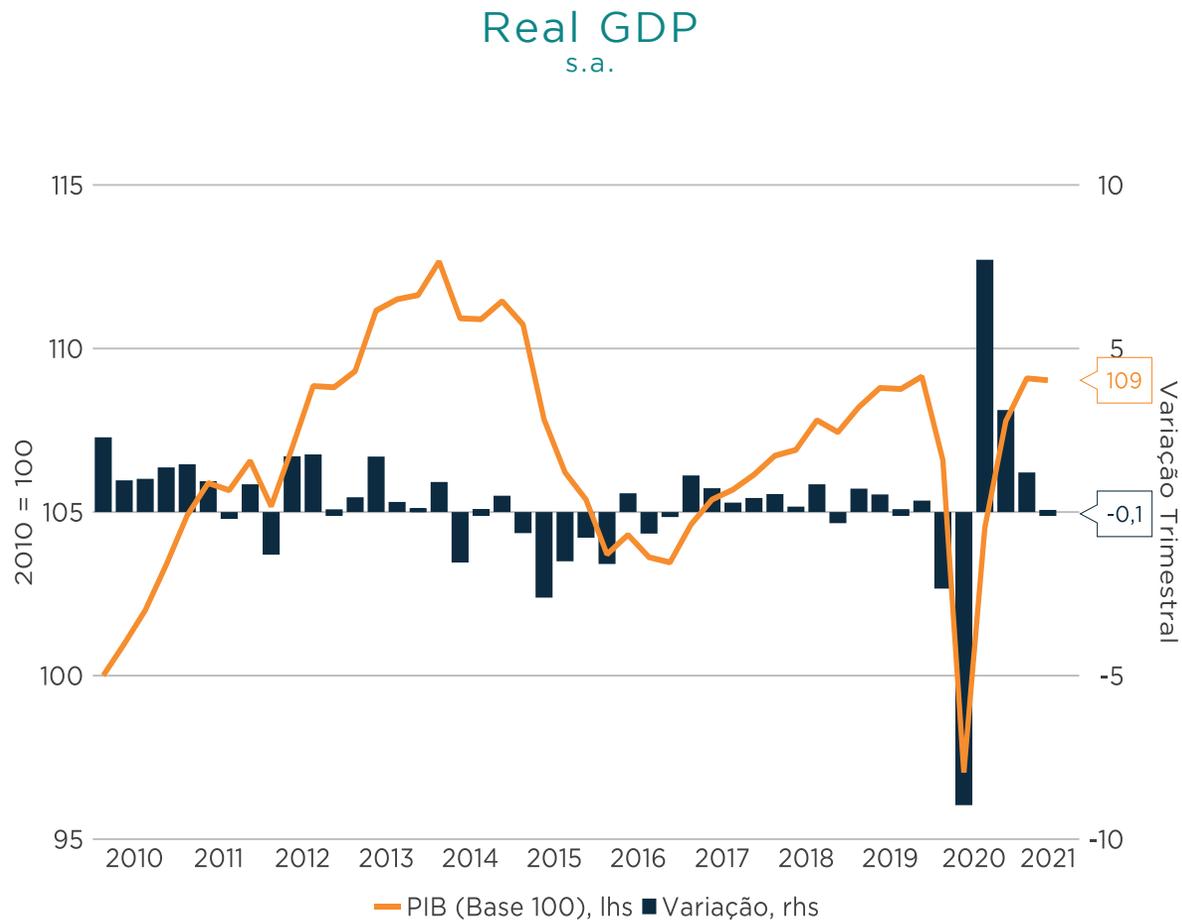


Another highlight is the general elections in Germany where polls have shown great volatility as voting day approaches.

Any change of power, depending on the parties involved, could lead to changes in the fiscal policy, with less austerity. This would, in turn, have implications for the long-term interest rate yield curve.

