

# Economic Letter

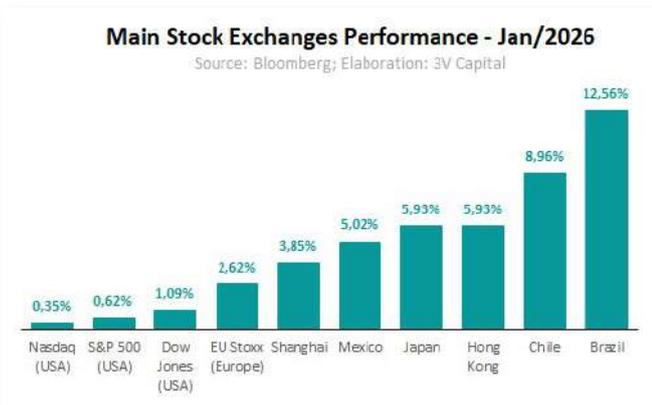
January/2026

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# External Scenario

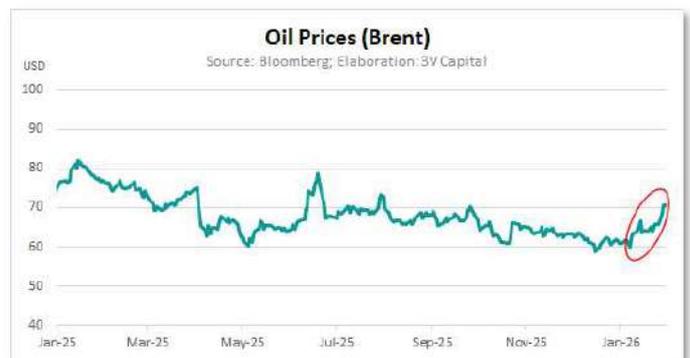
January was a positive month for global equities, with broadly favorable performance across most markets, albeit with meaningful dispersion among regions. U.S. indices advanced more moderately, while Latin America led — with Brazil and Chile among the standout performers, supported by foreign capital inflows and improved sentiment toward emerging markets. In the background, the U.S. interest rate debate took on an institutional dimension, and geopolitics regained relevance in price formation.



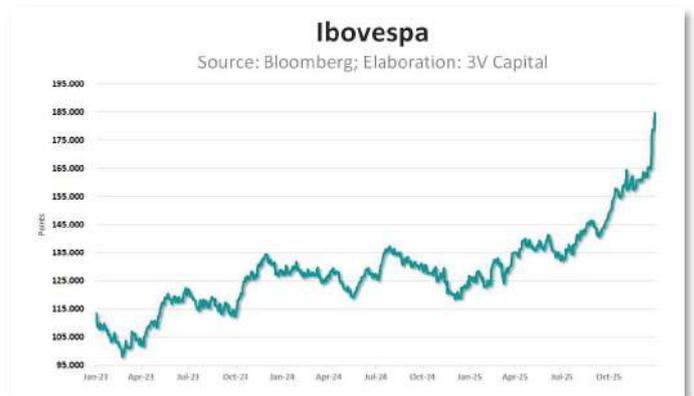
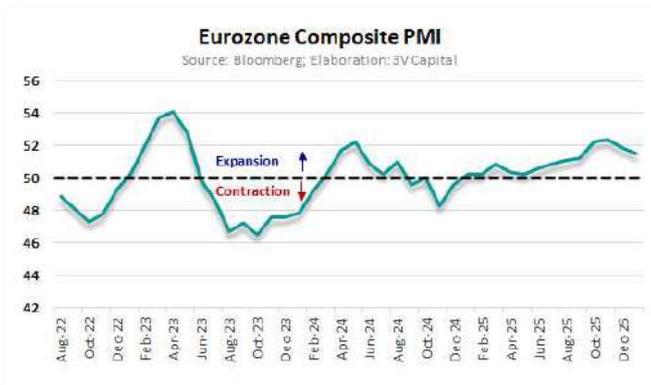
The economy in the United States remained resilient and disinflation continued at a gradual pace — enough to keep the Federal Reserve in a cautious, data-dependent stance. The main development was institutional: the nomination of Kevin Warsh to succeed Jerome Powell. Given his track record of upholding price stability, the market tends to expect a more *hawkish*<sup>1</sup> policy approach, with communication aimed at preserving predictability and confidence — reducing the risk of radical shifts but increasing sensitivity to inflation and activity surprises.

