SUMMARY OF LAST WEEK

US stock markets posted their most spectacular rally since November, with the S&P 500 surpassing 7,100 points for the first time and the Nasdaq Composite achieving its longest winning streak since 1992—thirteen consecutive sessions of gains—with both indexes reaching multiple all-time closing records during the week. Overall, the Nasdaq surged an impressive **6.84%** last week, while the S&P 500 climbed **4.54%** and the Dow Jones Industrial Average rose **3.2%.**

Small-cap companies also surprised to the upside with a solid **5.6% gain,** confirming the shift in investor sentiment. The week began under extreme pressure after Vice President JD Vance announced on April 12 that the US-Iran peace talks in Islamabad had collapsed, prompting President Trump to declare a US naval blockade of the Strait of Hormuz with immediate effect, with stock futures falling more than 1% on Sunday night. However, markets showed remarkable resilience as investors downplayed the failure of the negotiations and markets began to recover, fueled by expectations that a diplomatic resolution was still possible . The turning point of the week came on Friday when the Minister of

Iranian Foreign Minister Abbas Araghchi announced that the Strait of Hormuz was "fully open" to commercial traffic for the duration of the ceasefire between Israel and Lebanon, triggering a massive surge of relief. Oil prices plunged in their second-largest daily drop since the start of the war, with WTI falling 11.4% to $83.85 a barrel—its lowest level since March 10—while Brent dropped 9% to $90.38. Doubts persisted about whether shipping would truly return to normal, given that Iran was restricting traffic to routes controlled by the Revolutionary Guard. Software stocks staged a dramatic turnaround after a brutal decline earlier this year: Oracle surged nearly 30% in five trading days after plummeting 58% from its 52-week high, and rallied 12.7% on Monday following AI announcements at its Customer Edge Summit, which highlighted $369 million in energy savings for customers. ServiceNow, Shopify, Datadog, and RingCentral all rose more than 15% during the week. that fears of disruption caused by AI gave way to optimism about the opportunities of

AI-driven growth. First-quarter bank results sent mixed signals, with JPMorgan reporting $5.94 per share (beating the $5.45 estimate) thanks to increased trading income, but cutting its full-year net interest income forecast, while Wells Fargo beat net profit expectations with $1.60 per share, although net interest income missed forecasts at $12.1 billion versus the expected $12.3 billion, and executives noted that consumers were spending 25% to 30% more on gasoline than before the war, although overall spending remained resilient. Trump maintained that the US blockade would remain "in full force" until a global agreement was signed, while warning that the second round of negotiations scheduled for the weekend faced an uncertain date, leading markets to celebrate the diplomatic breakthrough while acknowledging the fragility of the ten-day ceasefire framework.

Source: Sentosa; Co

MACROECONOMIC FLUCTUATIONS AND DATA

KEY DATES OF THE LAST WEEK

April 13

Sales of existing homes
Actual data: 3.98 million versus to the forecast of 4.05 million

April 14

Inter-monthly final demand PPI
Actual 0.5% vs. the survey 1.1%

April 15

Empire Manufacturing Index
Actual 11.0 vs. poll 0.0

GLOBAL EQUITY INDICES	Last	5 Days	1 Month	YTD
MSCI WORLD	4,650.40	**3.94%**	ÿ 9.57%	4.97%
MSCI EM	1,597.13	**3.21%**	ÿ 9.14%	13.73%
MSCI EM LATIN AMERICA	3,346.78	**0.42%**	ÿ 15.76%	23.53%
MSCI AC ASIA x JAPAN	1,030.55	**3.14%**	ÿ 7.61%	12.82%
USA				
S&P 500 INDEX	7,126.06	**4.54%**	ÿ 9.52%	4.10%
NASDAQ COMPOSITE	24,468.48	**6.84%**	ÿ 13.03%	5.28%
DOW JONES INDUS. AVG	49,447.43	**3.19%**	ÿ 8.49%	2.88%
RUSSELL 2000 INDEX	2,776.90	**5.56%**	ÿ 13.88%	11.89%
EUROPE				
STXE 600 (EUR) Pr	626.58	**1.91%**	ÿ 9.30%	5.81%
Euro Stoxx 50 Pr	6,057.71	**2.22%**	ÿ 10.11%	4.60%
DAX INDEX	24,702.24	**3.77%**	ÿ 10.38%	0.86%
CAC 40 INDEX	8,425.13	**2.00%**	ÿ 9.91%	3.38%
FTSE MIB INDEX	48,869.43	**2.65%**	ÿ 14.07%	8.73%
IBEX 35 INDEX	18,484.50	**1.54%**	ÿ 10.59%	6.80%
SWISS MARKET INDEX	13,426.72	**1.85%**	ÿ 8.97%	1.20%
FTSE 100 INDEX	10,667.63	**0.63%**	ÿ 7.55%	7.41%
ASIA				
NIKKEI 225	58,475.90	**2.73%**	ÿ 9.56%	16.16%
HANG SENG INDEX	26,160.33	**1.03%**	ÿ 3.49%	2.07%
CSI 300 INDEX	4,728.67	**1.99%**	ÿ 3.54%	2.13%
SENSEX	78,493.54	**2.43%**	ÿ 5.31%	-7.89%
LATAM				
S&P/BMV IPC	69,825.94	**-0.28%**	ÿ 8.87%	8.58%
BRAZIL IBOVESPA INDEX	195,733.51	**-0.81%**	ÿ 11.07%	21.48%
MSCI COLCAP INDEX	2,301.86	**0.00%**	ÿ 3.19%	11.31%
S&P/CLX IPSA (CLP) TR	11,429.19	**3.18%**	ÿ 11.21%	9.04%