Activity: Disappointing GDP result in the 2nd quarter

Brazilian Economy



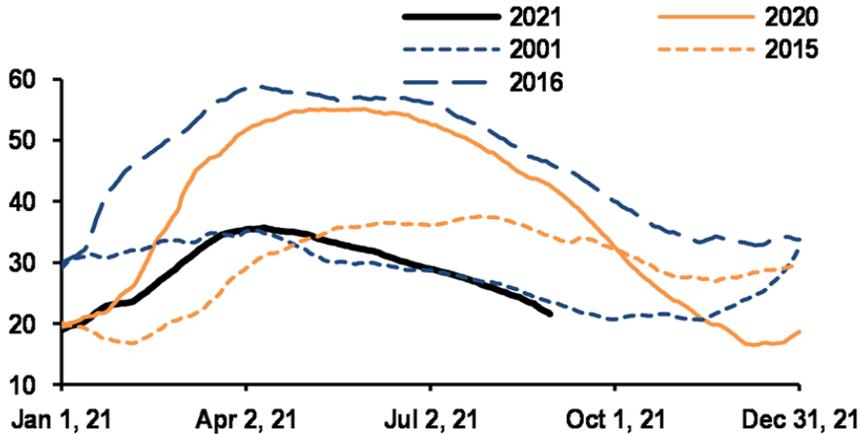
Economic activity in Brazil, which was extremely resilient in the first quarter, lost momentum in the second. This was combined with leading indicators which point to weaker growth in the third quarter of 2021.

A breakdown of the supply side shows a recovery in the services sector which has benefited from the reopening of the economy. However, industry has been hit, a trend that should continue as a result of the effect of the disruption in the supply chains.

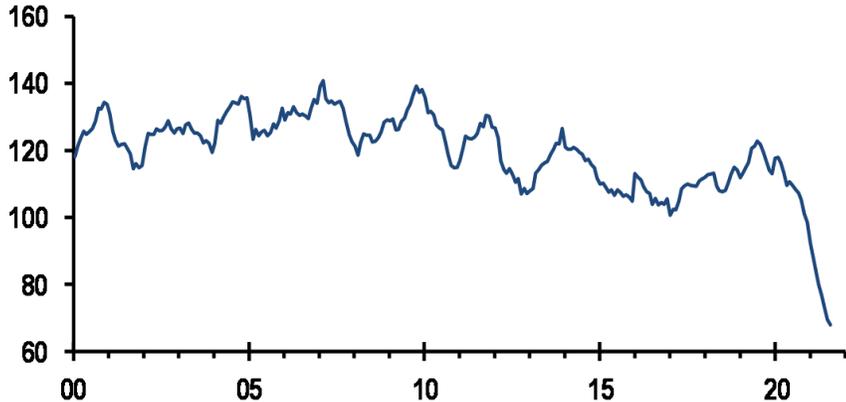
Inflation: Water crisis continues to raise concern with immediate impact on energy prices

Brazilian Economy

Daily levels: Southeast and Midwest
68% capacity - updated on 31/09/2021



Pluviometric Index (Brazil)
mm, 12-month average



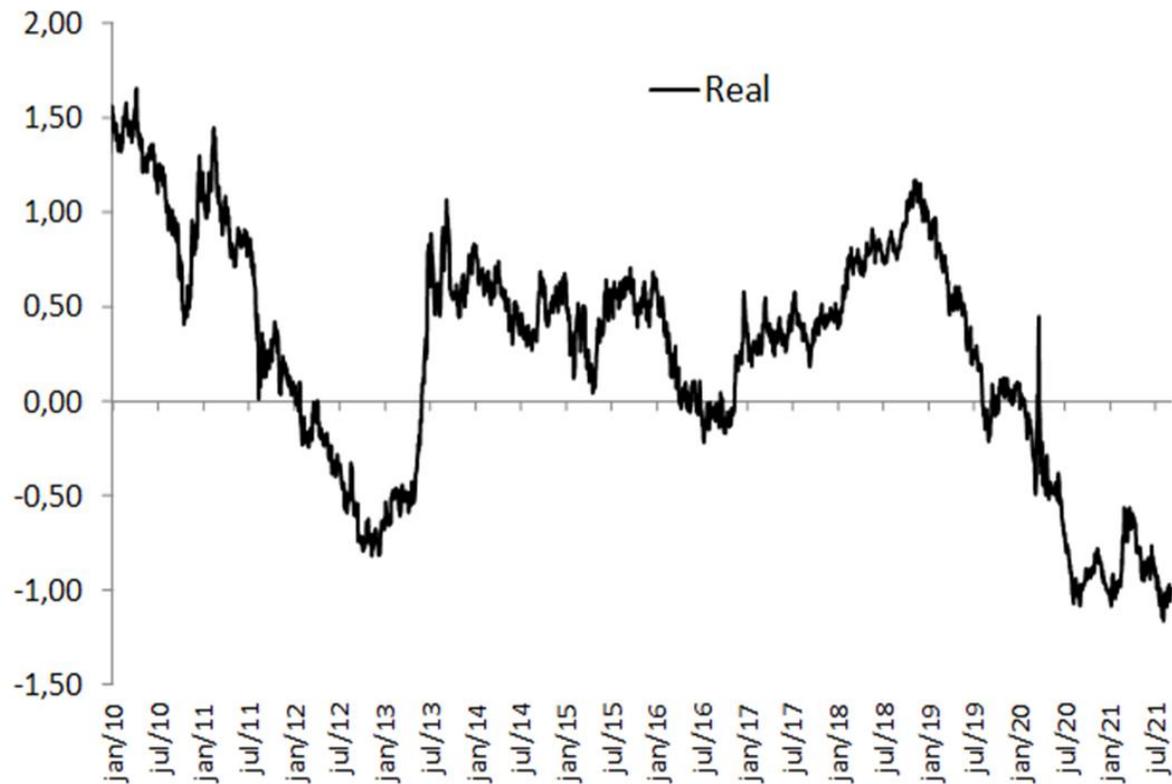
The big drop in rainfall over the last 12 months has drawn attention, putting pressure on energy generation. The immediate impact has been a sharp rise in inflation, due to the use of thermoelectric power plants which are more expensive.

