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MACRO OUTLOOK

In October, the global macroeconomic environment showed mixed signs of activity and inflation across major economies. After an extended tightening cycle, policymakers continued to adjust the degree of monetary restriction as they assessed the cumulative effects of prior decisions. The combination of moderate growth, inflation still above target, and fiscal uncertainties in some regions has led central banks to maintain a cautious and data-dependent stance. Below, we provide a brief overview of the month's macroeconomic developments in the United States, Europe, China, and Brazil.

In the United States, the government shutdown made it difficult to assess current economic conditions, as most key official data were not released. Alternative indicators — from private sources — suggested no major changes in the state of the economy during the month. The most relevant public release was September's CPI inflation, which once again came in below expectations.

At its October meeting, the FOMC cut interest rates by 25 basis points, as widely anticipated. However, the strong division among Committee members led Chair Powell to strike a more hawkish tone, contrasting with market pricing that had almost fully discounted another cut in December. Even so, we continue to see a higher probability of an additional rate cut at the next meeting, although the decision will be heavily data-dependent — particularly on labor market indicators.

On the geopolitical front, the meeting between Xi Jinping and Donald Trump was among the month's main highlights. The encounter marked an easing of tensions between the two powers and resulted in a preliminary agreement that includes, among other measures, a 10-percentage-point reduction in U.S. tariffs on Chinese goods. In exchange, China postponed plans to expand restrictions on rare metal exports and committed to increasing purchases of U.S. agricultural products.

In Europe, the Eurozone economy grew 0.2% quarter-over-quarter in the third quarter, slightly above expectations. By country, activity in Germany remained stagnant, while Spain and other peripheral economies continued to drive growth within the bloc. Although activity data remain weak, confidence surveys — especially in Germany — showed some improvement during the month, supporting expectations that fiscal policy could have a positive impact in the fourth quarter.

Inflation slowed from 2.2% to 2.1% in October, in line with forecasts, though core inflation remained elevated at 2.4%, driven by accelerating services prices. The ECB again kept its policy rate at 2.0%, reiterating that it is "well positioned," suggesting a steady stance for now.

In China, growth remains broadly consistent with the 5% target, supported by a stronger contribution from the external sector. Continued measures to stimulate household consumption have also helped sustain activity. At the same time, the government's campaign against "involution" has led to a notable decline in investment — a development worth monitoring closely.

In Brazil, data released throughout October confirmed a further slowdown in the economy, particularly in its more cyclical sectors. So far, there has been no observable impact on monthly indicators from the settlement of court-ordered payments (precatórios) completed at the end of July. The labor market and credit data for the month surprised to the upside, suggesting that the slowdown may not be linear.

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Tax revenues have continued to weaken in recent months, reflecting softer economic momentum. Nonetheless, we do not see material risks to meeting this year's fiscal target, and we expect the lower bound of the 2026 target to be achieved without significant need for spending freezes or budget blocks. In October, the government suffered a setback when Provisional Measure No. 1303 – which sought to restructure federal tax incentives and revise subsidy rules, with relevant implications for the fiscal framework – expired without being voted on by Congress. However, the Executive branch acted swiftly and is likely to reinstate key parts of the proposal, incorporating them into other ongoing bills to secure approval and preserve the expected fiscal impact for next year.

Inflation once again surprised to the downside in October. In addition to a downward revision to the headline IPCA (Brazil's official consumer price index), the data showed qualitative improvement at the margin. Inflation remains above the central target, but the recent trend has been favorable. The seasonally adjusted, annualized three-month moving average of core services declined to 4.2%, while the same measure for core inflation fell to 3.7%, both at lower levels than in previous months. The IPCA forecast for 2025 was revised to 4.5%, opening room for the year to end within the upper bound of the target range. Moreover, long-term inflation expectations have begun to fall, although they remain unanchored.

Finally, there was no Copom meeting in October. At its next meeting, in early November, the Committee is expected to revise its inflation projections downward and acknowledge that the output gap has been closing as anticipated. At the same time, the meaningful deviation of inflation expectations from the target continues to be a major concern for Committee members, suggesting that a new rate-cutting cycle remains distant.

POSITIONS

Interest Rates

We increased long positions in nominal rates in New Zealand and in both real and nominal rates in Brazil. We maintained long positions in the United States and tactical positions in Mexico, while reducing long positions in Sweden and the Eurozone.

Equities

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

Currencies

We increased our long exposure to the Mexican peso and the Chilean peso, and our short exposure to the Swiss franc, Colombian peso, and Brazilian real. We reduced long positions in the Indian rupee and the Japanese yen.

Commodities

We increased our short positions in corn and oil, and reduced our long position in gold and short positions in soybeans.



ZETA**PERFORMANCE
ATTRIBUTION**

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

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

KAPITALO GLOBAL FUND SP**ZETA USD**

	OCT/25	2025	12M	24M	60M	SINCE INCEPTION
Fixed Income	0.02%	3.76%	0.87%	0.92%	14.46%	17.31%
FX	-0.30%	-0.60%	0.18%	-2.79%	0.37%	-3.72%
Equities	0.15%	4.90%	7.05%	26.01%	48.57%	57.03%
Commodities	-0.05%	1.17%	1.30%	3.09%	7.65%	8.71%
Fees	-0.34%	-3.58%	-3.81%	-6.10%	-23.33%	-34.82%
Performance	-0.52%	5.65%	5.59%	21.13%	47.71%	44.51%

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	OCT/25	2025	12M	24M	60M	120M
Fixed Income	-0.05%	3.50%	0.08%	-0.29%	23.26%	111.83%
FX	-0.28%	-0.67%	0.32%	-3.33%	-0.05%	5.57%
Equities	-0.54%	-1.16%	0.31%	16.29%	34.95%	127.93%
Commodities	-0.06%	1.65%	1.54%	3.80%	11.49%	22.52%
Fees	-0.17%	-1.78%	-2.37%	-6.62%	-28.16%	-69.57%
CDI	1.28%	11.76%	13.69%	26.17%	64.85%	144.04%
Performance	0.17%	13.30%	13.57%	36.02%	106.34%	342.32%
% Benchmark (CDI)	13.33%	113.11%	99.17%	137.65%	163.99%	237.65%

(in Brazilian Reais)



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