

**ZETA**



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### MACRO OUTLOOK

In June, we observed global activity still resilient, but with some cooling in inflation. We also saw some central banks starting easing cycles.

In the United States, the June FOMC meeting presented new projections from the committee participants for the economy and the policy rate. In response to stronger inflation data at the beginning of the year, the median projections indicate only one cut in 2024 (compared to the three cuts indicated in the median projections of March). Nonetheless, Chairman Powell emphasized that due to the uncertainty around the projections, the committee did not want to send a very strong message based on them. Despite the hawkish bias, the scenario for the start of cuts still seems highly dependent on data to be released in the coming months. In this regard, the inflation data for May showed the first downside surprise of the year, with a slowdown in services groups, considered more persistent. It is important to note that, for now, this is just one benign data point, and the committee needs to see more sustained evidence of a slowdown to begin the cycle. Regarding the political scenario, June also saw the first presidential debate, with a very poor performance by Joe Biden. As a result, speculations about a possible replacement of the Democratic candidate grew. With or without such replacement, it seems reasonable to expect a higher probability of a Republican party victory with a majority in both houses of Congress.

In the Eurozone, the Central Bank cut the interest rate by 0.25% at the June meeting. On the other hand, the ECB revised its inflation projections upwards and did not provide clear indications if it will continue the cycle in the upcoming meetings. Inflation, particularly the core driven by services, continues to be more robust than at the beginning of the year. However, on the economic activity side, the June PMI interrupted the improving trend of recent months, with widespread declines across sectors and countries.

There was also a surprise in the European political scenario with the dissolution of the French National Assembly by President Emmanuel Macron, calling for legislative elections on June 30 and July 7. The Rassemblement National (RN) party, led by Marine Le Pen and Jordan Bardella, led the first round with about 34% of the votes. Unlike past events – when the RN was competitive and the market was stressed mainly by the risk of Frexit (exit from the Euro) – the greater uncertainty currently comes from the fiscal side.

In China, there are still no signs that the real estate market has reacted to the newly announced policies. House sales remain weak, as do land sales and the volume of mortgage concessions. At the same time, the monthly activity data for May indicate that the economy continues to slow down in this second quarter. It is important to note the difference in sector composition: in May, the industry performed worse than expected, while the services and retail sectors showed growth above expectations.

In Brazil, there was a marked deterioration in risk assets. On the fiscal side, expenditures continued to grow above expectations. Simultaneously, ongoing frustration with revenue from specific measures – such as the new changes at the Administrative Council for Tax Appeals (Carf) – reinforces the conviction that the government would have to act quickly to meet the primary surplus target and the expenditure ceiling provided by the fiscal framework. However, no effective measure was announced, and successive statements from the President generated the perception that the government is not moving towards a fiscal consolidation. Brazilian external accounts also deteriorated due to a significant increase in imports. As a result, the exchange rate accentuated the depreciation trend that had been in place since the beginning of the year. Another factor hindering the work of the Central Bank is the continuous tightening of the labor market, which once again showed a downside surprise in the unemployment rate and a robust pace of formal job creation. In this scenario, the chance of a change in direction grows, with an increase in the basic interest rate. In any case, the BCB's communication has emphasized that current inflation is still quite benign and that the current policy rate is sufficient to ensure convergence over time.



**ZETA****POSITIONS****Rates**

We have tactical positions in Mexico, increased long positions in the US and the Eurozone. We maintained long positions held in Brazil and yield curve positions in the US. We closed out short positions in inflation in the US and long positions in the Eurozone;

**Currencies**

We increased our long position in the Mexican peso, in the Indian rupee and Hungarian forint and short positions in the Chilean peso and in the Swiss franc. We maintained short positions in the Chinese yuan and in the Hong Kong dollar;

**Equities**

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

**Commodities**

We increased long positions in oil. We maintained long positions in sugar and in wheat and short positions in aluminium and iron ore. We reduced long positions in gold and short positions in coffee.

**PERFORMANCE  
BREAKDOWN**

Regarding performance attribution, equity positions contributed positively while currencies contributed negatively. In the Brazilian equities market, gains were notable in the positions within the Consumer, Pulp & Paper, Transportation & Logistics, Education, Banks, and Financial Services sectors, while the negative highlights were in the positions in the Mining & Steel, Healthcare, Oil & Gas, Capital Goods, Utilities, and Technology sectors.

**KAPITALO GLOBAL FUND SPC – ZETA USD**

STRATEGIES	JUN/24	2024	12M	24M	60M	SINCE INCEPTION*
Fixed Income	0.01%	-8.01%	-7.88%	-4.13%	9.23%	11.03%
FX	-0.67%	-1.58%	-1.57%	-0.78%	0.18%	-1.71%
Equities	1.94%	7.83%	15.37%	14.95%	27.75%	40.08%
Commodities	0.53%	1.34%	1.74%	1.09%	5.56%	6.73%
Fees	-0.09%	-0.57%	-0.73%	-4.00%	-22.13%	-28.53%
Performance	1.73%	-1.00%	6.93%	7.13%	20.59%	27.61%

(in US Dollars)

(\*) Inception date:

September 5th, 2018



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

STRATEGIES	MAY/24	2024	12M	24M	60M	120M
Fixed Income	0.06%	-8.58%	-8.42%	-4.26%	11.91%	46.47%
FX	-0.71%	-1.73%	-1.89%	-1.14%	-2.92%	35.87%
Equities	1.71%	5.81%	11.06%	6.97%	16.24%	82.25%
Commodities	0.56%	1.41%	1.83%	0.96%	7.09%	13.94%
Fees	-0.25%	-1.33%	-2.88%	-7.21%	-23.37%	-51.71%
CDI	0.79%	5.22%	11.69%	26.82%	47.43%	142.30%
Performance	2.16%	0.82%	11.39%	22.14%	56.37%	269.12%
% Benchmark (CDI)	273.73%	15.62	97.39%	82.57%	118.85%	189.13%

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**KAPITALO ASSET MANAGEMENT**

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