

# MONTHLY NEWSLETTER

## MIRABAUD WEALTH MANAGEMENT



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### INTERNATIONAL

#### DO NOT SEEK MOBY-DICK

When unanticipated events happen, many people come out of the woods to say: "this was so obvious, I knew it". We frequently see such behavior for both good and bad surprises. Everybody knows someone that saw the Dot Com Bubble coming, or the Great Financial Crisis, or the recent massive bull market we have witnessed since the end of 2022, for the simple reason that "this was obvious". These prophets always appear so smart when they expose their views after the events; yet, how many times were they wrong ex-ante? Most importantly, how many times did they anticipate events that eventually never

happened? Many, for sure, but they obviously avoid to mention it in front of other market participants. January had its share of surprises, but let's first explain how assets behaved during the first month of 2025.

Equities rose (again), yields decreased, the dollar calmed down and gold rallied (again). On the equity side, we saw an unexpected catch-up from Europe with the Stoxx 50 gaining 8.15% compared with a 2.78% performance for the S&P500. That was not a typo!

Brazilian markets and the Real also came back from the recent lows, but I will let my colleague Eric dive into matter. On the fixed income side, yields initially rallied and hurt bond prices as Donald Trump's tariffs threats affected inflation expectations. Thus, market participants started to reconsider interest rate cuts in 2025, but Powell's speech

following the Fed's interest rate decision reassured investors on the current monetary policy which is still considered as restrictive by the Fed. Finally, gold had a tremendous rally on the back of stubborn inflation and geopolitical risks brought on by the US President's comments on tariffs.

**PERFORMANCE OF THE MAIN FINANCIAL INDICES:**

	Jan.	Jan.\$	2024	2024 \$	2023	2023 \$	2022	2022 \$	2021	2021 \$
S&P 500	2.78		25.0		26.3		-18.1		28.7	28.7
Stoxx 50	8.15	8.89	11.9	4.7	23.2	27.3	-8.5	-14.0	24.1	15.6
MSCI EM	1.81		8.0		10.1		-19.9		-2.3	
Brazil Bovespa	4.86	11.00	-10.4	-29.6	22.3	33.1	4.7	10.1	-11.9	-18.1
Euro	0.08		-6.2		3.1		-5.8		-6.9	
US Dollar Index	-0.11		7.1		-2.1		8.2		6.4	
Gold Spot	6.63		27.2		13.1		-0.3		-3.6	
Brazilian Real	5.62		-21.4		8.9		5.4		-6.8	
Global Agg. Bond	0.57		-1.7		5.7		-16.2		-4.7	
Latam Bonds	1.38		10.5		11.1		-13.2		-2.5	
Global High Yield	1.37		9.2		14.0		-12.7		1.0	
US T Bills	0.37		5.3		5.1		1.3		0.0	
CDI	1.01	6.70	10.9	-11.8	13.0	24.8	12.4	18.4	4.4	

Coming back to the month's shares of surprises, on January 27th, the S&P 500 woke up with a 2.27% decline after discovering DeepSeek and its very compelling capabilities at a fraction of known AI applications' costs. The announced cost of the Chinese application is of \$6 million compared with over \$100 million for ChatGPT-4. Nvidia's A100 chips were banned from

entering China since 2022 and DeepSeek's founder apparently built the model with few of these best in class chips paired with cheaper, lower-performance chips. The Chinese app with its whale logo is not only cheaper, but also requires less memory usage and is more energy-efficient than its American counterparts.

**« ON THE OPPORTUNITY SIDE, THE REDUCTION OF COSTS AND ENERGY CONSUMPTION COULD BE SEEN AS A DEMOCRATIZATION OF AI, WHICH WOULD BRING A FASTER CYCLE OF INNOVATION IN THE FIELD.»**

In terms of performance, the tests did not reach a clear consensus on whether DeepSeek is actually better or worse than ChatGPT's or Gemini's Pro versions. Yet, the Chinese model performance is certainly very close to the American models with an added advantage of better energy and memory-usage efficiency as well as much lower costs.

If we summarize, we have a disrupting technology developed by a Western economy replicated by Chinese engineers at a fraction of the cost and with higher efficiency.

