

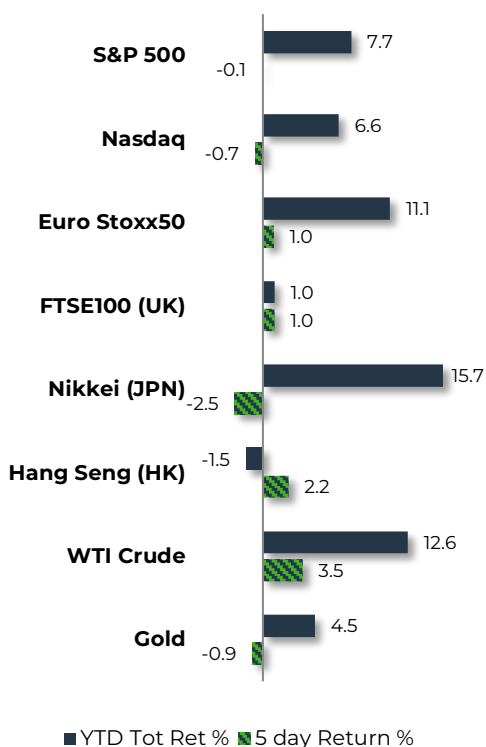
Weekly Activest

Week of March 11th to 15th



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Monitor



Note: Indicative returns recorded as of 10:00 ET today.

"The four most dangerous words in investing are, it's different this time."

John Templeton

United States

- It was a week dominated by economic indicators. It stood out that February inflation advanced 0.4% in the month, reaching an annual rate of 3.2% from 3.1% in January and the 3.1% expected. In its underlying (core) form, it climbed 0.4% and increased to 3.8% annually, compared to 3.9% in January and 3.7% estimated. Again, the increase in shelter costs pressured the index, rising 5.7% annually.
 - The survey measuring small business sentiment (NFIB) dropped to a 9-month low in February.
 - Retail sales rebounded 0.6% on a monthly basis in February, supported by purchases of vehicles and gasoline.
- The Fed's monetary policy announcement will take place next week. The consensus indicates that there will be no change in the federal funds rate, and a more neutral speech is expected from Jerome Powell, emphasizing that they will continue to be data-dependent.

Europe

- The European Union Parliament approved the first set of rules to regulate artificial intelligence (AI). The regulation is expected to come into force at the end of the legislature in May, after passing final checks and receiving the endorsement of the European Council.
- The region's industrial production fell sharply by 3.2% on a monthly basis (-6.7% annually) in January. Germany remained unchanged, while Ireland experienced a very weak performance.
- The U.K. economy rebounded 0.2% monthly in January, after falling 0.1% in December, due to strong performance in the retail sector and residential construction.

Asia

Japan

- Better than originally forecast, the economy expanded 0.4% annually in the fourth quarter of 2023. On a quarterly basis, growth was 0.1%. This performance was the result of a higher capital spending.

China

- After four months in deflation, inflation accelerated in February by an annual 0.7% and was above the expected 0.3%
- In line with expectations, The People's Bank left its key interest rates unchanged.

Latin America

Argentina

- The Central Bank's foreign currency purchases since Milei took office in December have reportedly exceeded US\$10bn, in an effort by the government to correct the net deficit in international reserves.
- In January, the industry's installed capacity usage was 54.6%, its lowest level since June 2020.

Brazil

- Annual inflation decelerated less than expected in February, placing it at the upper limit of the central bank's target range prior to its meeting next week, when it is expected to decrease again. In this context, inflation advanced 0.83% in the month and represented an annual rate of 4.5% (versus the estimated 4.45%).

Mexico

- A deputy governor of the Bank of Mexico stated that there is room to adjust the reference rate ahead of the next meeting on March 21. In this sense, he detailed that the country's inflation risk balance is "less deteriorated".
- Construction increased 17.9% annually in January, accumulating nine consecutive months of double-digit growth. In addition, analysts estimated that this performance could continue, thanks to government works and nearshoring-related projects.

Yield on the 10-year Treasury bond



Source: Bloomberg

Yield on the 2-year Treasury bond



Source: Bloomberg

Important Events in the coming week

- In the U.S., there will be a monetary policy announcement from the FED **03/19 - 20**
- In the U.S., housing sector indicators to be released **03/19 - 21**

In a few words...

How has the Federal Reserve acted on election years?

With monetary policy generating much anticipation in the macroeconomic and financial outlook for this year, it is inevitable that investors will wonder how the presidential election might influence the Federal Open Market Committee (FOMC). Historically, the Federal Reserve (Fed) has not stood on the sidelines during election years, but continues to pursue its dual mandate of price stability and maximum employment, always seeking to maintain its independence from politics. Since 1980, the Fed has adjusted rates at every election, except in 2012, when rates were at zero due to the recovery from the financial crisis.