Even though the energy matrix has become less dependent on hydroelectric sources over the last 20 years, hydroelectric plants still represent the largest share of the electricity supply. As a result, the beginning of the rainy season in November will be decisive in terms of the local outlook.

Interest rates: Highly negative real rate continues to be the main support for the markets

Markets

US 10-year interest rate



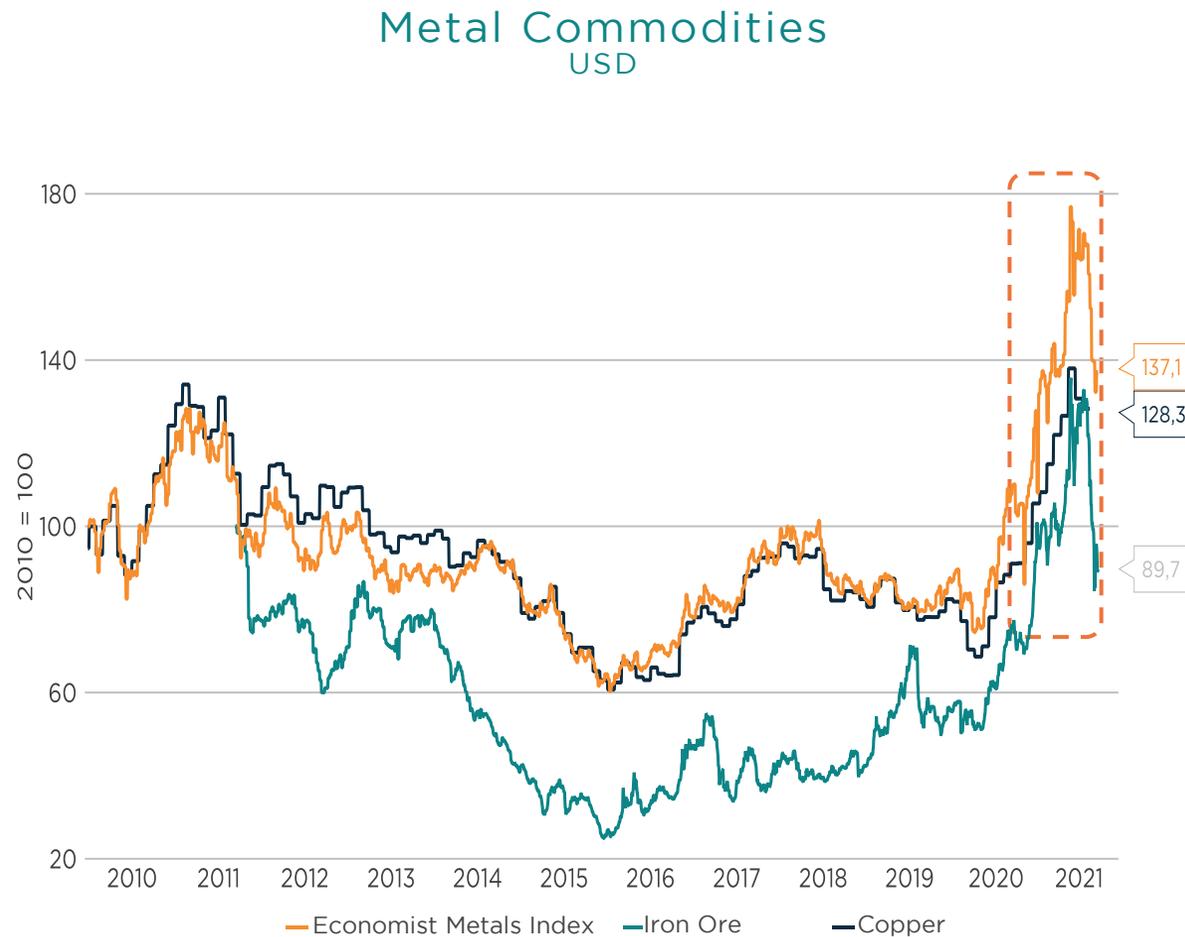
Long-term real interest rates in the United States remain highly negative (as shown in the accompanying graph) and has been supporting the prices of risk assets worldwide.

