

Economic Letter

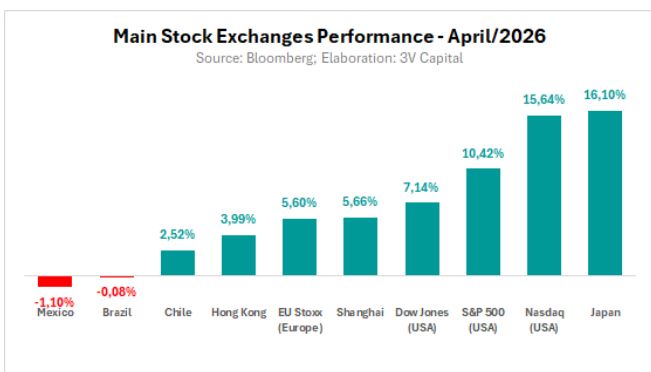
April/2026



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Gestão de Recursos

External Scenario

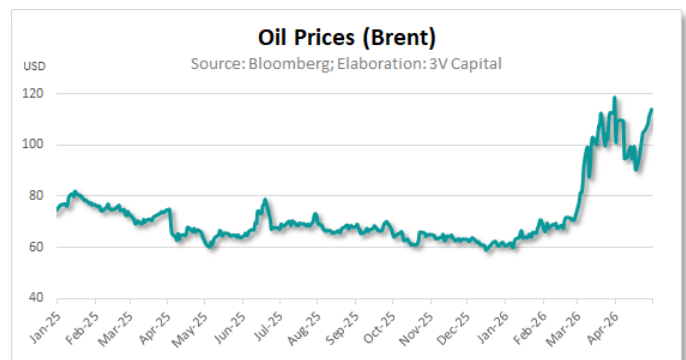
April was marked by an unusual split in global pricing. U.S. equities reached new highs, anchored by solid corporate earnings — particularly from the technology sector — while energy and geopolitics remained the primary sources of volatility. With the U.S.–Israel vs. Iran conflict showing no clear path to resolution, central banks maintained a cautious stance and markets operated with heightened sensitivity.



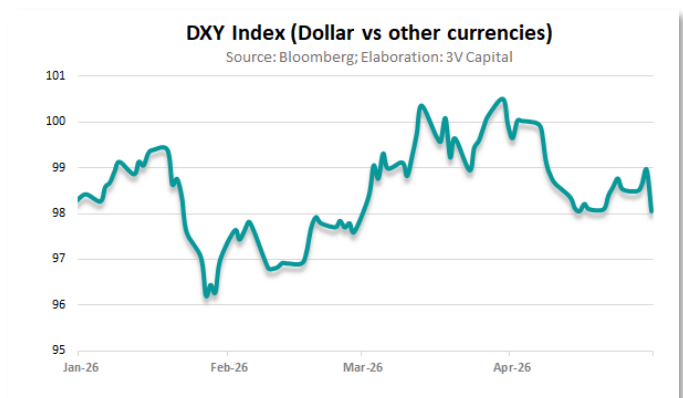
The conflict continued to set the pace for asset prices throughout the month. The ceasefire announced in early April, brokered by Pakistan and limited in scope, brought momentary relief but quickly lost traction amid violations in the region and the impasse surrounding Iran's nuclear program. The maintenance of the naval blockade and the frustration of further rounds of negotiation consolidated a landscape of low visibility and elevated uncertainty.

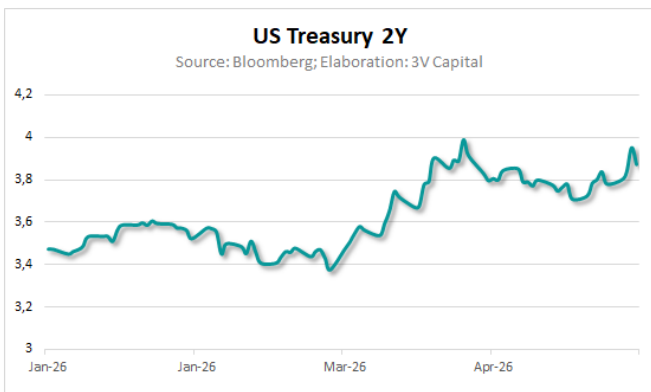
Oil reflected every twist with extreme volatility. Brent fell to around US\$83 during the most optimistic moments regarding a potential deal and climbed back to US\$118 when negotiations collapsed — the widest monthly price swing in decades. The Strait of Hormuz remained effectively closed for most of the month, with

thousands of vessels held in the Persian Gulf at one point, and a temporary reopening announced by Iran at the end of April was reversed within hours, following accusations that Israel had violated the ceasefire in Lebanon. The shock had already spread to fertilizers, maritime freight, and industrial supply chains, with fuel rationing already visible in parts of Asia and Africa.



