

Economic Letter

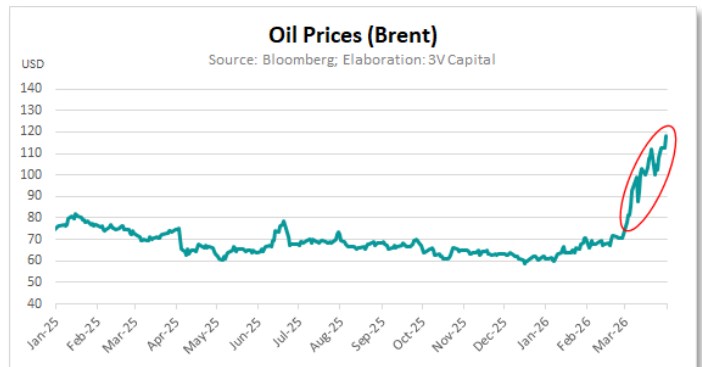
March/2026



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Gestão de Recursos

External Scenario

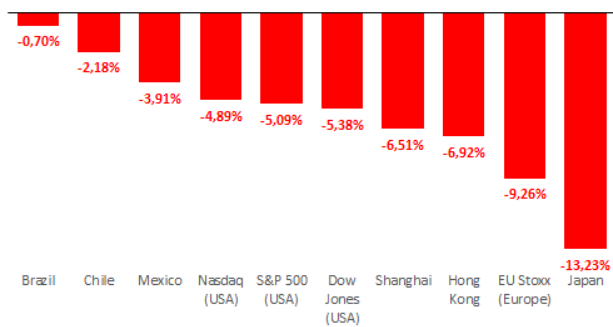
March consolidated a strong risk aversion environment, with equity corrections and significant repricing of interest rates, as the energy shock began to feed inflation expectations and heightened fears of stagflation¹. Throughout the month, U.S. activity indicators lost momentum while price measures re-accelerated, against a backdrop dominated by the joint U.S.-Israeli military offensive against Iran, launched at the end of February with no concrete prospect of resolution.



The geopolitical dynamic was marked by persistent ambiguity. Statements from Trump about a war that was "practically over" alternated with threats of a ground invasion; the appointment of Mojtaba Khamenei as Iran's new Supreme Leader reinforced hard-line regime continuity; and diplomatic attempts via Pakistan gained and lost traction without producing concrete results. By month-end, signals that Trump might be willing to end the military campaign, even without reopening Hormuz, suggested a possible shift toward diplomatic pressure — although the conflict remained open.

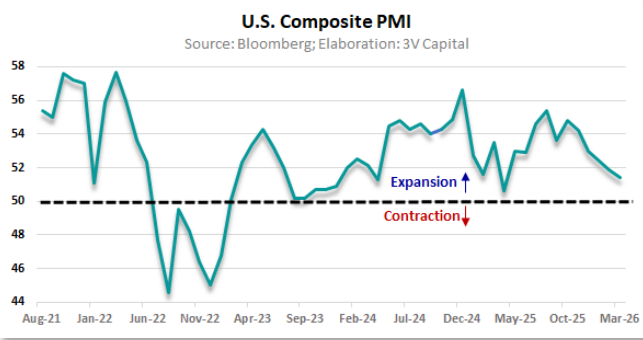
Main Stock Exchanges Performance - Mar/2026

Source: Bloomberg; Elaboration: 3V Capital



The most immediate transmission channel was oil. The Strait of Hormuz — through which roughly 20% of global supply transits — was effectively blocked, with tanker flows collapsing, insurers withdrawing coverage for vessels in the region, and more than 150 ships anchored awaiting passage. Brent crude accumulated gains of over 50% during the month, approaching its 2008 all-time high. Strategic reserves were released in record volumes, sanctions on Russian oil were eased, and the U.S. Navy offered escorts for tankers — none of which was sufficient to durably anchor prices.

On the monetary policy front, the Fed held rates and adopted an explicitly hawkish stance: Powell signaled that the central bank may not be able to treat the energy shock as transitory, shifting market bets toward an eventual easing only in 2027. The ECB, BoE, and BoJ followed suit, with the market at one point pricing in rate hikes in Europe on the risk that the shock proves more persistent than expected. The impact was not limited to the barrel — fertilizers, semiconductors, and maritime freight were also affected, with emerging Asia surfacing as the most exposed region given its degree of energy dependence on the Gulf.



Looking ahead, the outcome of the conflict remains the decisive factor. As long as the Strait of Hormuz remains closed on a stable basis, volatility will remain elevated and central banks' room for maneuver will remain narrow. Any concrete signal of diplomatic resolution is likely to trigger rapid and broad repricing across risk assets. In this environment, risk discipline, liquidity, and clear asymmetries remain the most robust toolkit for navigating the road ahead.

¹Stagflation: A period characterized by low economic growth (or recession) combined with elevated and persistent inflation.