EQUITIES SECTORS	Last	5 Days	1 Month	YTD
MSCI WORLD/INF TECH	1,023.06	**8.05%**	ÿ 14.35%	5.08%
MSCI WRLD/COMM SVC	175.04	**6.01%**	ÿ 10.22%	5.03%
MSCI WORLD/CONS DIS	499.61	**5.69%**	ÿ 12.45%	-0.64%
MSCI WORLD/REAL EST	1,151.02	**3.23%**	ÿ 8.57%	9.22%
MSCI WORLD/FINANCEVAL	189.26	**2.95%**	ÿ 9.94%	1.94%
MSCI WORLD BANK INDEX	198.00	**2.18%**	ÿ 12.39%	5.55%
MSCI WORLD/INDUSTRL	559.91	**1.99%**	ÿ 9.06%	12.09%
PHILA GOLD & SILVER INDX	410.91	**1.44%**	ÿ 25.17%	20.05%
MSCI WORLD/HIGH CARE	389.20	**1.29%**	ÿ 4.39%	-2.57%
MSCI WORLD/MATERIAL	461.39	**1.23%**	ÿ 15.09%	16.38%
MSCI WORLD/CON STPL	311.92	**-0.05%**	ÿ 2.62%	4.94%
MSCI WORLD/UTILITY	219.21	**-1.99%**	ÿ 4.56%	10.00%
MSCI WORLD/ENERGY	329.84	**-4.08%**	ÿ -6.05%	23.40%

US RATES	Last	5 Days Close		12M Close	
2Y	3.71	3.80	-0.09	3.80	-0.09
5Y	3.85	3.94	-0.10	3.94	-0.09
10Y	4.25	4.32	-0.07	4.32	-0.08

BONDS CREDIT SPREAD		5 Days Close		12M Close	
EM Bonds Spread	220.68	230.7	-10.0	333.13	-112.5
HY Bonds Spread	250.00	266.0	-16.0	387.00	**-137.0**
BBB 10yr Spread	178.20	170.3	**7.9**	188.51	**-10.3**

FIXED INCOME		5 Days	1 Month	
US High Yield	2,957.30	0.66%	ÿ 2.31%	1.47%
EM Bonds USD	1,404.84	0.99%	ÿ 2.67%	1.30%
EM Local Currency	155.80	1.02%	ÿ 4.11%	1.78%
CoCos USD	152.82	1.03%	ÿ 2.89%	1.03%
IG BBB 3-5yr USD	396.92	0.73%	ÿ 2.02%	0.86%
IG AA Corp USD	288.34	0.64%	ÿ 2.03%	0.89%

COMMODITIES	Last	5 Days	1 Month	YTD
CRB INDEX	362.78	-3.16%	ÿ -1.18%	21.42%
WTI	83.85	-13.17%	ÿ -12.85%	46.03%
Brent	98.95	-21.40%	ÿ -3.97%	58.45%
US Natural Gas	2.67	0.98%	ÿ -11.84%	-27.46%
S&P GSCI Precious Metal	**6,569.62**	**2.54%**	ÿ **7.21%**	**12.90%**
Gold	4,830.34	1.70%	ÿ -3.50%	11.83%
Silver	80.89	6.61%	ÿ 2.02%	12.88%
Platinum	2,113.19	3.16%	ÿ -0.73%	2.56%
Palladium	1,563.10	2.42%	ÿ -2.73%	-3.51%
S&P GSCI Industrial Metal Index	**615.69**	**3.08%**	ÿ **10.89%**	**11.46%**
Aluminum	3,564.50	1.89%	ÿ 4.85%	19.00%
Copper	13,281.92	3.61%	ÿ 4.90%	6.65%
Nickel	17,908.50	5.09%	ÿ 5.42%	8.53%
S&P GSCI Agriculture	**366.26**	**1.68%**	ÿ **-0.48%**	**3.93%**