Geopolitics was the main amplifier of volatility in January. The regime change in Venezuela, with the

fall of Nicolás Maduro under U.S. stewardship, set a precedent and opened the door to second-order effects: regional realignments, tighter sanctions, and greater uncertainty in energy prices. This backdrop is compounded by Iran, which remains a relevant source of tail risk due to its potential to feed into inflation expectations via oil. In parallel, Greenland emerged as a structural vector tied to sovereignty and security: signals of U.S. annexation/control strain relations with Denmark and test NATO cohesion, raising the perception of friction among allies.



In the European Union, the economy remained fragile, with industry lacking traction and heightened vulnerability to political shocks, making the bloc more sensitive to confidence episodes than to any single macro release. The trade chapter also added uncertainty: the European Parliament stalled progress on the Mercosur–EU agreement, extending ambiguity around trade and supply chains. In Asia, Japan continued to see the exchange rate as a critical channel (with recurring intervention risk), while China maintained moderate growth — sufficient to sustain expansion, but without “pulling” the world on its own, leaving emerging markets and commodities more dependent on global risk sentiment.



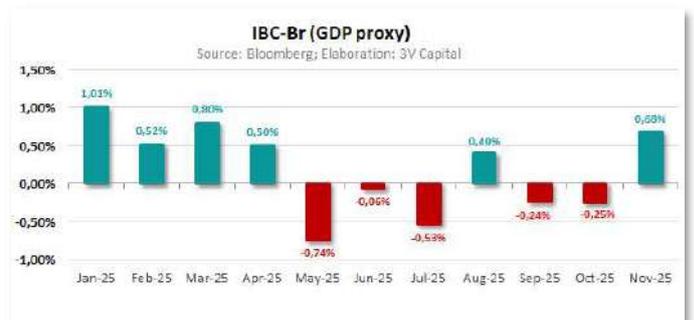
Our reading is that 2026 begins in a more event-driven regime: less linearity in the rate path and greater dispersion of outcomes for risk assets. The Fed leadership transition is likely to keep pricing more reactive, while Venezuela, Iran, and Greenland remain relevant vectors of volatility through energy, trade, and alliances. In this environment, risk discipline becomes even more important: liquidity, diversification, and clear asymmetries should remain key pillars to navigate a scenario with higher variance of outcomes.

<sup>1</sup>*Hawkish*: A more restrictive monetary policy stance, supportive of higher interest rates or a faster pace of tightening.

## Domestic Scenario

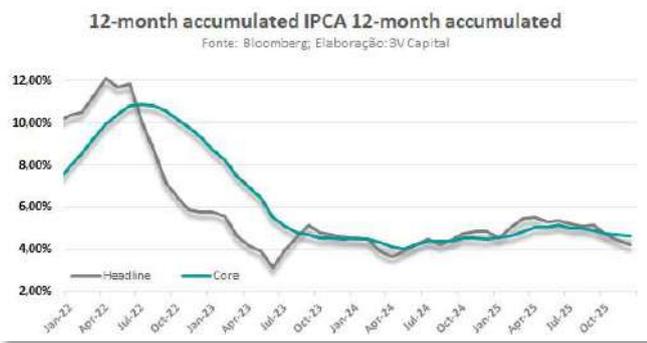
After the strong mood at the end of 2025, markets started 2026 in a positive tone. Stocks reached new highs, foreign inflows stayed strong, and the U.S. dollar fell further. This reflected renewed interest in emerging markets and still-high real interest rates. Globally, risk appetite was firm, even with some volatility. In Brazil, news involving the Supreme Federal Court (STF) and ongoing investigations kept investors watching the balance between branches of government, but it did not stop prices from rising over the month.