As the US central bank's approach is still very dovish* even with stronger inflation figures in recent months, this outlook should continue in the short term.

*Dovish and Hawkish: These terms are used as an indication of an economy's monetary policy. When a central bank is "dovish", there is a downward bias for interest rates. The opposite is the case when it is "hawkish", where there is a tendency to spike interest rates.

Commodities: Sharp fall in metal commodities

Markets



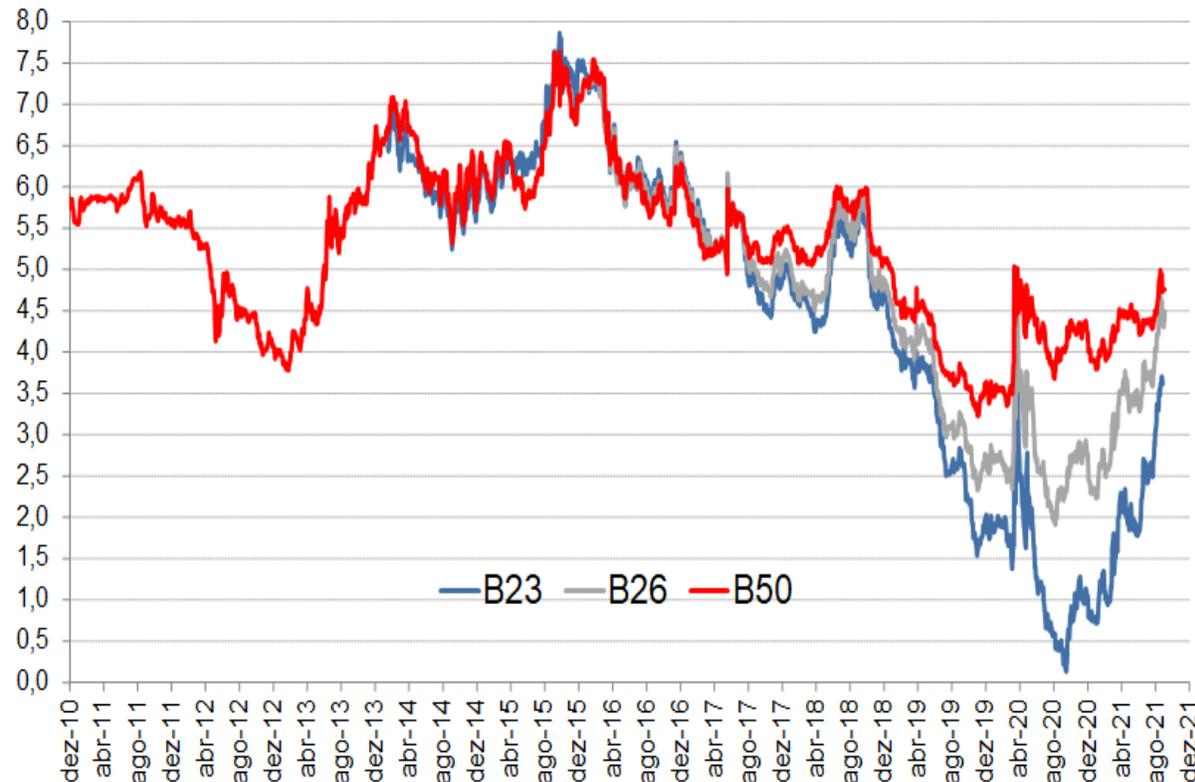
Metal commodities, especially iron ore, have experienced a steep drop over the last two months, following a period of sharp rises.

This movement was related to a series of events in China, such as the lagged effect on activity of the credit tightening, a new wave of Covid-19 and regulatory interventions that had an effect on investors' mood in the country.

