



# Economic Report

## September 2021

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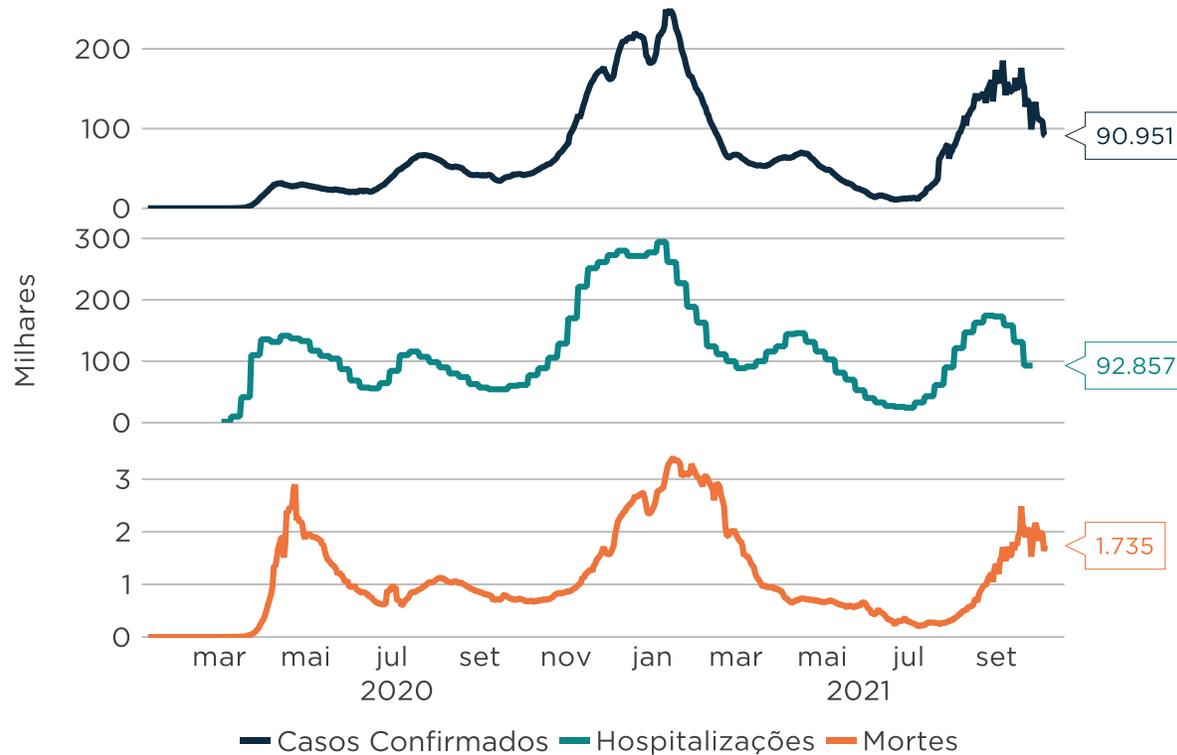
**Indexes 12**

