Weekly

PEZCO
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Treasury Yields Rise Despite Weak Payrolls.

- **Despite the creation of only 57 thousand jobs in the U.S. in Jun26, yields on U.S. Treasuries increased between June 26 and July 2.** This may reflect the absence of forward guidance regarding monetary policy. Under different circumstances, such a disappointing payroll report would likely have strengthened market expectations for a less restrictive interest-rate environment.

- **The fact is that real wages increased 3.5% year-over-year in Jun26, remaining above the 2.5% average recorded between 2007 and 2019,** suggesting that labor costs continue to pose inflationary risks. Given the Federal Reserve's commitment to bringing inflation back to target, this indicator has gained additional importance.

- **Average oil prices in Jun26 nearly returned to pre-war levels,** declining between **17.1% (WTI)** and **18.6% (Brent)**. In addition, ten other commodities also posted price declines, including **iron ore (-7.8%)**, **PVC (-7.4%)**, **aluminum (-4.9%)**, **soybeans (-5.7%)**, **corn (-9.4%)**, and **wheat (-7.1%)**. The first few days of Jul26 point to declines of similar magnitude across many of these commodities.

- **While these declines suggest a more favorable disinflationary environment, they have also contributed to the depreciation of commodity-exporting countries' currencies.** In Brazil, this has kept the Brazilian real trading around **BRL 5.20 per U.S. dollar**. Although this level is not unfavorable, it reduces the currency's potential contribution to lowering inflation and inflation expectations.

- **On the economic calendar, the main domestic highlight will be the release of Brazil's Jun26 IPCA inflation report.** Pezco estimates a **0.29% monthly increase**. In the United States, attention will focus on the **minutes of the June 17 FOMC meeting**, the first meeting held under the chairmanship of **Kevin Warsh**, whose inaugural statement adopted a notably concise tone.

HIGHLIGHTS (WORLD/BRAZIL): June 29 – July 3, 2026

GEOPOLITICS

- **The European Union will eliminate import tariffs on U.S. industrial products effective July 1,** under the trade agreement signed in 2025. In return, the United States will impose a 15% tariff on most European products.

- **OPEC+ will increase its oil production quota by 188 thousand barrels per day beginning in Aug26,** continuing the gradual reversal of the voluntary production cuts introduced in 2023. The group reiterated that it will maintain a cautious approach and may pause or reverse production adjustments depending on market conditions.

INTERNATIONAL ECONOMY

- **The U.S. economy created 57 thousand jobs in Jun26, well below market expectations of 110–115 thousand.** Employment figures for Apr26 and May26 were revised downward by a combined 74 thousand jobs. Nevertheless, the unemployment rate declined from 4.3% to 4.2%, partly reflecting lower labor force participation.

- ▪ **China's manufacturing PMI increased from 50.0 to 50.3 between May26 and Jun26,** remaining slightly above the expansion threshold of 50. The improvement was supported by **strong global AI-related demand,** particularly for semiconductors, computers and the front-loading of shipments to the United States.

POLITICS

BRAZIL

- **The Senate's Economic Affairs Committee (CAE) approved Bill PL-5519/2025**, requiring the Chairman of Brazil's Securities and Exchange Commission (**CVM**) to submit a **semiannual report** to the Senate on the agency's activities and developments in Brazil's capital markets, following a reporting model similar to that adopted by the Central Bank. The proposal now moves to the Chamber of Deputies.

- **A Special Committee of the Chamber of Deputies approved Constitutional Amendment Proposal (PEC)** 231/2019, which increases federal transfers to the **Municipal Participation Fund (FPM)** by **1 percentage point** and creates constitutional development funds for Brazil's South and Southeast regions (equivalent to **1% of income tax, industrial products tax, and the selective tax**). The estimated fiscal impact is **BRL 49.7 billion** over two years. The proposal now proceeds to a plenary vote.

BRAZILIAN ECONOMY

- **Brazil created 72,960 formal jobs in May26**, according to the New Caged survey. This was **the weakest May employment balance since 2020** and below market expectations of approximately **120 thousand new jobs**, according to AE Broadcast. Across all sectors, **May recorded the weakest job creation performance since 2020**.