The Fed cutback rates in five election years and raised them in five others. In 1980, the Fed rose by 1% (the federal funds rate, Fed Funds, hovered around 17% earlier that year). It then cutback rates by 5.5% between February and July as the economy fell into recession. However, it resumed rate hikes to combat double-digit inflation between August and November (the Fed Funds closed that year around 19%). In 1984, the Fed rose by 2.25% in the second quarter as inflation rose and unemployment declined, only to reduce by 3.5% in the fourth quarter as inflation stabilized. In 1988, the Fed began the year with modest rate cutbacks, then raised rates through August and resumed hikes after the election.

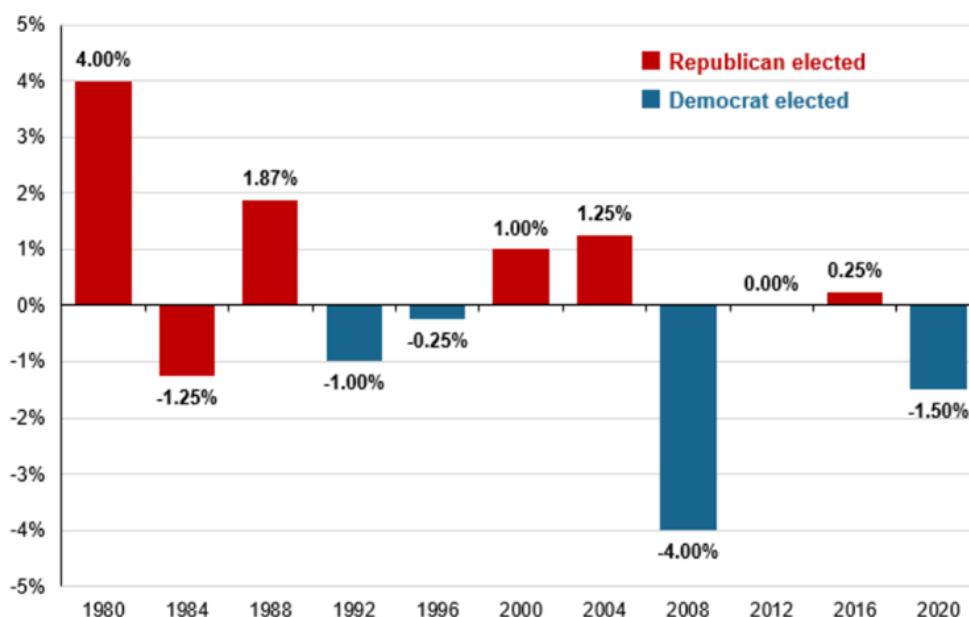
On the other hand, in 1992, it concluded the consecutive cutbacks initiated at the beginning of the 1990-1991 recession and implemented its last cutback in January 1996 after the soft landing that followed the 1994-1995 hiking cycle. Also, the Fed concluded its May 2000 hiking cycle, which began in 1999, noting that the stock market was peaking in March 2000.

In 2016, the Fed waited until after the election to hike once in December and continued with rate hikes in 2017 and 2018. It is also relevant that the Fed entered new monetary policy cycles that required an accelerated reaction, as in the severe recessions of 2008 and 2020, respectively.

In this context, it can be seen that the Fed continued to pursue its dual mandate goal, regardless of the political issue. This year should be no different, and we are likely to see a lower level for the Fed Funds as inflation approaches the 2% target and the economy reaches a "soft landing."

Note: A *soft landing* in the economic cycle is the process by which an economy moves from accelerated growth to slow growth, potentially reaching a stagnation phase, although it avoids going into recession.

Changes in monetary policy in an election year.
Net change in the federal funds rate, %



Currencies

| | Price | 5D Change% | 5D Close | YTD% | 52 Week High | 52 Week Low |
|----------------|---------|------------|----------|-------|--------------|-------------|
| EUR/USD | 1.09 | -0.46 | 1.09 | -1.36 | 1.13 | 1.04 |
| USD/ARS | 850.72 | -0.47 | 846.75 | -4.97 | 850.73 | 202.93 |
| USD/BRL | 4.99 | -0.17 | 4.98 | -2.69 | 5.34 | 4.70 |
| USD/MXN | 16.73 | 0.51 | 16.81 | 1.47 | 19.23 | 16.63 |
| USD/COP | 3885.25 | 0.42 | 3901.75 | -0.78 | 4843.60 | 3805.13 |
| USD/CHF | 0.88 | -0.63 | 0.88 | -4.68 | 0.93 | 0.83 |
| GBP/USD | 1.27 | -0.87 | 1.29 | 0.12 | 1.31 | 1.20 |
| USD/JPY | 148.87 | -1.22 | 147.06 | -5.26 | 151.91 | 129.64 |
| USD/CNY | 7.20 | -0.12 | 7.19 | -1.34 | 7.35 | 6.82 |

