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International

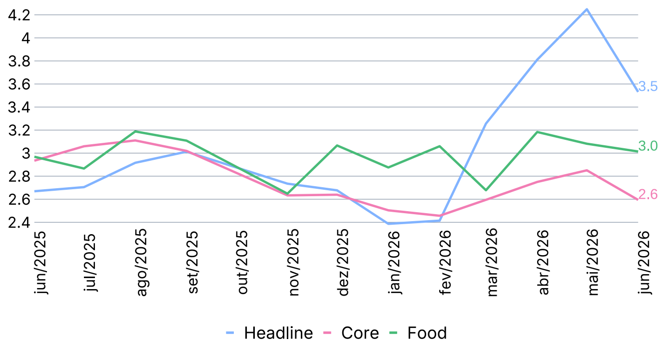
Oil prices rise again as the conflict in the Middle East re-escalates. Throughout June and early July, oil prices declined as tensions between the United States and Iran eased and the Strait of Hormuz re-opened. The decline helped alleviate global inflationary pressures, particularly in the United States, where consumer inflation slowed from 4.2% to 3.53% year on year, reinforcing expectations that the Federal Reserve would keep interest rates unchanged. However, in the second half of July, the renewed escalation of the conflict increased geopolitical risks, leading to another closure of the strait and pushing oil prices to around US$85 per barrel, thereby reviving concerns about global inflation.

Brazil

Inflation slows markedly in June. According to IBGE, the IPCA rose by 0.16% in the latest month, bringing the 12-month change to 4.64%. Food and beverages were the main driver of the slowdown, recording deflation of 0.24% (compared with inflation of 1.33% in May). Housing (0.63%, down from 1.22%) and Health and personal care (0.23%, down from 0.90%) also contributed in the same direction. As inflation eased, short-term expectations declined, creating a favourable environment for the continuation of the monetary-easing cycle initiated in March. Accordingly, we forecast a further 0.25 percentage-point cut in the Selic target rate, to 14% per year. Nevertheless, given the renewed escalation of the conflict between the United States and Iran and the return of global uncertainty, we do not believe there is scope for additional cuts in 2026, particularly if oil prices continue to trend upwards.

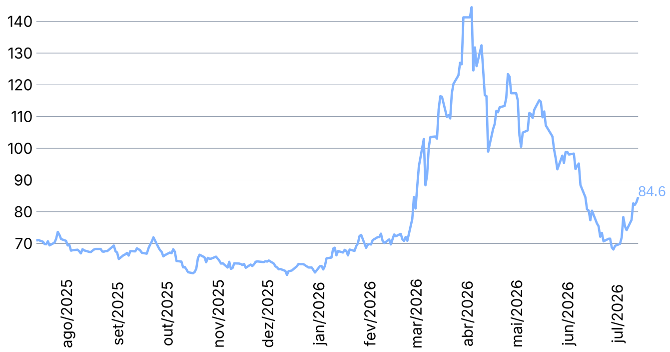
CPI - Consumer Prices

Annual variation (%) Source: Bureau of Labor Statistics Elaboration: 4intelligence



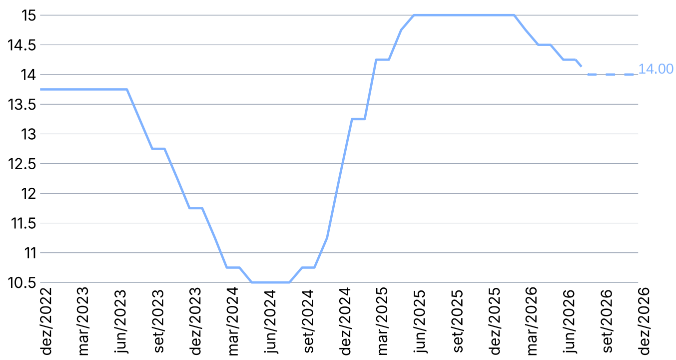
Brent Crude Oil Spot Price Trend

Daily prices (US$/barrel) Source: Bloomberg. Elaboration: 4intelligence



Selic Target Rate Trend

Annual Rate (%) Source: BCB. Elaboration: 4intelligence



Inflation Heatmap

Monthly variation (%). Source: IBGE

	ago/2025	set/2025	out/2025	nov/2025	dez/2025	jan/2026	fev/2026	mar/2026	abr/2026	mai/2026	jun/2026
Clothing	0.72	0.63	0.51	0.49	0.45	-0.25	0.16	0.46	0.52	0.62	0.17
Health	0.54	0.17	0.41	-0.04	0.52	0.7	0.59	0.42	1.16	0.9	0.23
Utilities	-0.9	2.97	-0.3	0.52	-0.33	-0.11	0.3	0.22	0.63	1.22	0.63
Education	0.75	0.07	0.06	0.01	0.08	0.02	5.21	0.02	0.06	0	-0.02
Personal Expenses	0.4	0.51	0.45	0.77	0.36	0.41	0.33	0.65	0.35	0.41	0.25
Communication	-0.09	-0.17	-0.16	-0.2	0.37	0.82	0.15	0.19	0.57	0.23	0.19
Housing	-0.09	-0.4	-0.34	-1	0.64	0.2	0.13	0.51	0.65	0.08	0.23
Transportation	-0.27	0.01	0.11	0.22	0.74	0.6	0.74	1.64	0.06	-0.46	0.17
Food	-0.46	-0.26	0.01	-0.01	0.27	0.23	0.26	1.56	1.34	1.33	-0.24