- **Brazil posted a trade surplus of US$42.4 billion in the first half of 2026**, compared with **US$30.2 billion** in the same period of 2025, largely reflecting the contribution of higher oil prices. Exports totaled **US$184.8 billion**, while imports reached **US$142.4 billion**. **On a rolling 12-month basis through Jun26, Brazil's trade surplus stood at US$80.2 billion.**

EQUITIES AND COMMODITIES: from June 29 to July 3, 2026

MARKETS I: EQUITIES AND COMMODITIES

- **The S&P 500 gained 1.76% during the week**, although it has started Jul26 down **0.21%**. The **Nasdaq** advanced **0.72%** during the week but is down **3.13%** so far in Jul26. According to Economática, the **"Magnificent Seven"** lost **US$2 trillion in market capitalization during Jun26**, led by **Microsoft (-17.2%)**, **Amazon (-11.9%)**, **Meta (-10.8%)**, and **Apple (-7.3%)**.

- **The Ibovespa rose 0.45% during the week**, closing at **174,070 points**, marking its **second consecutive weekly gain**, a sequence not seen since Apr26.

- **Net foreign inflows into Brazil's stock market (B3) totaled BRL 33.3 billion over the first 123 trading days of the year**, compared with **BRL 26.4 billion** during the same period of 2025. Nevertheless, this remains well below the **BRL 69.1 billion** recorded as of April 14.

- **Between April 15 and July 1 (53 trading days), foreign investors withdrew BRL 35.8 billion from B3.** In **Jun26**, net foreign outflows totaled **BRL 0.4 billion**, following withdrawals of **BRL 14.9 billion** in **May26**.

- **Over the most recent five trading days (June 25–July 1), net foreign flows turned slightly positive at BRL 0.03 billion**, representing the smallest cumulative outflow under this measure since April 17.

- **Brent crude oil futures rose 0.18% during the week to US$72.12 per barrel on July 3**, while **WTI crude declined 0.78% to US$68.69 per barrel.**

- **Year-to-date gains through July 3 stood at 18.52% for Brent and 19.63% for WTI**, down considerably from the **43.52% and 47.82%** gains recorded on June 12.

- **Dutch TTF natural gas prices increased 10.59% during the week**, bringing year-to-date gains to **60.15%** (compared with **66.09%** as of June 12).

- **Gold rose 2.16% during the week to US$4,176 per troy ounce**, while **silver advanced 5.52% to US$62.42 per troy ounce.**

- **Industrial metals continued to weaken during the week.** Aluminum prices declined **2.80%** and nickel fell **1.65%**, while **copper was broadly unchanged (+0.07%)**.

MARKETS II: EQUITIES AND COMMODITIES

- **Yields on 10-year U.S. Treasury securities increased from 4.37% to 4.48% between June 26 and July 3.** Yields on **2-year Treasuries** also moved higher, rising from **4.09% to 4.14%**. Despite the weaker-than-expected payroll report for Jun26, **annual wage growth remained at 3.5%**, reinforcing concerns that labor cost pressures may continue to support inflation.

- **In Brazil, the yield curve edged lower at the short end**, reflecting the weakest May employment performance since 2020, according to the New Caged survey. The **January 2029 DI contract** moved only marginally, from **14.24% to 14.26%** between June 26 and July 3.

- **Market participants continue to point to dysfunctions in the NTN-B market**, characterized by **elevated real interest rates and limited liquidity in certain maturities.**

- **According to the June 26 Focus Survey, market expectations for Brazil's IPCA inflation at the end of 2026 remained at 5.33%**, well above the upper limit of the Central Bank's inflation target range. This was **the first week without an upward revision** in inflation expectations. At the end of February 2026, the corresponding expectation stood at **3.91%**.

- **Inflation expectations for end-2027 increased to 4.17%**, compared with **3.79%** at the end of February 2026.

- **The U.S. Dollar Index (DXY) declined 0.49% during the week.** All three major developed-market currencies appreciated against the U.S. dollar: the **euro (EUR) gained 0.47%**, the

British pound (GBP) rose 1.14%, and the **Japanese yen (JPY) appreciated 0.25%**.

- **On July 1, the Japanese yen reached its weakest level against the U.S. dollar in 40 years, trading at JPY 162.8 per USD.** The move largely reflects the substantial interest-rate differential between **Japan (1.0%)** and the **United States (3.50%–3.75%)**.

