



January 11, 2023

Bulltick Research and Strategy

Kathryn Rooney Vera
Head of Research & Strategy
krooney@bulltick.com
+1 786.871.3758



Latin America Strategy:

Brazil Risks Are on the Policy Front

Last Sunday riots broke out in the capital city of Brasilia in an apparent political insurrection against the 10/2022 presidential election outcome where former president Lula da Silva won by a razor-thin margin. While the market reaction seems like it will indeed prove to short-lived after last Sunday's riots in Brasilia, risks remain in this still-young democracy where domestic confidence in the country's political institutions is clearly wrought. The market reaction was minimal in our view because the insurgency was relatively quickly contained, the riots were widely condemned across the political spectrum domestically and internationally, there was no impact to government functioning, and no apparent spread to other regions at least yet.

We think markets will look past the strife to fiscal and economic policies and reforms. The risks we see where the markets would shudder: 1) Indication of a more leftward swing on the agenda from already-leftist Lula (examples: big additions to already sizeable government spending on social welfare transfer payments and on bloated and inefficient government entities in an inflationary environment (+5.79% y/y in December 2022 versus 3.5% target and with 13.75% Selic rate) 2) if riots were to spread to other states (Sao Paulo 1/3 of Brazil's GDP) or 3) if it produces some downstream casualty something like a trucker or other paralyzing real economy strike.

bulltick



If these risks do not come to fruition, Brazil stands to benefit this year from China's economic re-opening and its increased demand for commodities. Brazil's local bond BNTNF 10 2033 yields 12.60%, BRAZIL 10.25 2028 yields 12%, USD-denominated BRAZIL 3.75 2031 yields 5.8%, and in equities benchmark equity index 12.1% dividend.

Politically, Lula is likely to get a short-term popularity boost, but in our view, this riot is unlikely to radically change the imminent policies such as the coming proposal to replace Brazil's federal spending cap and tax reform in coming months. The Bovespa is already down 18% since the October 2022 election where Lula won by a razor thin margin. Lula was convicted and spent time in jail for corruption.

Sunday's riots came after months of protests in front of the capital's military installations by Bolsonaro voters claiming election fraud in the razor-thin Lula win back in October. There is an immense distrust by many in Brazil, particularly right of center, of institutions especially of Brazil's Supreme Court. This can be unhealthy and dangerous in a relatively young democracy (40 years). The Supreme Court was largely placed (11 justices) by Lula and many in the opposition contend the entity helped him regain power after being criminally convicted of corruption and going to jail by annulling Lula's corruption charges and censoring "misinformation" about the election in social media and the news.





Disclosures

About Bulltick

Bulltick Capital Markets Holdings, LLC's and its subsidiaries include, among others, Bulltick, LLC, a broker-dealer registered with the U. S. Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority (FINRA), Bulltick Wealth Management, LLC an SEC registered Investment Advisor, Bulltick Insurance Agency, LLC, a Florida licensed insurance agency, and Bulltick Financial Services, LLC (collectively, and together with all other Bulltick controlled entities, "Bulltick"). Bulltick offers a variety of diversified financial products and services with local know how and international expertise. Its client base is comprised of established financial institutions and qualified investors in Latin America, as well as of the international financial community with investment interests in the region. Bulltick is headquartered in the United States, with offices in Miami, Houston, and Bogota.

Our Research Resources

With Bulltick's vast Latin American in roads, resources, and networks, our research team is strategically positioned to provide value added research on local and regional markets, and industries. We are able to track the pulse of the leading markets in Latin America. We make it our business to know the business of the region so we can help our clients manage volatility with in depth coverage of macroeconomic leading sectors and market moving events. As part of its gathering of data and other sources of intelligence, our Macro Economic Research team obtains information and points of views from various sources, including from other Bulltick affiliated areas and persons such as our asset management area and our execution desks.

ANALYST CERTIFICATION

The analyst(s) primarily responsible for the preparation of this report hereby certify that all the views expressed herein accurately reflect their personal views only. The analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

IMPORTANT DISCLOSURES

Principal/Agency Trading:

Bulltick and its affiliated entities, employees, officers, and directors may deal on a principal and/or agency basis in transactions involving currencies, markets, sectors, and/or securities referred to herein (or related derivatives or other instruments related thereto), including in transactions which may be contrary to any recommendations contained herein.

The Firm's Analysts may interact with sales and trading personnel in the ordinary course of business. Such sales and trading personnel may trade and/or have proprietary positions in the securities (or in related derivatives) that are the subject of this report, and the Firm's interest may conflict with the interests of investors in those instruments.



Analyst Compensation:

The costs and expenses of research, including the compensation of the analyst(s) that prepared this report, are paid out of the Firm's total revenues, a portion of which are generated by its fixed income division.

OTHER DISCLAIMERS

The information in this report is subject to change without notice. Neither the information nor any opinion expressed constitutes a solicitation of the purchase or sale of any securities, options, futures, or other derivatives related to such securities, or alternative investments.

Bulltick and its subsidiaries, affiliates, shareholders, directors, officers, employees, and licensors ("The Bulltick Parties") will not be liable (individually, jointly, or severally) to you or any other person as a result of your access, reception, or use of the information contained in this document for indirect, consequential, special, incidental, punitive, or exemplary damages, including, without limitation, lost profits, lost savings, and lost revenues (collectively, the "Excluded Damages"), whether or not characterized in negligence, tort, contract, or other theory of liability. The information contained in this document has been obtained from sources believed to be reliable, although its accuracy and completeness cannot be guaranteed. All opinions, projections and estimates constitute the judgment of the author as of the date of the report and these, plus any other information contained herein, are subject to change without notice. Prices and availability of financial instruments mentioned are also subject to change without notice.

Bulltick and its affiliated companies have not taken any steps to ensure that the recommendations referred to in this report are suitable for any particular investor. The Report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of any financial product. Securities and financial products mentioned in the report are subject to investment risks, including the possible loss of the principal amount invested. The financial instruments mentioned in this document may not be eligible for sale in some countries. The Report is not to be construed as providing investment services in any jurisdiction where the provision of such services would be illegal.

Investing in non US securities or markets, may entail additional risks. Securities of non US issuers may not be registered with and may not be subject to the reporting requirements of the US Securities and Exchange Commission. There may be limited information available on foreign securities or markets. Foreign companies are generally not subject to uniform audit and reporting standards, practices, and requirements comparable to those in the US. Investments in foreign markets may be less liquid and their prices more volatile than those comparable in US. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign market.

The information contained in the report is privileged and confidential and intended solely for the recipients who have been specifically authorized to receive it and it may not be further distributed.



Latin America Strategy

January 11, 2023

Bulltick Research and Strategy

Bulltick and its affiliates accept no liability whatsoever for the actions of third parties. Should you receive this message by error you are hereby notified that any disclosure, reproduction, distribution, or use of this message is strictly prohibited.

The Report may provide the addresses of, or contain hyperlinks to, websites, except to the extent to which the Report refers to website material of Bulltick, the Firm takes no responsibility for, and makes no representation or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through the Report or the website of Bulltick shall be at your own risk and Bulltick shall have no liability arising out of, or in connection with, and such reference website.

While any attachments to this report may have been checked for viruses, you should rely on your own anti-virus software and computer security procedures; we therefore disclaim all liability arising out of any viruses or other malware that might exist in any attachment.

The information in this report is subject to change without notice. Neither the information nor any opinion expressed constitutes a solicitation of the purchase or sale of any securities or any options, futures, or other derivatives related to such securities or alternative investments.