MANAGER'S REPORT MARCH 2026

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MACRO OUTLOOK

In March, the global macroeconomic environment was shaped by the conflict in the Middle East, its impact on energy markets, and the continued cautious stance of major central banks. The environment combined a supply shock with potential inflationary pressures and heightened uncertainty regarding its magnitude and persistence, amid still mixed economic data. At the same time, monetary policy responses and revisions to expectations began to reflect a more complex balance of risks, with distinct implications across major economies. Below, we present our macroeconomic assessment for the United States, Europe, China, and Brazil.

In the United States, the conflict with Iran continues to carry political costs for the Trump administration, which has signaled urgency in concluding operations in the region, even without a formal agreement with Iranian authorities or a full reopening of the Strait of Hormuz. Domestic macroeconomic effects remain contained, but the conflict represents an energy supply shock with the potential to put upward pressure on prices.

The FOMC decided to keep interest rates unchanged within the 3.5%–3.75% range, in line with market expectations. Inflationary pressures associated with the conflict have been acknowledged even by the more dovish members of the Committee: in the Fed's projections, the median core PCE estimate was revised from 2.5% to 2.7% for the current year. Projections also included a relevant signal regarding the long-term neutral rate, with the median increasing from 3.0% to 3.1%.

During the press conference, Powell emphasized that monetary policy is well positioned and that any response to the effects of the conflict requires additional time for assessment. The statement explicitly noted that "the implications of developments in the Middle East for the U.S. economy are uncertain," reinforcing a "wait-and-see" approach that is likely to persist in upcoming meetings.

February core CPI came in relatively benign on a year-over-year basis, but the monthly reading implies a higher projection for core PCE — estimated at around 0.39% month-over-month — with the acceleration concentrated in goods, possibly reflecting lagged effects from tariffs.

Finally, the labor market continues to show limited dynamism, with the stability of the unemployment rate supported, to a large extent, by a declining participation rate. The February payroll report delivered a significant negative surprise: while consensus expectations pointed to job creation of around 55,000, the result showed a decline of 92,000 jobs. The explanations point to temporary factors — adverse weather conditions affecting construction and healthcare, as well as strikes accounting for at least 32,000 workers. This movement pushed the unemployment rate from 4.2% to 4.4%, with a reversal expected in March data.

In Europe, the conflict in the Middle East and its impact on commodity prices was the main factor shaping macro discussions throughout the month. The energy shock led to a reassessment of inflation risks globally.

In this context, the ECB, for example, raised its 2026 inflation projection from 1.9% to 2.6%. Given the high uncertainty surrounding the magnitude and persistence of the shock, the ECB also presented alternative scenarios in which inflation could reach 3.5% — or even 4.4% in a more severe, albeit less likely, scenario. In the United Kingdom, the Bank of England — which had previously projected a more sustained disinflation path toward the 2% target as early as the second quarter — is now expected to revise its inflation trajectory to above 3.5% following the shock.

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In the Eurozone, inflation accelerated from 1.9% to 2.5% in March, mainly reflecting the impact of energy prices. On the other hand, underlying inflation remained more benign, declining slightly to 2.3%. In the coming months, the focus will be on assessing potential signs of broader spillover effects from the shock into other components.

Beyond inflation, the supply shock implies a deterioration in the activity outlook for the region, although there are currently no indications of a recession. Fiscal responses have been more limited and heterogeneous than in 2022, reflecting both the smaller magnitude of the shock and tighter fiscal space across countries.

In monetary policy, both the ECB and the Bank of England adopted a more hawkish tone, emphasizing readiness to respond to potential second-round effects — particularly via wages and domestic prices — should the scenario prove persistent. In line with this stance, markets experienced significant repricing during the month. In the United Kingdom, expectations shifted from rate cuts to pricing in nearly 75 basis points of hikes. In the Eurozone, markets also began to price in two to three hikes, with discussions around possible moves as early as the April or June meetings.

In China, the economy started the year performing above expectations, supported by strong consumption of goods and services during the holiday period and, on the industrial side, by the production of higher value-added goods. Economic policy guidelines remained largely aligned with those of previous years. The main change was the revision of the GDP growth target from "around 5%" to a range of 4.5%–5%, signaling greater tolerance for slower growth and reducing the likelihood of significant stimulus measures throughout the year.

In Brazil, early-year data indicate a reacceleration of the economy compared to the end of 2025. Industrial production, retail sales, and services consumption for January all came in above expectations, suggesting that this recovery has been stronger than previously anticipated.