CURRENCIES	Last	5 Days	1 Month	YTD
CHF vs USD	0.7817	0.90%	ÿ 0.40%	1.39%
JPY vs. USD	158.6400	0.40%	ÿ 0.23%	-1.22%
CAD vs. USD	1.3691	1.10%	ÿ 0.00%	0.24%
EUR vs. USD	1.1765	0.36%	ÿ 1.95%	0.16%
GBP vs. USD	1.3516	0.40%	ÿ 1.20%	0.30%
AUD vs. USD	0.7174	1.56%	ÿ 0.97%	7.51%
BRL vs. USD	4.9781	0.55%	ÿ 4.32%	9.98%
MXN vs. USD	17.3118	-0.07%	ÿ 1.98%	4.02%
COP vs. USD	3,586.48	1.32%	ÿ 2.98%	5.33%
CNY vs. USD	6.8182	0.16%	ÿ 0.98%	2.49%
EUR vs. CHF	0.9197	0.53%	ÿ -1.53%	1.19%
DOLLAR INDEX	98.0980	-0.56%	ÿ -1.48%	-0.23%
BITCOIN	77,109.26	5.34%	ÿ 8.26%	-12.02%

KEY DATES OF THE NEXT WEEK

April 21

Preliminary retail sales intermonthly
Survey 1.4%

Pending home sales (monthly)
Survey 0.0%

April 23

S&P Global Manufacturing PMI
Survey 52.50

S&P Global Services PMI
Survey 50.10

April 24

Confidence index of the University of Michigan
Survey 48.40

Source: Sentosa; Co

LAST WEEK'S RESULTS SEASON

DATE	COMPANY	Value yourself EPS	Value yourself REV	CURRENT EPS	CURRENT REV	DIFFERENCE EPS	DIFFERENCE REV
03/10/2026 (PM)	ORACLE CORP	$1.70	$16.89 B	$1.79	$17.19 B	5.4%	1.8%
03/12/2026 (PM)	ADOBE INC	$5.88	$6.28 B	$6.06	$6.40 B	3.0%	1.9%
03/18/2026 (PM)	MICRON TECH	$9.13	$19.86 B	$12.20	$23.86 B 33.7% 20.2%		
03/19/2026 (AM)	ACCENTURE PLC-A	$2.85	$17.86 B	$2.93	$18.04 B	2.8%	1.0%
03/19/2026 (PM)	FEDEX CORP	$4.17	$23.49 B	$5.25	$24.00 B 26.1% $11.28		2.2%
03/31/2026 (PM)	NIKE INC -CL B	$0.30	$11.24 B	$0.35	B 15.1% $17.23 B		0.4%
04/13/2026 (AM)	GOLDMAN SACHS GP	$16.34	$16.95 B	$17.55	$50.54 B	7.4%	1.6%
04/14/2026 (AM)	JPMORGAN CHASE	$5.41	$49.26 B	$5.94	$24.06 B	9.9%	2.6%
04/14/2026 (AM)	JOHNSON&JOHNSON	$2.69	$23.66 B	$2.70	$24.60 B	0.4%	1.7%
04/14/2026 (AM)	CITIGROUP INC	$2.66	$23.54 B	$3.06	15.3% $6.70 B $21.45		4.5%
04/14/2026 (AM)	BLACKROCK INC	$11.48	$6.50 B	$12.53	B $30.27	9.1%	3.1%
04/14/2026 (AM)	WELLS FARGO & CO	$1.58	$21.76 B	$1.56	B $20.58	-1.5%	-1.4%
04/15/2026 (AM)	BANK OF AMERICA	$1.01	$30.02 B	$1.11	B 15.2%	9.9%	0.9%
04/15/2026 (AM)	MORGAN STANLEY	$2.98	$19.71 B	$3.43	$6.48 B 2.6% $11.16 B		4.4%
04/16/2026 (AM)	SCHWAB (CHARLES)	$1.39	$6.51 B	$1.43	$5.41 B $7.29 B		-0.4%
04/16/2026 (AM)	ABBOTT LABS	$1.15	$11.01 B	$1.15	$19.44 B	0.2%	1.4%
04/16/2026 (AM)	BANK NY MELLON	$1.92	$5.18 B	$2.25	$12.25	17.1%	4.4%
04/16/2026 (AM)	US BANCORP	$1.15	$7.28B	$1.18	B 61.2%	3.1%	0.1%
04/16/2026 (AM)	PEPSICO INC	$1.55	$18.93B	$1.61		4.1%	2.7%
04/16/2026 (PM)	NETFLIX INC	$0.76	$12.17B	$1.23			0.6%