This pressure began to surface more clearly in inflation indicators. The U.S. CPI for March confirmed a meaningful pass-through from energy, reinforcing the view that the shock may be less transitory than markets would like. On the monetary policy front, the response was uniform: the Fed maintained a defensive posture, with Powell making clear that there is little room for easing as long as energy continues to exert pressure. The ECB followed suit, with the market scaling back conviction in near-term rate cuts.





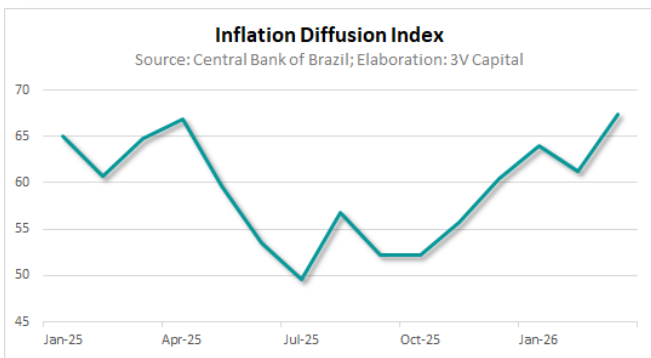
Looking ahead, the conflict remains the dominant variable. A stable reopening of Hormuz remains the single most important trigger for relieving energy prices and inflation expectations; without it, volatility is likely to remain elevated and central banks' room to maneuver, narrow. In this context, the environment demands selectivity. While U.S. equities have found support in technology-sector earnings, the rest of the markets remain hostage to geopolitics. Risk discipline and liquidity remain essential pillars for navigating a conflict with no timeline for resolution.

Domestic Scenario

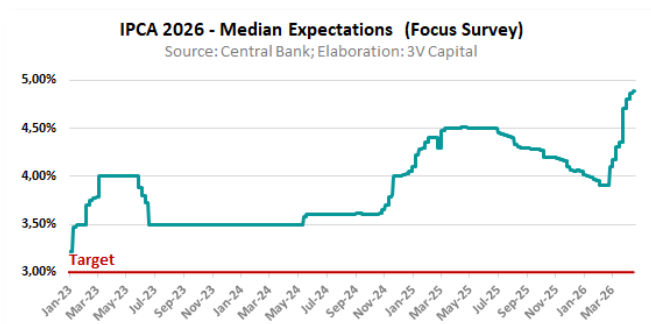
April brought a meaningful increase in uncertainty on the domestic front. Inflation surprised to the upside once again due to the fuel price shock, and monetary policy entered a more cautious calibration phase. The underlying challenge remains the difficulty of containing second-round effects from oil on prices and expectations, in an environment where economic activity shows signs of moderation, but the labor market remains resilient. This combination raised the asymmetry for the Central Bank and reduced the scope for further rate cuts over the cycle.

Activity indicators reinforced the narrative of a gradual slowdown. Industrial production came in above expectations but decelerated at the margin. Services disappointed, and retail sales, although positive, also fell short of projections — strengthening the perception of a loss of momentum. On the other hand, the labor market continued to surprise: the March CAGED data exceeded estimates and pointed to employment resilience, suggesting that monetary policy transmission is underway, but the labor channel remains relatively insensitive.

This backdrop of gradual deceleration did not prevent a more uncomfortable near-term inflation reading. The March IPCA rose 0.88%, above the top end of estimates, with gasoline and food exerting strong pressure and twelve-month inflation advancing to 4.14%. Despite marginal relief in services, the level remains elevated and close to 6% on a cumulative basis, keeping the issue on the Central Bank's radar. The deterioration of Focus survey projections throughout the month reinforced the risk that inflation may approach or breach the upper tolerance band for the year. The IPCA-15 preview for April, although slightly below the floor of estimates, brought a more pressured composition, with advances in core measures and in the diffusion index¹.