# Global: Delta wave loses force

## Global Economy

### USA: Covid Numbers

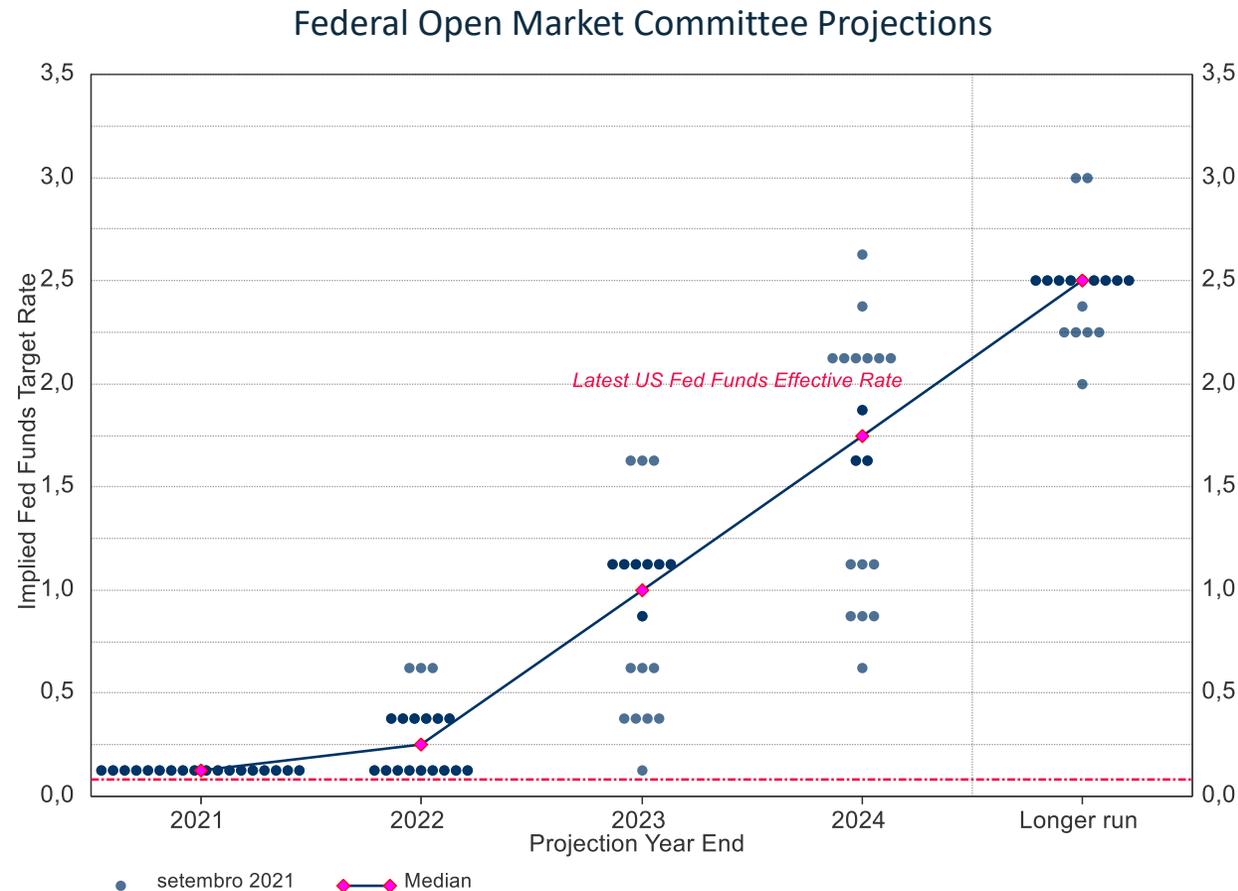
Média Móvel de 7 Dias



The latest data indicates that the number of new cases, hospitalizations and deaths caused by Covid-19 are slowing (blue, turquoise, and orange lines, respectively, in the accompanying graph). This has boosted expectations on the progress of the economic reopening, pointing to a more active outlook for the services sector.

# US: FED points to tapering. FOMC members foreseeing higher interest rates in 2022

## Global Economy



The United States monetary policy committee (FOMC) released its members' projections for the path of interest rates in the coming years at its latest meeting. The highlight was the fact that a significant portion of the members expect interest rates to rise next year.

Furthermore, chairman Jerome Powell presented a more hawkish\* tone at the press conference, suggesting a tapering process (reducing the purchase of assets) starting in November and ending in the middle of next year. This would be faster than market expectations.

\*Dovish and Hawkish: These terms are used as a benchmark for the conduct 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" and so there is an upwards bias for interest rates.

# China: Evergrande and the risks from the housing sector

## Global Economy

USD Price Bond Evergrande Group 28/06/2025



Market players paid great attention in September to the effects of the default of Evergrande, China's second largest real estate developer.