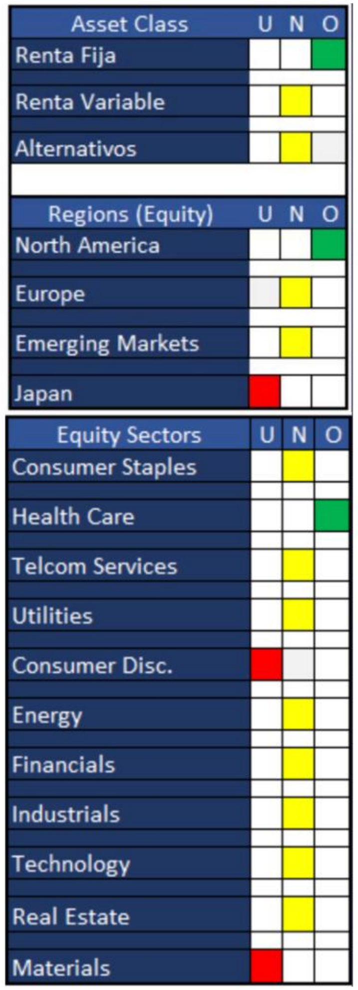
Source: Sentosa; Co

NEXT WEEK'S RESULTS SEASON

DATE	COMPANY	Value yourself EPS	Value yourself REV	CURRENT EPS	CURRENT REV	DIFFERENCE EPS	DIFFERENCE REV
04/21/2026	GENERAL ELECTRIC	$1.60	$10.69 B				
04/21/2026	3M CO	$1.98	$6.01 B				
04/21/2026	RTX CORP	$1.53	$21.47 B				
04/21/2026	INTUITIVE SURGICAL	$2.10	$2.62 B				
04/21/2026	UNITEDHEALTH GRP	$6.58	$109.24 B				
04/21/2026	DANAHER CORP	$1.94	$5.99 B				
04/21/2026	CAPITAL ONE FINA	$4.56	$15.37 B				
04/22/2026	BOEING CO/THE	($0.76)	$21.89 B				
04/22/2026	IBM	$1.81	$15.66 B				
04/22/2026	AT&T INC	$0.55	$31.25 B				
04/22/2026	TEXAS INSTRUMENT	$1.38	$4.52 B				
04/22/2026	PHILIP MORRIS IN	$1.86	$9.96 B				
04/22/2026	SERVICENOW INC	$0.97	$3.74 B				
04/22/2026	LAM RESEARCH	$1.37	$5.74 B				
04/22/2026	GE VERNOVA INC	$1.81	$9.11 B				
04/22/2026	TESLA INC	$0.35	$22.08 B				
04/23/2026	AMERICAN EXPRESS	$4.03	$18.62 B				
04/23/2026	INTEL CORP	$0.01	$12.36 B				
04/23/2026	THERMO FISHER	$5.24	$10.85 B				
04/23/2026	UNION PAC CORP	$2.86	$6.22 B				
04/23/2026	COMCAST CORP-A	$0.72	$30.30 B				
04/23/2026	NEXTERA ENERGY	$1.02	$7.29 B				
04/23/2026	HONEYWELL INTL	$2.33	$9.29 B				
04/23/2026	LOCKHEED MARTIN	$6.86	$18.26 B				
04/24/2026	PROCTER & GAMBLE	$1.56	$20.53 B				
04/24/2026	GILEAD SCIENCES	$1.91	$6.90 B				

Source: Sentosa; Co

CIO'S VISION



The market has been rising for three consecutive weeks, and the S&P 500's rally is now the fastest since 1982. Markets are now at their highest level of the year, in positive territory. Investors quickly shifted from risk aversion to risk appetite amid expectations of a deal with Iran and the reopening of the Strait of Hormuz. However, the situation remains fragile, and the current recovery rally should be viewed with caution. We remain cautious, as markets continue to be overvalued in the long term, with high valuations.

The economy was already weakening before the conflict with Iran, and tensions surrounding the Strait of Hormuz have added another layer of economic pressure. Ironically, the consensus doesn't seem worried, as it continues to expect earnings per share to grow by 17% over the next 12 months. On the other hand, it is consumers who are skeptical, as the University of Michigan consumer confidence index fell to a record low of 47.60, highlighting the economic impact on consumers.

Source: Sentosa; Co

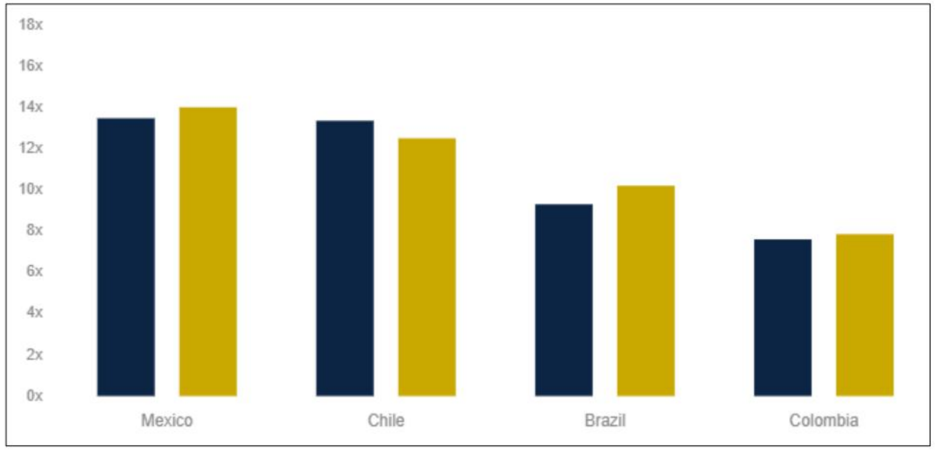
Brazil: Five arguments in favor of a bull market