Source: Bloomberg

10Y Government Bond Yields

| | Yield | YTD(bp) | 52 Week High | 52 Week Low |
|------------------------|-------|---------|--------------|-------------|
| Reference Rates | | | | |
| Fed Funds Rate | 5.33 | 0.0 | 5.33 | 4.58 |
| SOFR 3M | 5.33 | 0 | 5.43 | 4.73 |
| North America | | | | |
| US | 4.31 | 43 | 5.02 | 3.25 |
| Canada | 3.56 | 45 | 4.29 | 2.64 |
| LatAm | | | | |
| Argentina (ARS) | 70.87 | 77 | 116.19 | 68.09 |
| Brazil (BRL) | 10.94 | 57 | 13.26 | 10.29 |
| Colombia (COP) | 10.17 | 21 | 12.60 | 9.56 |
| Mexico (MXN) | 9.31 | 36 | 10.26 | 8.56 |
| Europe | | | | |
| France (EUR) | 2.89 | 33 | 3.60 | 2.40 |
| Germany (EUR) | 2.44 | 42 | 3.03 | 1.89 |
| Italy (EUR) | 3.71 | 1 | 5.05 | 3.46 |
| Spain (EUR) | 3.25 | 25 | 4.13 | 2.81 |
| Swiss (CHF) | 0.80 | 10 | 1.31 | 0.59 |
| England (GBP) | 4.11 | 57 | 4.75 | 3.13 |

Source: Bloomberg

Commodities

| Commodity | Price | 5D Change% | YTD % | 52 Week High | 52 Week Low | Units |
|-------------------------|----------|------------|--------|--------------|-------------|------------|
| Aluminum | 2,206.76 | -0.36 | -6.16 | 2,452.00 | 2,060.50 | Tons |
| Copper | 407.85 | 4.98 | 4.83 | 419.55 | 351.95 | Pounds |
| Gold | 2,165.50 | -0.92 | 4.52 | 2,203.00 | 1,809.40 | Troy Ounce |
| Silver | 25.25 | 3.74 | 4.83 | 26.24 | 20.85 | Troy Ounce |
| Petróleo (Brent) | 84.89 | 3.42 | 10.19 | 97.69 | 70.12 | Barrel |
| Petróleo (WTI) | 80.71 | 3.46 | 12.64 | 95.03 | 63.64 | Barrel |
| Gasoline | 268.40 | 6.20 | 27.65 | 299.36 | 196.72 | Gallon |
| Natural Gas | 1.68 | -6.70 | -33.02 | 3.63 | 1.51 | MMBTU |

Source: Bloomberg

Glossary

Currency Codes

| Code | Currency | Code | Currency |
|------------|-------------------|------------|------------------|
| ARS | Argentinian Peso | HKD | Hong Kong Dollar |
| AUD | Australian Dollar | JPY | Japanese Yen |
| BRL | Brazilian Real | MXN | Mexican Peso |
| CAD | Canadian Dollar | RUB | Russian Ruble |
| CHF | Swiss Franc | USD | US Dollar |
| CNY | China Yuan | MXN | Mexican Peso |
| COP | Colombian Peso | RUB | Russian Ruble |
| EUR | Euro | THB | Thailand Baht |
| GBP | Sterling Pound | USD | US Dollar |

| Abr. | Description | Abr.2 | Description |
|---------------|--|----------------|--|
| bbl | barrel | IMF | International Monetary Fund |
| BoE | Bank of England | Latam | Latin America |
| BoJ | Bank of Japan | Libor | London interbank offered rate |
| bp | Basic points | m b/d | Million barrels per day |
| BRICS | Brazil, Russia, China, India, South Africa | M1 | A measure of the money supply that includes all of the physical money like bills and coins as well as demand deposits, current accounts, and negotiable disposal order accounts. |
| DCF | Discounted Cash Flow | M2 | A measure of the money supply that includes cash and deposits (M1) plus savings deposits, common monetary investment funds and other term deposits. |
| DM | Developed Market | M3 | A measure of the monetary supply that includes M2 as well as large time deposits, institutional money market funds, short-term repurchase agreements and larger liquid assets. |
| EBITDA | Earnings Before Interest Taxes Depreciation and Amortization | M&A | Mergers and Acquisitions |
| ECB | European Central Bank | MoM | Multiple of Money |
| EEMEA | Eastern Europe, Middle East and Africa | P/B | Price-to-book value |
| EM | Emerging Market | P/E | Price to Earnings ratio |
| EMEA | Europe, Middle East and Africa | PBoC | People's Bank of China |
| EPS | Earnings Per Share | PMI | Purchasing Manager's Index |
| ETF | Exchange Trade Fund | PPP | Purchasing Power Parity |
| FCF | Free Cash Flow | QE | Quantitative Easing |
| Fed | United States Federal Reserve | QoQ | Quarter on Quarter |
| FFO | Funds From Operations | REIT | Real Estate Investment Trust |
| FOMC | Federal Open Market Committee | ROE | Return Of Equity |
| FX | Foreign Exchange | ROIC | Return On Invested Capital |
| G10 | The Group of Ten | RRR | Required Rate of Return |
| G3 | The Group of Three | VIX | Volatility Index |
| GDP | Gross Domestic Product | WTI | "West Texas Intermediate" |
| HC | Hard Currency | YoY | Year over Year |
| HY | High Yield | YTD | Year To Date |
| IG | Investment grade | | |

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