The discussion over the developer's ability to pay its debts is not recent and was triggered by the decisions of local policy makers who adopted policies aimed at deleveraging the real estate sector to achieve long-term goals for the country. Although it is a big player in the real estate market, the default in Evergrande's dollar-denominated debt has not spread to other sectors of the economy so far.

## Activity: GDP forecasts for 2022 lowered

### Brazilian Economy

#### Focus: GDP growth expectations for 2022



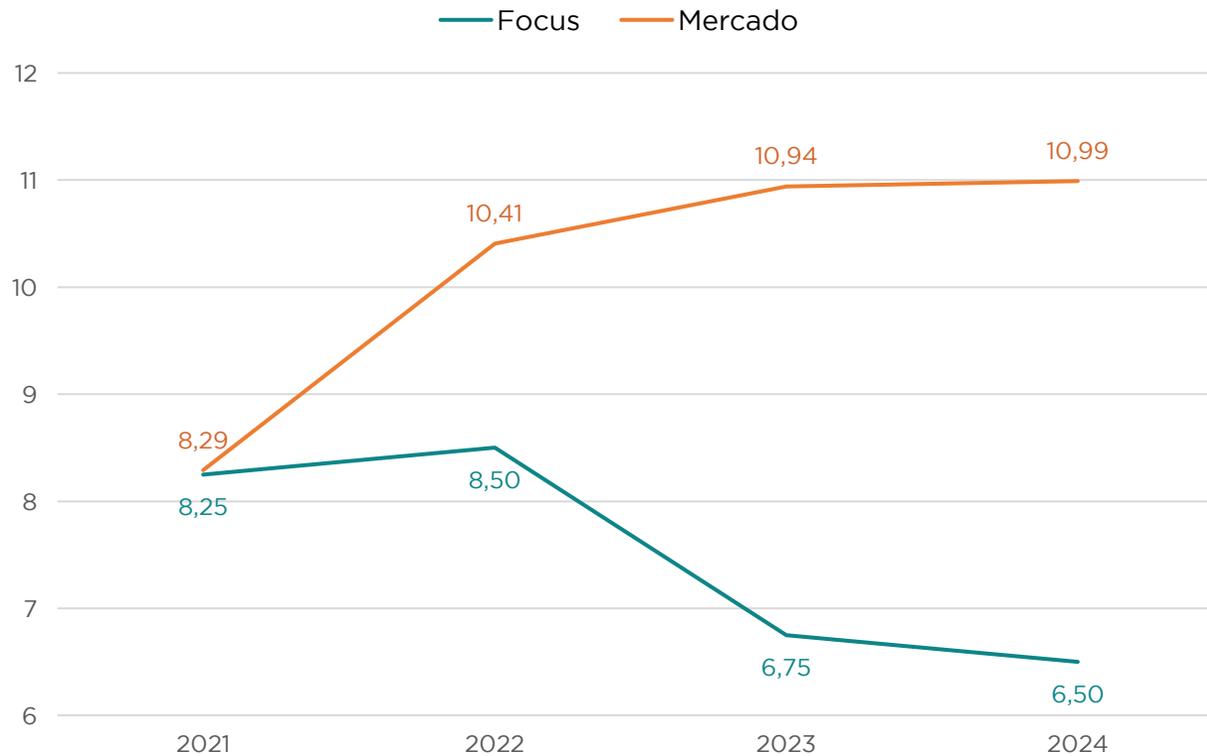
Growth expectations for 2022 in Brazil have been consistently revised downwards as there are no clear short-term solutions to internal and external factors, such as the water crisis, the uncertain fiscal and political outlook, the shortage of input and global inflation.

Another contributory factor is the indication from the Central Bank that monetary policy will be more “contractionist” next year, i.e. tighter.