As we've been discussing since the beginning of the year, we have a strong positive outlook on emerging markets that have underperformed for years but are now showing signs of strength. Within emerging markets, Latin America, and Brazil in particular, is especially attractive. Brazilian equities are at the confluence of five distinct and mutually reinforcing macroeconomic factors, a configuration we consider one of the most compelling investment cases in global emerging markets today. Essentially, the thesis rests on three structural pillars: **1. a bull market in commodities; 2. a structurally weakening US dollar;** and **3. an upcoming Federal Reserve easing cycle.**

There are two additional arguments that further strengthen this case. **The Ibovespa continues to trade at a forward price-to-earnings multiple of approximately 9.7x, a level that represents a near-decade low both in its own history and across emerging markets as a whole** (Charts 1 and 2), offering significant potential for multiple expansion as macroeconomic conditions normalize. The Brazilian real, having recovered strongly from the crisis lows of December 2014, exhibits the characteristics of a currency with structural support, backed by commodity export surpluses, the most attractive real interest rate differential in the world, and renewed institutional confidence in Brazil’s monetary framework.

Chart 1: Future PER: Ibov Index (9.7x); MSCI Emerging Markets (12x)

Chart 2: Future P/E ratio of Latin America versus the 10-year average



Source: Sentosa & Co.

THE TOPIC OF THE WEEK

Pillar I: Commodities. The primary short-term driver of Brazilian equity outperformance is the sustained commodities bull market, and no other major stock market is as well-positioned to benefit from it. Brazil is among the world's leading exporters of an **exceptionally diversified portfolio of commodities** (Charts 3 and 4): crude oil and refined products through Petrobras and PRIO; soybeans, corn, and sugar through the country's world-leading agribusiness sector; iron ore supplying Chinese and Asian industrial demand; and beef through JBS and Marfrig, which together make Brazil the dominant force in global protein trade. This broad exposure is no accident: it is a structural feature that transforms rising commodity prices from a favorable macroeconomic factor into a direct boost to the corporate earnings of the Ibovespa's most heavily weighted components. **Soft commodities clearly make up the bulk of commodity exports, with soybeans accounting for 12.5% of the total 48.5% of the agribusiness sector** (Chart 4). Soybean exports are at multi-year highs in both volume and value. Sugar and ethanol prices remain elevated. **The disruptions in the Strait of Hormuz have also benefited Brazil due to its heavy reliance on the oil industry** (Chart 3). Petrobras, Brazil's largest company, representing about 15% of the Brazilian index, has been a direct beneficiary of the Iranian conflict; its stock has risen 70% since the beginning of the year, from its low to its high.

The materials sector is providing an additional boost through iron ore and steel, where the recovery in infrastructure spending in China is beginning to re-anchor demand expectations. Vale, which accounts for 10% of the Brazilian index, generates 65% of its revenue from iron ore. For investors, rising commodity prices generate trade surpluses, which bolster government revenues, reduce the tax burden that has historically weighed on Brazilian risk premiums, and create a virtuous cycle between macroeconomic stability and equity performance.

Chart 3: Main raw material exports (billions of dollars)

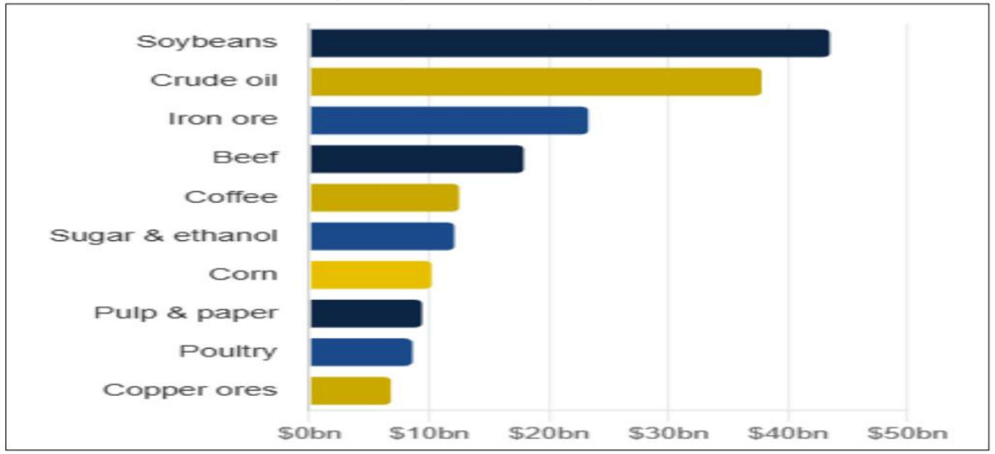
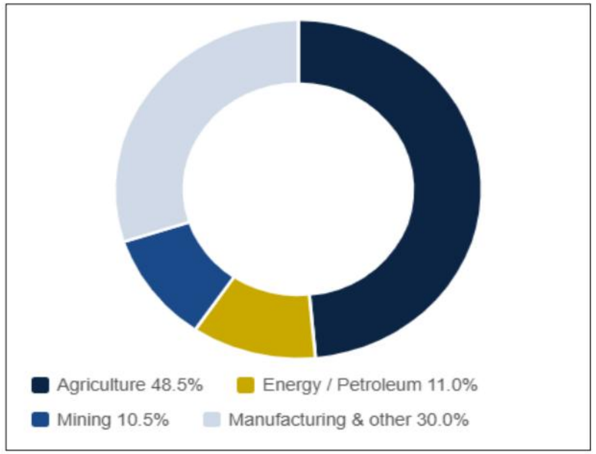