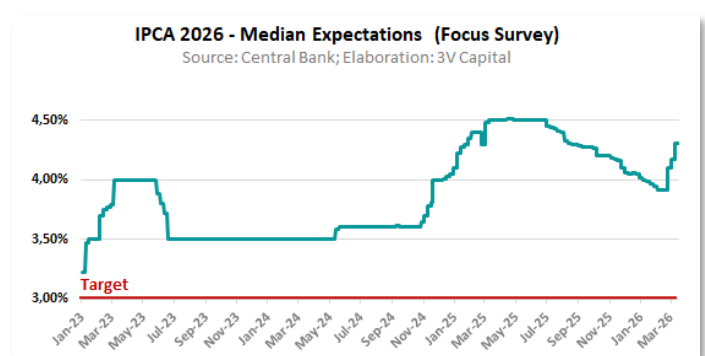
Domestic Scenario

March was marked by a significant repricing of the domestic outlook, as the energy shock began contaminating the inflation reading and the calibration of monetary policy. The oil rally quickly translated into concerns about fuel pass-throughs and second-round effects on services and expectations, increasing the asymmetry facing the Copom precisely at the onset of the cutting cycle. In parallel, the measures announced to cushion diesel prices added fiscal noise and increased risk aversion.

In this context, the Copom initiated the easing cycle with a 25 bp cut (Selic to 14.75%), and the

accompanying statement was read as an implicit signal of continuity — albeit with "calibration" dependent on the evolution of the energy shock. Part of the market began pricing in another 25 bp cut in April, while the prospect of accelerating the pace was contingent on the barrel settling down. The minutes, released later, preserved the degree of flexibility in the communication, leaving the path open, given the level of uncertainty.

The month's inflation dynamics called for greater caution. February's IPCA came in strong (+0.70%, near the top of estimates), and with oil above \$100, the Focus survey once again worsened its inflation (IPCA) projection and reduced optimism about the extent of the cutting cycle, including diminishing the probability of the Selic falling below 12% by year-end. Still, some in the market interpreted that the Central Bank might be counting on continued domestic deceleration to contain potential pass-throughs, which helped sustain the view that the cycle, once started, would be unlikely to be interrupted immediately — barring a more pronounced deterioration in the outlook.



The energy chapter took on domestic dimensions with the diesel package. The government zeroed out PIS/Cofins and announced a subsidy (R\$0.32 per liter at the refinery) to contain the pass-

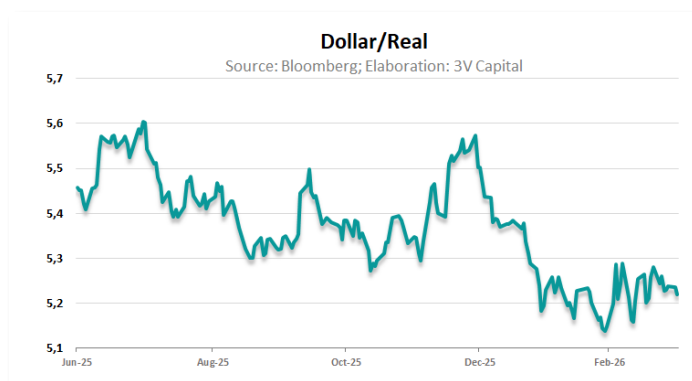
through to consumers and introduced an offsetting measure via a provisional decree imposing a temporary 12% tax on oil exports. Despite efforts to frame the package as fiscally neutral, skepticism persisted among market participants, particularly given the issue's sensitivity in a pre-election year and the historical pattern of underestimating costs and offsets in measures of this kind.

The tension also spilled into the transportation sector. Petrobras raised diesel prices by 11.6% at refineries, and despite the cushioning at the pump, the episode reignited the threat of a truckers' strike. This reinforced the risk of a "second round" via logistics and costs, drawing greater market attention to the implications of the energy shock for current inflation and expectations.

On the activity side, signals were mixed but with a gradual softening bias. Restricted retail sales surprised to the upside (+0.4% in January), while the labor market began showing some loss of momentum at the margin: the unemployment rate rose to 5.8% in the quarter through January, and February's Caged data came in solid but below the median, reinforcing the narrative of "gradual accommodation." This backdrop helps explain why part of the market continues to see room for monetary easing, provided the energy shock does not persistently propagate into services and expectations.

On the political front, polls showed Senator Flávio Bolsonaro gaining ground in electoral scenarios, while government disapproval rose, alongside news of the "Master" crisis and leaks that could compromise the Executive's political capital.

In summary, March was a volatile month. In FX, despite external stress, the real remained relatively well-behaved, supported by foreign flows and Brazil's status as an oil exporter. Nonetheless, the dollar accumulated gains against the Brazilian currency over the period. In equities, the movement was also more erratic, with correction episodes linked to the energy shock, inflation data, and a more concerning corporate indebtedness picture, which culminated in extrajudicial restructuring filings such as those by Grupo Pão de Açúcar and Raízen.



Looking ahead, the central point is that the Copom has initiated the cycle, but continuity and pace have become even more dependent on the energy shock and its second-round effects. If oil remains at elevated levels, the discussion is likely to shift from "pace" to "limits" of the easing, with heightened sensitivity to each inflation reading, wage and services data, and fiscal measures associated with fuel cushioning.

Indicators - returns (%)				
Rate/Index	Feb-26	Mar-26	2026	Last 12 m
CDI	1,00%	1,21%	3,41%	14,79%
Dollar (Ptax-V)	-1,54%	1,36%	-5,14%	-9,10%
Ibovespa	4,09%	-0,70%	16,35%	43,91%
IMA-B	1,79%	0,17%	2,98%	12,66%
IPCA	0,45%	0,71%	1,75%	3,97%
IRF-M	0,99%	-0,59%	2,36%	15,65%
S&P 500	-0,87%	-5,09%	-4,63%	16,33%
Euro Stoxx	3,20%	-9,26%	-3,91%	6,12%
MSCI Emerging	5,41%	-13,26%	-0,51%	26,86%

*IPCA for the month that has just ended refers to ANBIMA's projection

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