# Monetary Policy: Interest rates at a “significantly contractionist” level

## Brazilian Economy

### Projections for the Selic: Focus vs Market



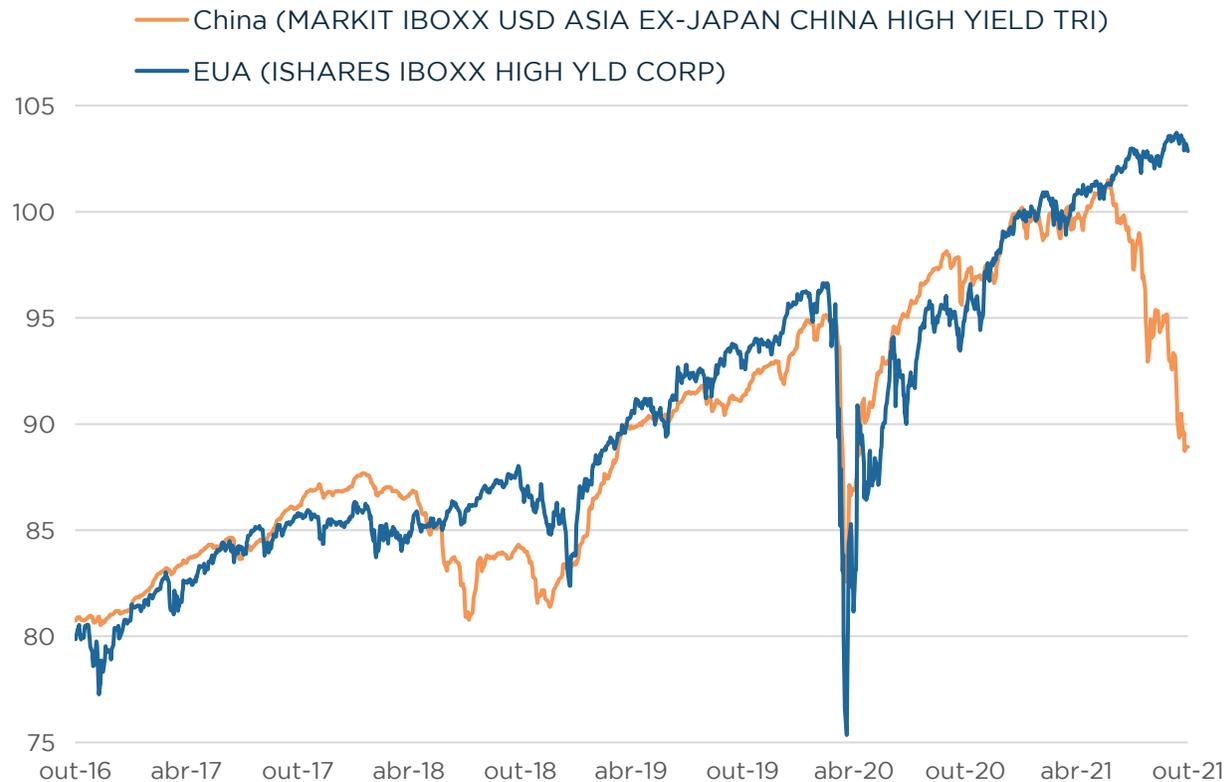
The domestic monetary policy also stood out due to a more rigid approach taken by the Central Bank at the September meeting when it indicated that it intended continuing to raise interest rates until a “significantly contractionist” level was reached.

This positioning by the Central Bank resulted in a new increase in projections for the trajectory of the Selic (Brazil’s basic interest rate). The dichotomy between the Focus report expectations and the interest rates priced into the market from 2022 onwards remains, as shown in the accompanying graph.