Chart 4: Breakdown by general categories / Total exports: $349 billion



Source: Sentosa & Co.

THE TOPIC OF THE WEEK

Pillar II: US Dollar Weakness. The structural weakening of the US dollar is the second pillar of the bullish scenario for Brazil, and it operates through multiple channels simultaneously. **After reaching extreme levels of overvaluation in late 2024—when USD/BRL briefly touched 6.18 at the height of fiscal uncertainty in Brazil and global dollar strength—the dollar has since entered a broad bearish phase, breaking a 15-year dollar bull market** (Chart 5). For Brazilian equities, a weaker dollar is unequivocally positive. First, and most directly, it strengthens the Brazilian real, which acts as a transmission mechanism: each percentage point of real appreciation adds an equivalent percentage of dollar-denominated returns for foreign investors holding Brazilian assets without requiring further share price appreciation. This makes the return profile of Brazilian equities mechanically more attractive to international investors as the dollar falls. Second, a weaker dollar reduces the real debt burden for Brazilian companies with dollar-denominated liabilities, directly improving balance sheet quality and earnings predictability, especially for capital-intensive sectors such as energy, utilities, and manufacturing. Third, a weaker dollar tends to correlate with increased global risk appetite, as it signals that the period of US monetary exceptionalism—high interest rates, high growth, a strong dollar—is drawing to a close, encouraging capital rotation into higher-yielding, more cyclical markets like Brazil. **As we mentioned in our report last week, the dollar index is poised to break a 15-year upward trend** (Chart 6), as the diversification of dollar reserves among sovereign wealth funds and central banks continues to gain momentum. And the prospect of sustained easing by the Federal Reserve eliminates the interest rate support that underpinned the dollar's strength between 2022 and 2024. Previous periods of marked overvaluation of Brazilian equities—particularly the mid-2000s commodity and emerging market boom—coincided with prolonged periods of US dollar weakness. History does not repeat itself mechanically, but the macroeconomic architecture of 2026 bears significant similarities to those episodes.

Chart 5: USBBRL (4.98) / Long-term chart

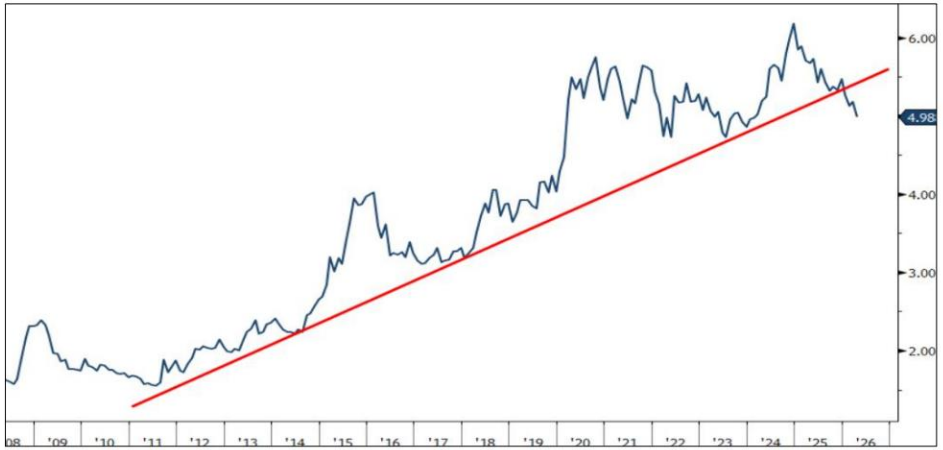


Chart 6: DXY Index (97.89)

Source: Sentosa & Co.