The labor market remains tight, with an acceleration in formal job creation, as evidenced by the three-month moving average. Even so, we expect a gradual easing in labor market conditions in the coming months, reflecting the cooling observed in the second half of last year.

On the fiscal front, federal revenues began the year on a strong footing, and the government has not indicated the need for spending contingencies in its first bimonthly report. The pace of expenditure commitments also started stronger than in 2025, as expected given the electoral calendar. We observed upside surprises in certain spending categories, such as social security and welfare benefits, which may lead the government to revise the size of future budget blocks. At this stage, we do not see material risks to meeting the lower bound of the fiscal target or the expenditure cap.

In March, measures aimed at reducing diesel prices stood out, although their impact on public accounts has so far been limited. We continue to monitor discussions, policy design, and potential implementation of further measures by the Ministry of Finance, particularly regarding their effects on the public debt trajectory. In the context of a constrained budget, there appears to be greater willingness to use extraordinary credits or measures that do not require budgetary offsets.

In addition, throughout March, there was a significant shift in the inflation outlook, largely driven by the conflict in the Middle East, which pushed oil prices higher. This movement has a direct impact on fuel prices — particularly gasoline, which has already increased even before formal price adjustments by Petrobras — and on airfares, given the importance of jet fuel in the sector's cost structure.

Beyond direct effects, there are also relevant indirect impacts, such as higher fertilizer prices, which are likely to put upward pressure on food prices going forward. Considering these factors, and even assuming some normalization of oil prices ahead, as suggested by the futures curve, we revised our 2026 inflation forecast to 4.7%, above the upper bound of the target range.

Despite the shock stemming from the Middle East conflict and higher oil prices, the Central Bank assessed that there was room to begin the recalibration cycle at its latest meeting.

In the minutes, Copom indicated that it opted for a slower pace without abandoning previously communicated guidance. It also emphasized that the magnitude and duration of the cycle will depend on the evolution of the scenario. In recent communications, board members and the Governor highlighted that the previously adopted conservative stance has placed the monetary authority in a comfortable position to assess developments with greater caution.

POSITIONS

Interest Rates

We reduced long positions in Canada, the Eurozone, Sweden, and the United Kingdom, as well as in nominal and real rates in Brazil. We closed tactical positions in Mexico.

Commodities

We closed short positions in oil and corn and long positions in gold. We reduced short positions in silver, zinc, and coffee.

Equities

We reduced long and relative value positions in Brazilian equities, as well as long positions in global equities.

Currencies

We reduced short positions in the U.S. dollar and increased long positions in the Brazilian real, Canadian dollar, and Chilean peso. We increased short positions in the Colombian peso and the euro, and closed long positions in the Chinese renminbi.

PERFORMANCE ATTRIBUTION

Regarding performance attribution, positions in equities, interest rates, commodities, and currencies all detracted.

In Brazilian equities, positive contributions came from positions in the following sectors: Oil & Gas, Construction, Consumer, Technology, Education, and Shopping Malls. Negative contributions came from positions in Metals & Mining, Transportation & Logistics, Pulp & Paper, Banks, Healthcare, Financial Services, Capital Goods, Telecom, and Utilities.

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ZETA USD

	MAR/26	2026	12M	24M	60M	SINCE INCEPTION
Fixed Income	-5.07%	-4.00%	-2.59%	-4.65%	6.67%	11.93%
FX	-0.92%	0.23%	0.29%	-1.78%	1.17%	-2.68%
Equities	-5.21%	0.37%	13.37%	20.65%	39.78%	64.08%
Commodities	-1.71%	-1.30%	1.24%	1.63%	4.80%	8.35%
Fees	-0.65%	-1.93%	-5.89%	-8.18%	-23.15%	-38.99%
Performance	-13.56%	-6.64%	6.42%	7.67%	29.26%	42.70%

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(in Brazilian Reais)

	MAR/26	2025	12M	24M	60M	120M
Fixed Income	-5.46%	-4.64%	-4.27%	-7.89%	10.29%	79.42%
FX	-0.96%	0.17%	0.15%	-2.40%	1.09%	-9.86%
Equities	-6.21%	-1.88%	6.09%	8.91%	18.87%	110.15%
Commodities	-1.81%	-1.29%	1.62%	2.22%	7.50%	18.34%
Fees	1.29%	-0.58%	-3.46%	-6.86%	-27.56%	-55.61%
CDI	1.21%	3.41%	14.79%	27.72%	72.98%	144.56%
Performance	-11.93%	-4.80%	14.92%	21.68%	83.18%	287.00%
% Benchmark (CDI)	-	-	100.87%	78.24%	113.97%	198.54%

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