# Credit: Evergrande default caused no general contamination on credit markets

## Markets

### High-yield credit sector



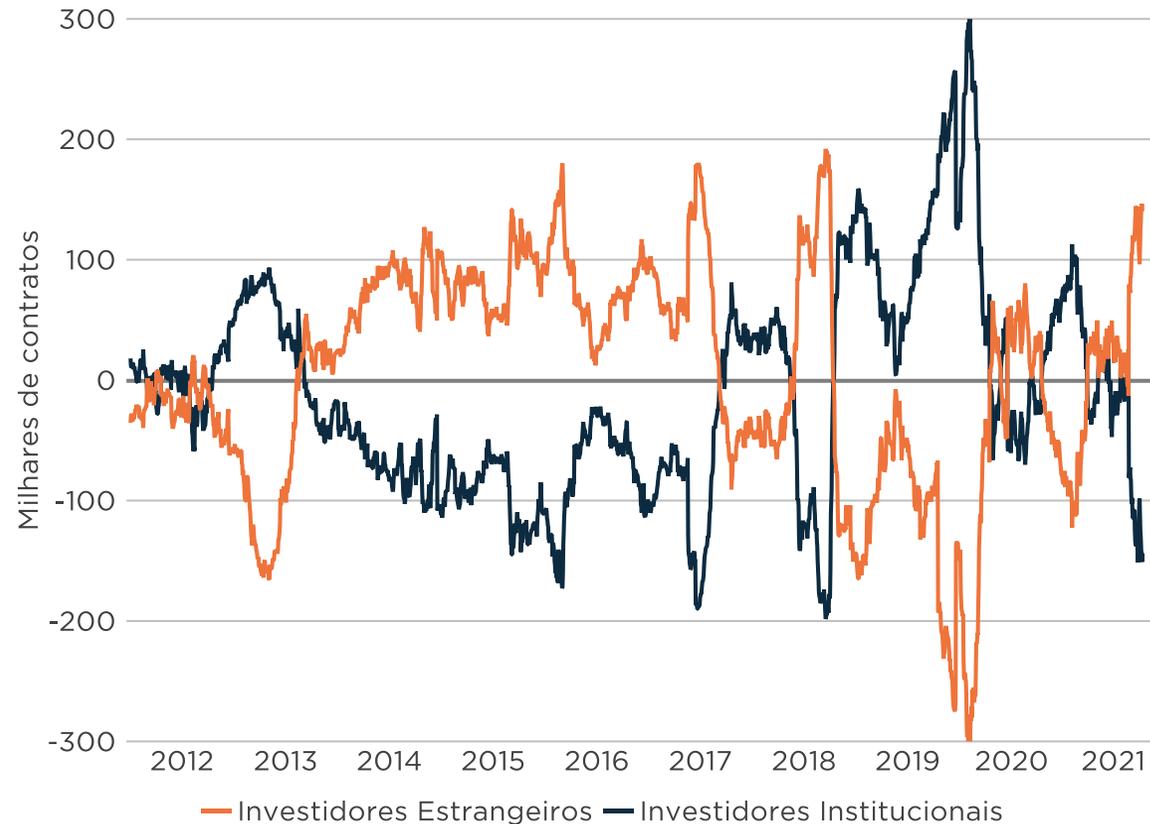
Still on the Evergrande case, there was speculation that the company's insolvency could lead to a systemic crisis similar to that which occurred with Lehman Brothers in 2008. However, despite the volumes involved, the event did not contaminate other markets (such as the U.S. market, shown in the blue line in the graph) but focused instead on the Chinese high-yield credit sector (orange line in the graph).

This was due, to some extent, to the fact that this event had already been anticipated and occurred gradually.