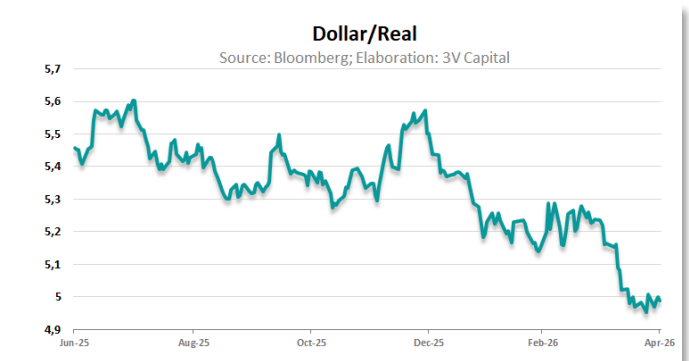


Against this backdrop, at the end-of-month meeting, COPOM delivered another 25-basis-point cut, bringing the Selic to 14.50%, but adjusted its communication by acknowledging the worsening outlook and shifting its focus from pace signaling to the extension of the cycle. In other words, the debate moved beyond "how much to cut at the next meeting" to "how far will it be possible to cut," with further steps conditioned on the evolution of inflation and the energy outlook.



The exchange rate, in turn, remained well-behaved. In addition to the still-wide interest rate differential, Brazil's position as a net oil exporter helped cushion part of the external stress, contributing to keeping the dollar below critical levels. On the equity side, April was a month of consolidation: the Ibovespa retreated marginally, weighed down by inflation concerns and the persistence of the energy shock. Petrobras remained subject to competing forces: high oil

prices support cash generation but raise the risk of interference in domestic pricing policy.



On the fiscal front, noise increased with the government's response to the fuel shock. The announced package sought to cushion prices and ensure supply, with the fiscal neutrality thesis supported by revenues tied to oil itself. Still, the market maintained doubts about the effective cost, reliance on extraordinary revenues, and the risk of further stimulus pressures in a pre-election environment. The 2027 Budget Guidelines Bill (PLDO) maintained a surplus target of 0.5% of GDP, but analysts noted that compliance is likely to depend on exclusions permitted under the fiscal framework, which reduces the real fiscal effort.

On the political-institutional front, the rejection of Jorge Messias's nomination to the Supreme Court represented a historic defeat for the government and exposed fragility in its articulation within the Senate. From a market perspective, the episode reinforced the perception of greater difficulty in Executive-Legislative coordination and led to a repricing of probabilities for 2026, with increased weight assigned to a power-transition scenario — although the outlook remains open and subject to further shifts.

Looking ahead, the balance of risks calls for prudence. Current inflation and core measures have come under renewed pressure, while expectations have drifted further from the target — which is likely to keep monetary policy in calibration mode with less room to accelerate cuts. Labor market resilience and fiscal sensitivity in a pre-election year increase the asymmetry and make the cycle more data dependent. In this context, the trajectory of assets will hinge on the combination of inflation developments (and the energy shock), Central Bank communication, and credible signals of fiscal discipline and governance.

¹Diffusion index: measures the percentage of IPCA sub-items that recorded a positive change in the month. The higher the index, the more widespread the inflationary pressure across the economy.

Indicators - returns (%)				
Rate/Index	Mar-26	Apr-26	2026	Last 12 m
CDI	1,21%	1,09%	4,54%	14,83%
Dollar (Ptax-V)	1,36%	-4,42%	-9,34%	-11,87%
Ibovespa	-0,70%	-0,08%	16,26%	38,69%
IMA-B	0,17%	1,81%	4,85%	12,35%
IPCA	0,71%	0,67%	2,60%	4,39%
IRF-M	-0,59%	1,24%	3,63%	13,69%
S&P 500	-5,09%	10,42%	5,31%	29,45%
Euro Stoxx	-9,26%	5,60%	1,47%	13,98%
MSCI Emerging	-13,26%	14,53%	13,94%	43,80%

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

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