March 30, 2023

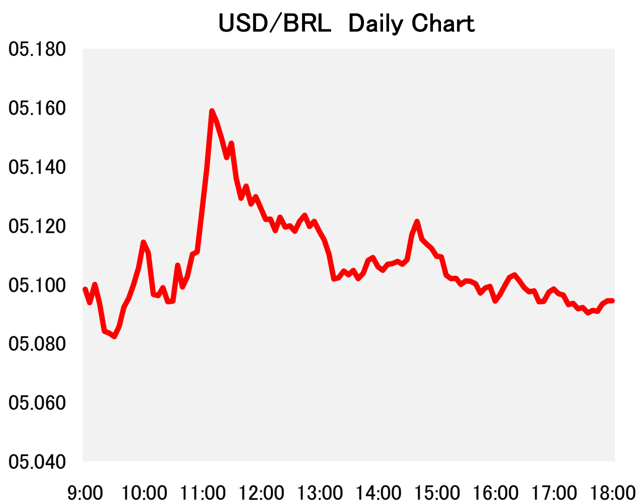
Banco MUFG Brasil S.A.
Treasury & Markets
Av. Paulista, 1274 – Bela Vista
São Paulo, SP – 01310-925

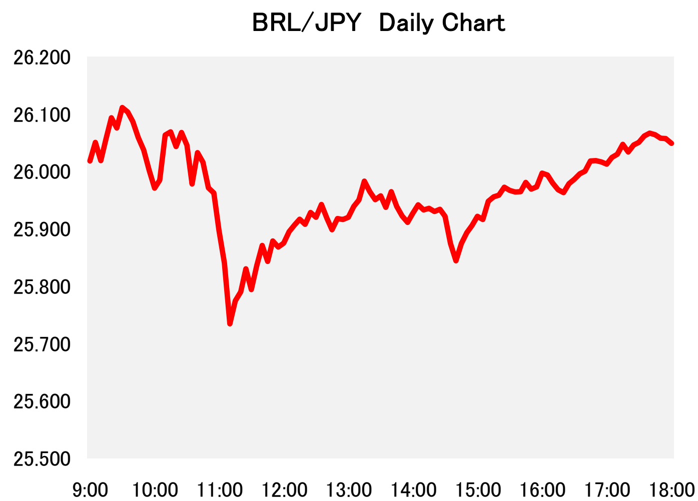
1. Market Rates

			24-Mar	27-Mar	28-Mar	29-Mar	30-Mar	Net Chg
FX	USD/BRL	Spot	5.2460	5.1970	5.1670	5.1350	**5.0940**	-0.0410
	BRL/JPY	Spot	24.91	25.32	25.34	25.87	**26.05**	+0.18
	EUR/USD	Spot	1.0760	1.0800	1.0840	1.0840	**1.0910**	+0.0070
	USD/JPY	Spot	130.72	131.56	130.90	132.84	**132.69**	-0.15
Rates	Brazil DI	6MTH(p.a.)	13.406	13.390	13.447	13.465	**13.426**	-0.039
	Future	1Year(p.a.)	12.777	12.721	12.823	12.941	**12.805**	-0.136
Equity	Bovespa Index		98,829.27	99,670.47	101,185.09	101,792.52	**103,713.45**	+1,920.93
CDS	CDS Brazil 5y		251.59	244.03	244.29	240.73	**235.57**	-5.16
Commodity	CRB Index		258.491	262.326	263.486	262.707	**264.380**	+1.67

Source: Bloomberg

* The rates above are end of the day market price/ rate and used for your reference only





Source: Bloomberg

2. Topics

- USDBRL opened at 5.1353 waiting for the details about the new fiscal framework after some details was released yesterday around the closing. The market also reacts to the quarterly inflation report released earlier by the Centra Bank. Abroad, the sentiment is positive with stocks going up and USD weakening. USDBRL moved to the highest level at 5.0775. The fiscal framework shows that the government has a goal to keep the fiscal responsibility, but the lack of details of how the government will meet the primary deficits expected by the economic team puts doubts about the feasibility of such numbers. USDBRL reached the lowest level at 5.1595 and it closed at 5.0940.
- The Central Bank released the quarterly inflation report and its tone was quite similar to the Copom minutes and communiqué. Our baseline scenario assumes that Copom will keep Selic rate at current 13.75% level up to July 2023, and from August onwards it might gradually reduce it, conditioned on the approval by the Congress of a credible and sound fiscal framework before Congress recess in July, and the inflation expectation for the following years getting closer to the central target.
- Industrial production (IP) showed a decrease of 0.3% in January 2023 over the previous month, seasonally adjusted. For this whole year, we expect a very weak growth of 0.3%. Industry will still suffer from the combination of low domestic and global economic growth, meaning that the demand for industrial goods will keep weak during most of this year. The tighter credit conditions as of high interest rate amid an environment of increasing household indebtedness and individual delinquency rate will continue affecting the demand of durable goods such as vehicles, electronics and household appliances. Semi and non-durables might show a relatively better performance, especially food products that have been showing a significant price slowdown thanks to the positive agricultural crops, which along with the Bolsa-Familia and the readjustment of minimum wage might contribute to a good demand.

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