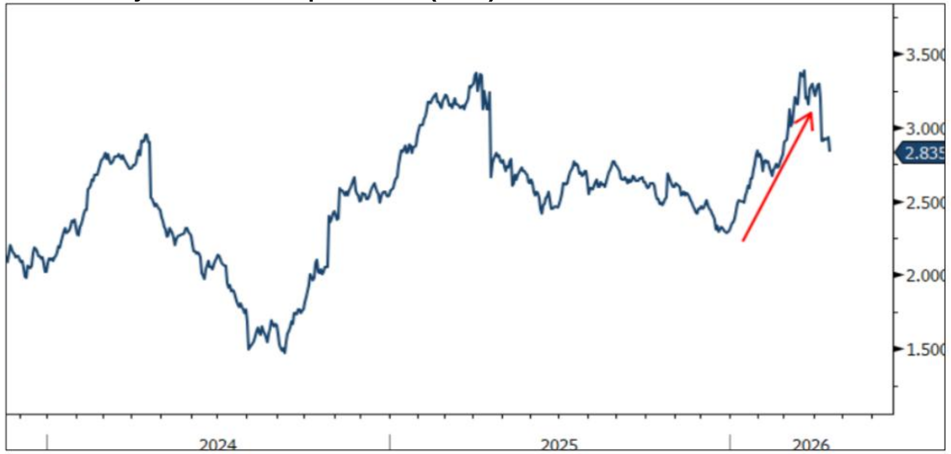
THE TOPIC OF THE WEEK

Pillar III: The Fed's Rate Cuts. We have always maintained a rather contrarian stance to what the market is currently pricing in. **Investors have shifted from expecting two rate cuts by 2026 to almost none at present, due to rising inflation expectations** (Charts 7 and 8). Given that the disruption of the Strait of Hormuz constitutes a supply shock and that this spike in inflation should, in principle, be only temporary, we believe the Fed will cut rates in 2026. The Federal Reserve's shift to a rate-cutting cycle is the third pillar—and arguably the most structurally significant—of the bullish argument for Brazil, as it operates at the level of fundamental valuation. When US risk-free rates are high, the discount rate applied to all risk assets increases, and the risk premium demanded for holding emerging market equities widens. The opposite is also true: as the Fed loosens its policy and short-term US interest rates fall, the mathematical fair value of each dollar of future profits in Brazil—or any other emerging market—increases.

The domestic dimension of this pillar is equally powerful. Brazil's Selic rate, currently among the highest real interest rates in the world, is on a gradual path toward neutrality as inflation moderates toward the projected 4.4% target for 2026. This is important for Brazilian companies in a way that few investors fully appreciate: roughly 60% of Brazilian corporate debt is linked to the Selic rate, meaning that every 100 basis points of domestic easing directly improves interest coverage ratios, free cash flow generation, and earnings per share for a broad sample of Ibovespa constituents. The dual easing environment—Fed rate cuts externally and BCB easing internally—creates an exceptionally powerful corporate valuation mechanism. The external dimension reduces the country risk premium and encourages foreign capital inflows. The domestic dimension improves corporate earnings and stimulates the credit cycle.

Chart 7: Number of rate cuts expected by the Fed (-0.6)

Chart 8: 2-year inflation expectations (2.8%)



Source: Sentosa & Co.

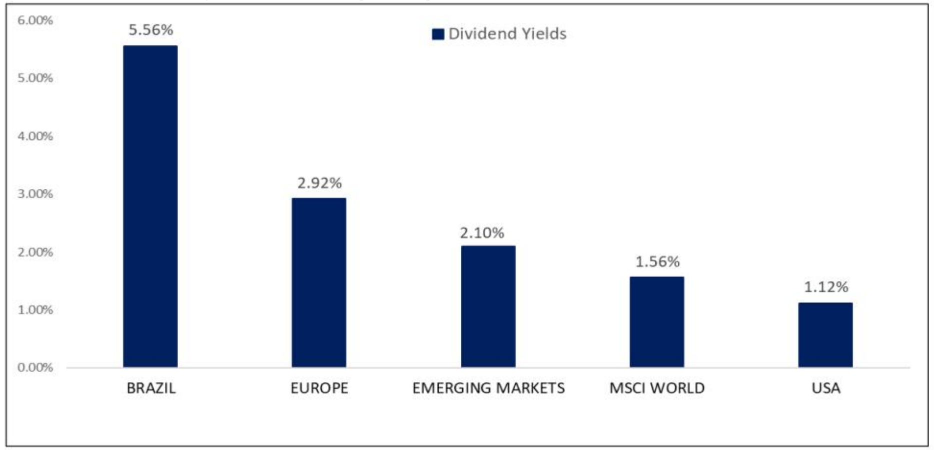
THE TOPIC OF THE WEEK

Argument IV: Low Valuation and Dividends We already mentioned this aspect at the beginning of our report, but the discount relative to developed markets is so wide that it is worth mentioning again. **If we look at the P/B ratio, Brazil is trading at a 55% discount relative to developed markets, the largest discount ever recorded** (Chart 7). Brazilian financial stocks—which dominate the index—trade at a discount to their global counterparts despite generating returns on equity that are competitive with or better than those of international banks. Itaú Unibanco, one of the world's most profitable large-cap banks, continues to generate high returns while trading at a fraction of the multiples achieved by its US or European equivalents. This type of "quality at a discount" situation is unusual in global markets and underscores the current opportunity asymmetry.