# Stock Market: Local investors adjusted their position in derivatives

## Markets

### Positions in Ibovespa futures on the BM&F



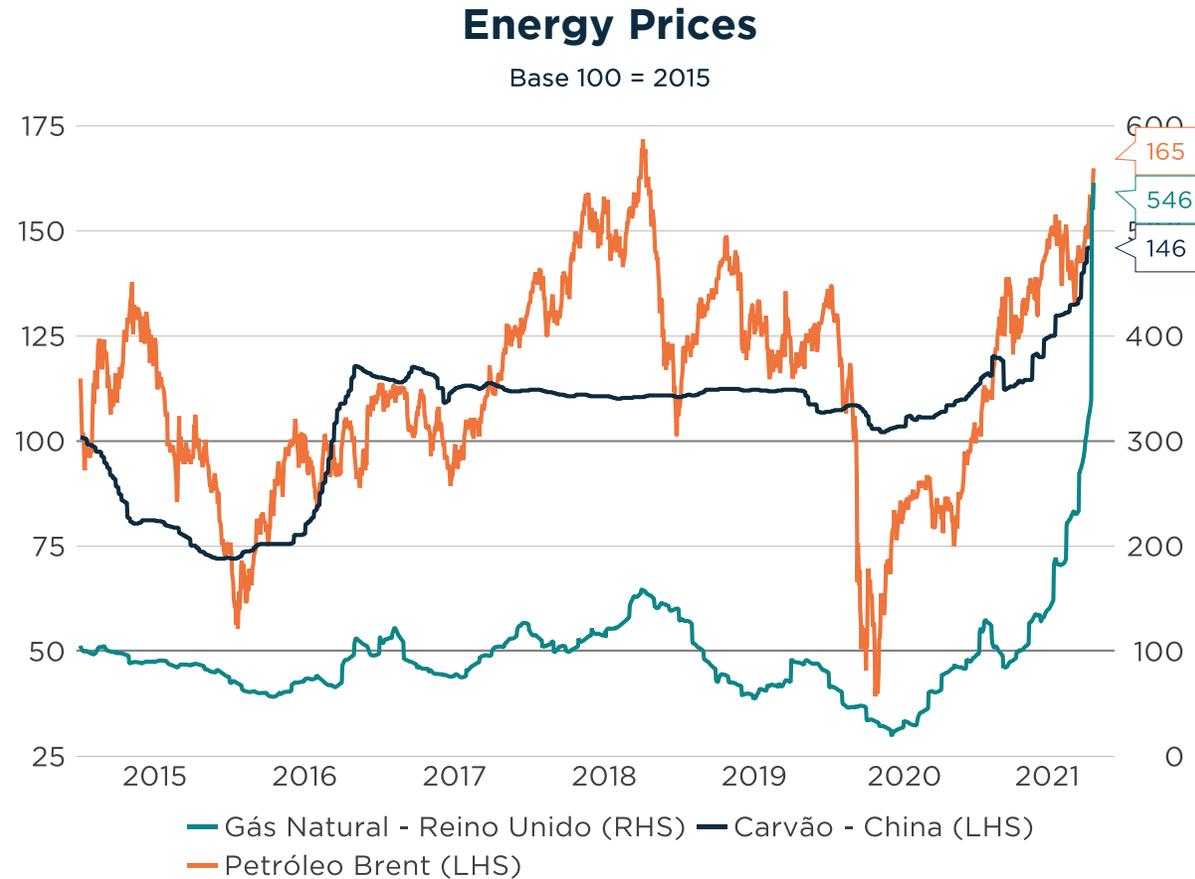
\*dados até 05/10/2021

Local institutional investors have strongly adjusted their net positions in equities over the past few weeks after reaching a significant level in short positions in Ibovespa futures on the BM&F, betting on a fall in the index.

Whether this is the result of directional positioning or a greater demand for hedges, the fact is that the current level has not been reached since 2018. This adjustment is significant even considering the fact that the fund industry has grown a lot in this period (multimarket funds in particular).