Economic activity sent mixed signals at the turn of the year. Retail sales surprised on the upside, and the November IBC-Br (a proxy for GDP) recovered after the previous month's drop. On the other hand, services fell after a run of increases, and the December Caged labor report was weaker, with a net loss of jobs (the worst December since 2020). Overall, the data point to a mild slowdown, consistent with the delayed impact of tight monetary policy, while the labor market remains an important point to watch.

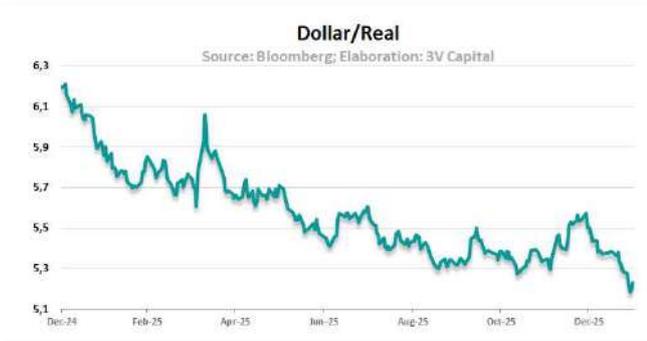


Inflation also helped. After 2025 ended within the upper limit of the target band, the January IPCA-15 reinforced a softer trend. The Central Bank's Copom statement was seen as more *dovish*<sup>2</sup> and clearly signaled the intention to start cutting rates at the next meeting. The market began to price a first cut of 50 basis points (and, in parts of the curve, even 75), while recognizing that the pace

will depend on inflation expectations, economic activity, and the exchange rate.



In FX and other assets, the combination of external inflows and an attractive *carry trade*<sup>3</sup> helped keep the Brazilian real stronger. Equities performed well in January, supported by solid trading volumes and by the view that the start of the easing cycle in Brazil—together with ongoing debate about the path of U.S. rates—can keep demand for Brazilian assets.



On the fiscal side, the official message emphasized meeting the fiscal target within the tolerance band, using the exclusions allowed under the fiscal framework. Even so, Treasury projections again showed a higher debt path ahead, with added

pressure from court-ordered payments (precatórios) and slower nominal GDP growth. Fiscal monitoring remains central, especially with a busy political calendar and agenda items that may have a meaningful budget impact.

Looking ahead, the key focus is to confirm underlying disinflation, see clearer anchoring of expectations, and understand the details of the first Selic cut in March (both the size and the pace of the cycle). On the fiscal front, credible execution and predictable rules will be important to keep risk appetite. Foreign inflows are still present, but they remain sensitive to signs of governance and consistency of the fiscal framework.

<sup>2</sup>*Dovish: A more accommodative policy stance, favoring lower interest rates or a slower pace of tightening.*

<sup>3</sup>*Carry trade: Borrowing in a low-interest-rate currency and investing in a higher-interest-rate currency to earn the rate difference.*

Indicators - returns (%)				
Rate/Index	Dec-25	Jan-26	2026	Last 12 m
CDI	1,22%	1,16%	1,16%	14,54%
Dollar (Ptax-V)	3,16%	-4,95%	-4,95%	-11,36%
Ibovespa	1,29%	12,56%	12,56%	42,90%
IMA-B	0,31%	1,00%	1,00%	12,94%
IPCA	0,34%	0,33%	0,33%	4,45%
IRF-M	0,30%	1,96%	1,96%	17,64%
S&P 500	-0,05%	1,37%	1,37%	14,29%
Euro Stoxx	2,26%	2,62%	2,62%	12,60%
MSCI Emerging	2,74%	8,81%	8,81%	39,46%

\*IPCA of October refers to Anbima's forecast

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