Interest rates: Fiscal uncertainties put pressure on long-term interest rates

Markets

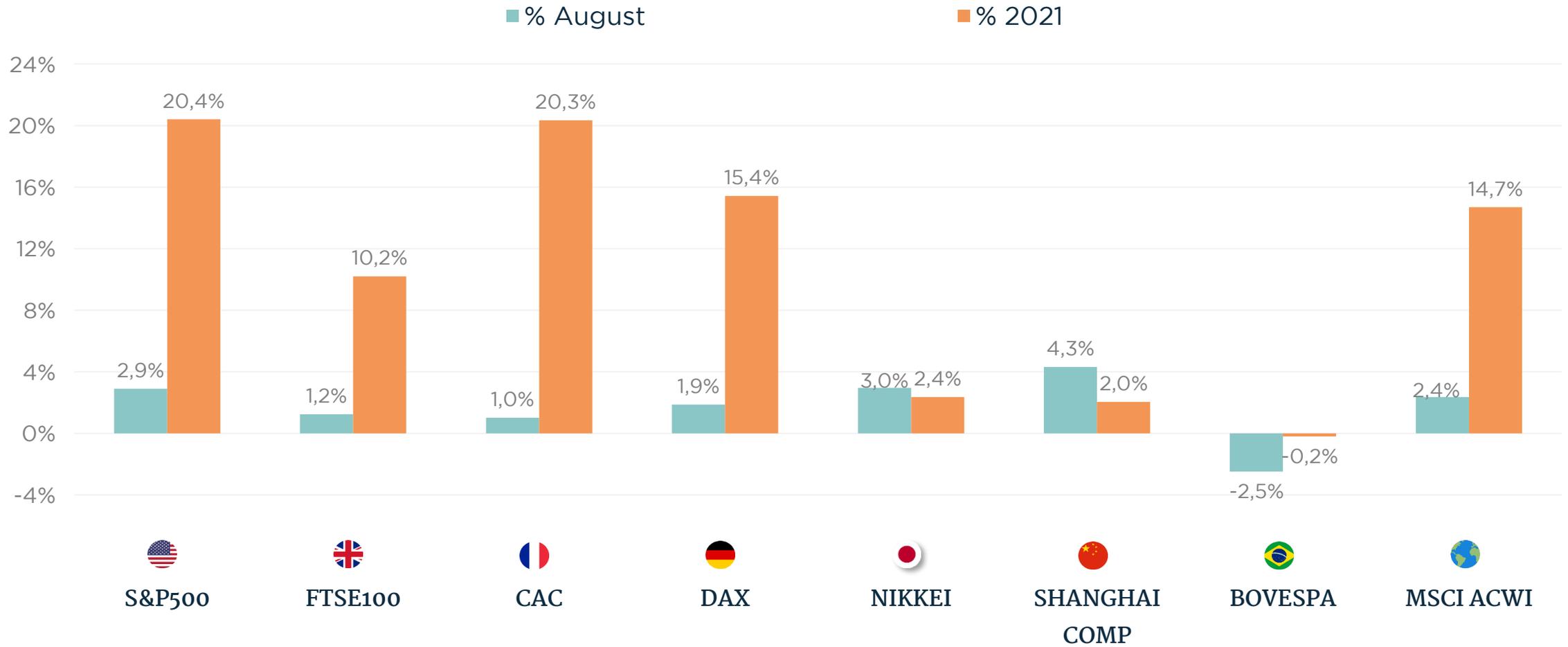
NTN-B: Rates



The return of fiscal and political disruptions against a backdrop of a monetary tightening by the Central Bank, has meant that real interest rates in Brazil have been undergoing a big adjustment in recent weeks. The pricing embedded in the yield curve, shown in the accompanying graph, points to a real rate returning to 5.0% in the short term.

Stock Markets

Markets



Indexes

	% August	Value on 31/08/2021	% 2021	% 12 months
COMMODITIES				
OIL WTI	-7.4%	68.0	41.5%	60.8%
GOLD	0.0%	1,813.62	-4.3%	-7.8%
CURRENCIES (IN RELATION TO THE US\$)				
EURO	-0.5%	1.18	-4.0%	-1.1%
GBP	-1.1%	1.38	1.0%	2.9%
YEN	-0.3%	110.02	-6.2%	-3.7%
REAL	1.1%	5.5	0.8%	6.6%
INDEXES				
S&P500	2.9%	4,522.68	20.4%	29.2%
FTSE100	1.2%	7,119.70	10.2%	19.4%
CAC	1.0%	6,680.18	20.3%	35.0%
DAX	1.9%	15,835.09	15.4%	22.3%
NIKKEI	3.0%	28,089.54	2.4%	21.4%
SHANGHAI COMP	4.3%	3,543.94	2.0%	4.4%
BOVESPA	-2.5%	118,781.00	-0.2%	19.5%
MSCI ACWI	2.4%	741.27	14.7%	26.7%



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