

ZETA



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MACRO OUTLOOK

Although some economies have already initiated the interest rate cut cycle, our discussions during April revolved around whether these cuts will be intensified, after observing strong inflation data and robust activity figures.

In the United States, we experienced another upside surprise in inflation data. Inflation measured by the PCE accelerated marginally in March. The persistence of worse inflation data questions the Fed's narrative that above-expected inflation was merely a temporary phenomenon and shows that inflation developments this year have disappointed compared to the expectations of both the Central Bank and the market. Consequently, the prospect of the Fed starting the interest rate cut cycle has been postponed once again. Without weakness in activity and the labor market, the committee may only have room to cut rates near the end of the second semester if inflation data cools down. Nevertheless, the outlook remains significantly vulnerable to unexpected increases in inflation.

In the Eurozone, the GDP recovery in the first quarter of 2024 exceeded expectations, showing acceleration in early 2024 after more than a year of virtually stagnant growth. April PMIs and credit data suggest that the improvement in activity is likely to be sustained in the coming quarters. However, despite the more positive surprise on the margin, the activity improvement was already factored into the scenarios, and the degree of recovery still does not seem sufficient to postpone the start of interest rate normalization. On the inflation front, news continues to align with the ECB's projection of disinflation. Apart from a major surprise, the committee consensus appears to be formed for the first rate cut in the upcoming meeting, regardless of the US situation. The greater uncertainty seems to lie in the subsequent steps.

In China, official figures released in April confirmed that the economy accelerated in the first quarter of this year. GDP exceeded expectations, leading the market to revise upwards the outlook for 2024. However, monthly data revealed that over the first three months, the economy gradually lost momentum, and the real estate market followed suit. Sales weakened throughout the first quarter, prompting authorities to signal additional measures to reduce the large inventory of homes for sale.

In Brazil, we had a positive surprise in inflation this month. In March, the 12-month accumulated IPCA stood at 3.9%. On the external front, the trade balance continues to show strong results, albeit below those recorded at the end of last year, due to stronger imports and slowing exports. Also in April, the administration submitted a Budget Guidelines Law Proposal (PLDO) for 2025 with changes to the primary surplus targets for 2025/26. Despite the less ambitious targets, we understand that the government needs to deliver relevant revenue and expenditure measures this year to meet the established parameters. The Central Bank met in early May after significant changes in the external scenario. Although domestic inflation indicates that it will remain within the target-compatible range, the risk balance has deteriorated. Within this range, the increased uncertainty regarding the speed of convergence of external inflation, coupled with the depreciation of the exchange rate and the upward revision of Focus expectations, have led some members of the Copom to adopt a more cautious stance in recent communications.



ZETA**POSITIONS****Rates**

We have tactical positions in Mexico. We reduced long positions in the US and Brazil, curvature positions in the US, short positions in inflation in the Eurozone, and long positions in inflation in the US. We maintained long positions in the Eurozone and the United Kingdom.

Equities

We maintained long and relative value positions in Brazilian equities and long positions in global equities.

Currencies

We reduced long positions in the Brazilian real, the Mexican peso, and closed out short positions in the euro, the British pound, and the Colombian peso. We increased short positions in the Chinese yuan and the South African rand.

Commodities

We increased long positions in gold, oil, and copper, and short positions in soybeans, corn, wheat, iron ore, and aluminum. We maintained a long position in copper and a short position in silver.

**PERFORMANCE
BREAKDOWN**

Regarding performance, positions in commodities contributed positively, while positions in bonds, equities, and currencies had negative impacts. In the Brazilian equities, gains were notable in positions within the construction, education, and utilities sectors, while losses were prominent in the pulp and paper, oil and gas, banking, financial services, and healthcare sectors.

KAPITALO GLOBAL FUND SPC – ZETA USD

STRATEGIES	APR/24	2024	12M	24M	60M	SINCE INCEPTION*
Fixed Income	-5.37%	-8.05%	-11.14%	-2.65%	10.25%	10.98%
FX	-0.52%	-1.03%	-1.08%	0.60%	2.15%	-1.00%
Equities	-1.36%	3.80%	11.18%	8.62%	25.00%	34.89%
Commodities	0.06%	0.98%	1.16%	0.63%	5.28%	6.26%
Fees	-0.09%	-0.35%	-0.71%	-4.67%	-23.65%	-28.24%
Performance	-7.28%	-4.66%	-0.59%	2.53%	19.03%	22.89%

(in US Dollars)

(*) Inception date:

September 5th, 2018



ZETA**ZETA FIQ** (in Brazilian Reais)

STRATEGIES	APR/24	2024	12M	24M	60M	120M
Fixed Income	-5.61%	-8.53%	-12.27%	-2.50%	13.40%	53.23%
FX	-0.55%	-1.12%	-1.39%	0.68%	-0.30%	37.28%
Equities	-1.91%	2.38%	6.94%	-0.56%	12.95%	72.85%
Commodities	0.05%	1.02%	1.21%	0.37%	6.73%	13.01%
Fees	-0.16%	-0.84%	-2.67%	-6.86%	-24.54%	-51.27%
Performance	-7.29%	-3.55%	4.15%	18.48%	54.78%	267.52%
% CDI	-	-	33.65%	67.56%	117.70%	187.83%

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**KAPITALO ASSET MANAGEMENT**

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