Industry and services contracted in May, according to the PIM and PMS surveys. In industry, the result reflected downside surprises in mining and quarrying (lower iron-ore extraction) and in food products. In services, the decline was driven by Transportation, which was heavily influenced by air transport (affected by higher fuel prices). Trade, as measured by the PMC survey, delivered mixed results. On the one hand, real core retail revenue increased by 0.1% month on month, whereas real broad retail revenue fell by 0.2% month on month. Food retail was the main negative highlight (-1.5% MoM). Fuels, Clothing, and Furniture and household appliances were among the positive highlights.

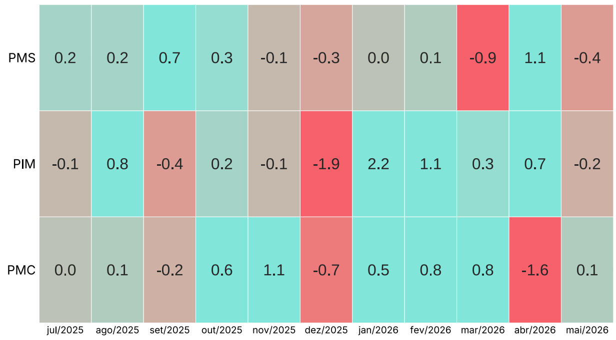
Despite negative results in May, confidence in all three sectors increased in June. FGV's Industry Confidence Index (ICI), Trade Confidence Index (ICOM) and Services Confidence Index (ICS) suggest that the sectors may recover in June. The increase in all three indices was driven by economic agents' assessments of the current situation. Although economic activity remains relatively robust, it faces several constraints, including high interest rates, household indebtedness and rising input costs. These factors support an outlook of deceleration over the coming months.

Politics

Lula widens his lead over Flávio Bolsonaro in opinion polls. During June, the opposition candidate faced several controversies involving his name, including a video in which Michelle Bolsonaro attacked him. These events, combined with the government's approval of additional election-oriented benefits, widened the polling gap between Lula and Flávio. Against this backdrop, the I-GOV index reached 52.2% in June, an increase of 1.2% compared with May.

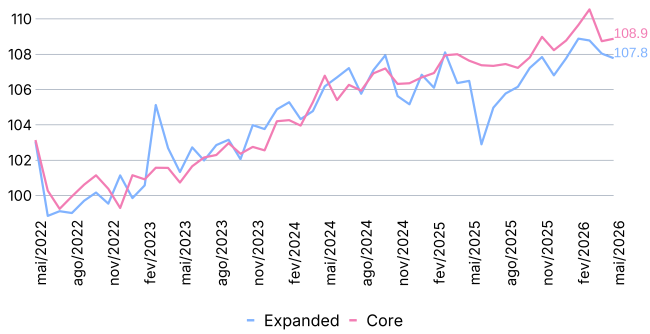
Heatmap of Economic Activity

Seasonally adjusted series, Monthly variation (%). Source: IBGE, Central Bank of Brazil



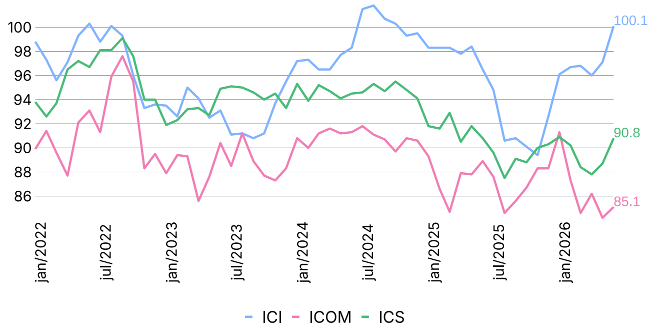
Retail Sales Volume

Seasonally adjusted, 2022 average = 100 Source: IBGE Elaboration: 4intelligence



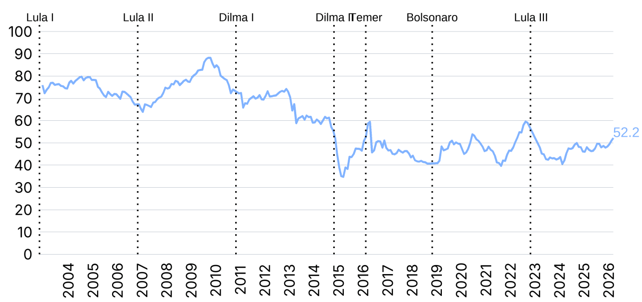
ICI, ICOM and ICS Trend

Aug/10-Jun/15 average = 100, seasonally adjusted. Source: FGV. Elaboration: 4intelligence



Governability Index

% Source: 4intelligence Elaboration: 4intelligence



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