Valuation alone is not usually a catalyst: markets can remain cheap for long periods without any appreciation. But in the context of the three structural pillars already described, Brazil’s extreme valuation discount shifts from a passive observation to an active amplifier of potential returns. **Dividend yields add another dimension. With the Ibovespa offering index-level dividend yields in the 5% to 6% range in local currency, Brazilian equities provide attractive income while investors wait for appreciation to materialize** (Chart 8). In a world where US dollar yields are declining and carry trade calculations are changing, Brazil’s return profile is becoming increasingly competitive globally.

Chart 7: P/B: Ibov Index (1.56x); MSCI World (3.5x)

Chart 8: Dividend yield of Brazil (5.56%)



Source: Sentosa & Co.

THE TOPIC OF THE WEEK

Argument V: The Strength of the BRL

Perhaps the most underrated aspect of the optimism surrounding Brazil is the structural shift in the Brazilian real's risk profile. For years, the BRL's volatility was the primary reason why international investors underweighted Brazil: the currency's sensitivity to fiscal news, political events, and episodes of global risk aversion made it a recurring drag on USD-denominated returns. That dynamic appears to be changing significantly, and the BRL's performance since its December 2024 lows represents a major regime change. **From its crisis high of 6.18 USD/BRL in December 2024, the real has appreciated to around 5.0, recovering more than 17% and briefly approaching 5.08 in early April 2026—its highest level since May 2024** (Chart 9).

This recovery has not been driven by short-term speculative positions, but by enduring fundamental factors. Brazil's terms of trade remain near record highs, fueled by the same commodity price cycle that is driving equity returns. The BCB maintains one of the world's highest real interest rates, with a 10-year real rate of 9.5%, providing a substantial and attractive carry spread for international investors. Trade surpluses remain strong, with a surplus of approximately $4.2 billion in merchandise trade projected for February 2026, bolstering the current account balance position and reducing the BRL's structural vulnerability. **Finally, despite the recent recovery, the BRL remains well below its estimated fair value based on purchasing power parity of 3.83, which would represent an appreciation of +23%** (Chart 10).

Chart 9: USBRL (4.98) / Medium-term chart

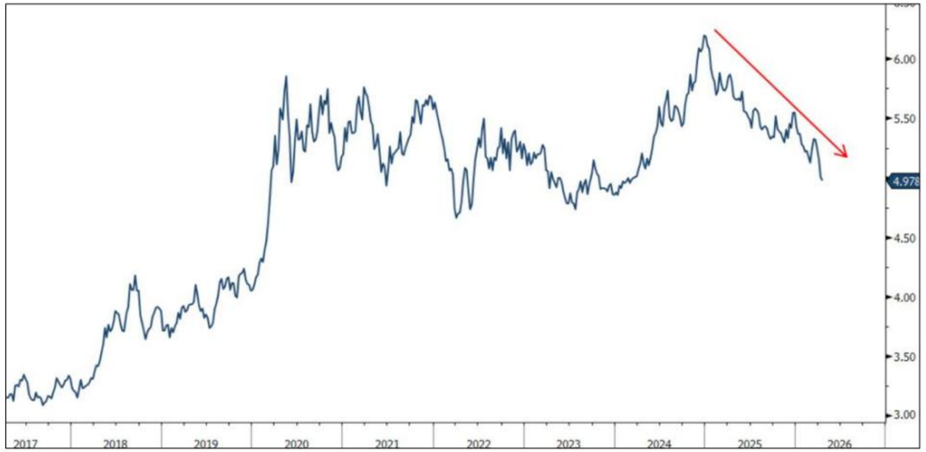
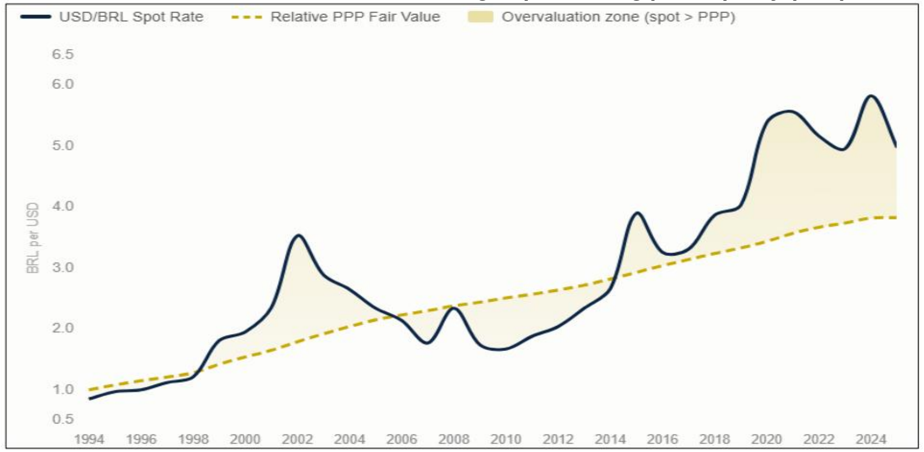


Chart 10: Fair value of the USBRL according to purchasing power parity (3.83)



Source: Sentosa & Co.

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