# Global: Energy prices shock

## Markets

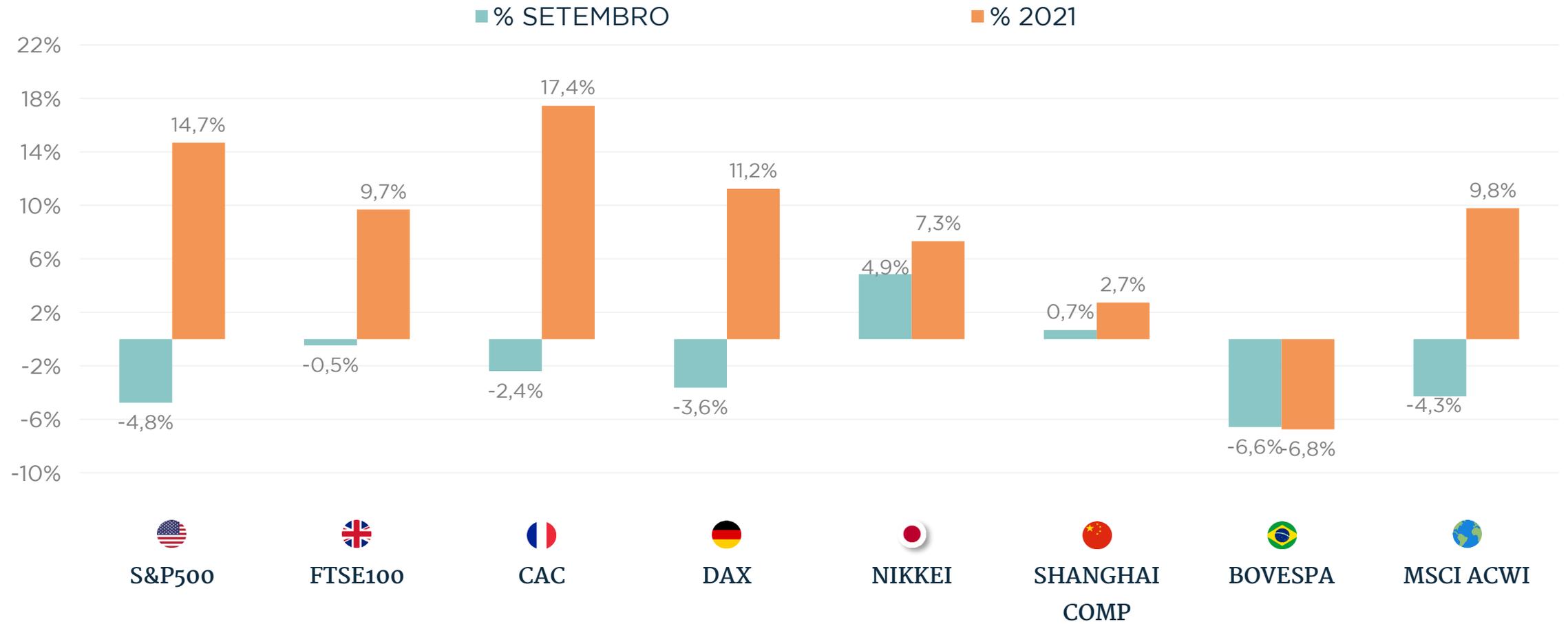


It is becoming increasingly evident that energy prices are escalating around the world, as we can see in the accompanying graph. There are various causes ranging from the surge of adverse climatic events to issues related to the transition towards renewable energy sources.

The consequences of this phenomenon are wide-ranging but the inflationary pressures that are expected to reduce corporate margins and shrink household purchasing power, with a likely impact on global growth, are particularly striking.

# Stock Markets

## Markets



# Indexes

	% September	Value on 30/09/2021	% 2021	% 12 months
<b>COMMODITIES</b>				
OIL WTI	9.5%	75.03	54.6%	86.5%
GOLD	-3.1%	1,756.95	-7.4%	-6.8%
<b>CURRENCIES (IN RELATION TO THE US\$)</b>				
EURO	-1.9%	1.16	-5.2%	-1.2%
GBP	-2.0%	1.35	-1.4%	4.3%
YEN	-1.1%	111.29	-7.2%	-5.2%
REAL	-5.3%	5.44	-4.5%	3.1%
<b>INDEXES</b>				
S&P500	-4.8%	4,307,54	14.7%	28.1%
FTSE100	-0.5%	7,086.42	9.7%	20.8%
CAC	-2.4%	6,520.01	17.4%	35.7%
DAX	-3.6%	15,260.69	11.2%	19.6%
NIKKEI	4.9%	29,452.66	7.3%	27.0%
SHANGHAI COMP	0.7%	3,568.17	2.7%	10.9%
BOVESPA	-6.6%	110,979,10	-6.8%	17.3%
MSCI ACWI	-4.3%	709,51	9.8%	25.5%



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