- **Most emerging-market currencies appreciated against the U.S. dollar**, with the **Colombian peso (COP)** posting the strongest performance.

- **The Brazilian real remained broadly unchanged during the week at BRL 5.17 per U.S. dollar**, supported by the depreciation of the U.S. Dollar Index (DXY).

- **The 21-day moving average of Brazil's foreign-exchange flow stood at a positive US$8.7 billion through June 26.** Between June 19 and June 26, the **commercial FX flow** declined from **US$9.8 billion to US$9.2 billion**, while the **financial FX flow** improved from **negative US$1.4 billion to negative US$0.5 billion**.

HIGHLIGHTS (SECTORS/REGIONS): June 29 – July 3, 2026

FOREIGN TRADE

- **The Mercosur–Singapore Free Trade Agreement will enter into force on August 1**, granting **zero tariffs on 100% of Brazilian exports** to Singapore. Together with the agreements signed with the **European Union, EFTA, and Singapore**, the share of Brazil's foreign trade conducted under preferential tariff regimes will increase from **12.0% to 31.2%**.

- **The European Union tightened its import rules for 26 categories of Brazilian steel products effective July 1.** The new duty-free annual quota was reduced to **18.3 million tons**—a **47% cut**—while imports exceeding the quota will now face a **50% tariff**, up from the previous **25%**.

FUELS

- **On July 1, the Brazilian government ended the BRL 0.35-per-liter diesel subsidy** and signaled its intention to eliminate the **BRL 0.44-per-liter gasoline subsidy**. These subsidies have cost the government **at least BRL 16 billion**. The **additional BRL 1.12-per-liter diesel subsidy**, as well as subsidies for **LPG and aviation kerosene**, remain in place.

- **Petrobras announced a BRL 0.3515-per-liter reduction in diesel prices charged to distributors, effective July 1**, effectively offsetting the elimination of the government's **BRL 0.35-per-liter diesel subsidy** from the consumer's perspective. Petrobras also **reduced aviation kerosene prices by 14.5%**.

FOREIGN AND DIRECT INVESTMENT

- **The value of mergers and acquisitions involving foreign investors in Brazil totaled US$15.9 billion during the first half of 2026,** representing approximately **56.5% of the country's total M&A activity,** according to Dealogic. **The United States led foreign investment with US$3.76 billion,** highlighted by **USA Rare Earth's US$2.8 billion acquisition of Serra Verde.**

- **In 2025, cross-border M&A transactions involving foreign investors reached US$18 billion,** out of a total **US$53.2 billion** in Brazilian M&A activity.

CREDIT AND CAPITAL MARKETS

- **Total credit outstanding in Brazil's National Financial System increased 0.6% in May26,** reaching **BRL 7.3 trillion (+9.5% year-over-year,** equivalent to **55.7% of GDP).** Of this total, **BRL 4.6 trillion** was extended to households and **BRL 2.7 trillion** to corporations. **The overall non-performing loan ratio increased to 4.7%, the highest level on record.**

- **Broad credit to the non-financial sector totaled BRL 21.5 trillion in May26 (164.2% of GDP),** supported by higher holdings of government securities and increased external borrowing. **Over the previous 12 months, broad credit expanded by 12.2%.**

INDUSTRIAL PRODUCTION

- **Brazil's industrial production declined 0.2% in May26 relative to April,** marking **the first monthly contraction of 2026,** according to the **IBGE. Year-to-date, industrial output remains up 1.4%.**

- **The monthly decline reflected a 2.6% contraction in extractive industries and a 6.1% decline in coke, refined petroleum products, and biofuels.** By contrast, **pharmaceuticals (+13.1%)** and **motor vehicles (+4.1%)** were the strongest-performing industries during the month.

AI COSTS

- **Major U.S. companies—including Amazon, Walmart, Uber, Cisco, Microsoft, and Meta—have begun introducing internal restrictions on the use of artificial intelligence tools,** reflecting the sharp increase in computing costs associated with token-based pricing, according to the *Financial Times*, as reported by *Valor Econômico*.

- **In one example, Uber reportedly exhausted its entire AI budget for 2026 in only four months,** prompting the company to introduce a spending cap of **US$1,500 per employee per month.**

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