"This was so obvious, I knew it!" said once more the glory hunters that came out of the shadow to brag on TV shows. I will be tremendously honest with you, I did not see it coming and think that the vast majority of people did not either. However, it is not so important to know who saw it coming and how they saw it coming, but it is essential to think of the potential implications of the "DeepSeek moment". Some of these "know-it-all" made a comparison to the "Sputnik moment" when the Americans realized that the Soviets were ahead of them in the Space race. We wouldn't go that far as DeepSeek has already said that

they will probably lag behind once its competitors have access to newer and more powerful chips.

One evident risk raised by DeepSeek is on the hardware side. If DeepSeek did not need the best in class chips to build a solid model, does Open AI, Google and Anthropic really need these chips? Most certainly not and this could be a clear game-changer for the semiconductor industry that was able to increase its margins because of the drastic need for its best performing chips.

Moreover, if DeepSeek needs significantly less energy and storage, the growth expected by data centers and power-related companies could be challenged as the firms were expecting massive demand because of the AI energy consumption and storage needs. In fact, the stocks that fell the most on the "DeepSeek Monday" were not the chipmakers, but rather power generators such as Constellation Energy (CEG) which fell almost 21% compared to Nvidia's 17% drop. Although in market capitalization terms, CEG lost \$24 billion while Nvidia lost \$592 billion. The bigger they are, the harder they fall.

On the opportunity side, the reduction of costs and energy consumption could be seen as a democratization of AI, which would bring a faster cycle of innovation in the field. The fact that DeepSeek is partially open-source strengthens the democratization argument, as the model's code and parameters are currently accessible, allowing developers to inspire themselves for other AI applications. Thus, software companies could develop cheaper and less energy-consuming AI applications that would be easier to implement and monetize through final consumers.

For now, the Western economies see DeepSeek as a threat for their dominance on the AI field and this is normal. The initial reaction to something new and unknown is most often fear and this is exactly what we saw in equity markets even though the drop did not extend further. "Sell first and ask questions later" was the market's motto on this January 27th. Now that we have more information on DeepSeek, we continuously analyze its implications, good and bad, for adjusting our market positioning.

The discovery raises valid concerns on profit distribution, but one must certainly not see the Chinese app as the absolute evil for financial markets and fall into a similar trap of Captain Ahab whose absolute need to kill Moby Dick caused the sinking of his beloved ship Pequod and his own death.



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## BRAZIL

### "THE FUTURE IS NOT WHAT IT USED TO BE " (Paul Valery, French philosopher and writer)

"Inauguration Day", as the date of the inauguration of the newly-elected American presidents on 20 January is known, marked the beginning of some relief in asset prices after a few weeks of negative behaviour, especially in Brazilian assets.

With this event, which is both prosaic and crucial, we can consider the year 2025 to have begun, which already promises to keep us stuck in the uncertainty and volatility that has characterised the post-globalisation (or de-globalisation) process, which began with the first Trump administration in 2018 and intensified after the Covid-19 pandemic.

In Brazil, in particular, we had downward pressure concentrated in the price of the dollar, which closed January quoted at R\$5.84 after reaching R\$6.29 on 18/12/24, resulting in a fall of 5.4% in the whole month.

The recovery in the price of the Real against the Dollar was also followed by an improvement in market interest rates and

Brazilian stock market prices. The fixed interest rate quoted for January 2027 fell to below 15% p.a., after reaching almost 16% p.a. at the end of December, while the Ibovespa rose 4.86% in the month, closing at 126,135 points, after marking 120,283 points at the close of Dec/24.

The fact is that the second Trump administration had been widely anticipated by the markets as a continuation of the first one but boosted by the sweeping victory of the Republican Party at the polls last November, winning the House and Senate, as well as all the so-called "swing states".

However, what we have seen since Inauguration Day, at least in terms of promises of greater protectionist tariffs, has been a timid start (by Trump standards), especially with tariffs on Chinese imports. Likewise, with the tariffs on Mexico and Canada, the impression has been given (so far) that these were more instruments of political pressure than actual economic defense.

**« 2025 WILL BE A YEAR OF INTERLUDE IN BRAZIL, (...) SLIGHTLY CALMER YEAR THAN 2024, CONNECTING WHAT WAS A YEAR OF REVELATIONS, (...) WITH THE DEBACLE OF 2026. »**

Looking to the past, we can say that the first Trump administration was characterised by some shocks of volatility stemming specifically from the erratic (but, paradoxically, methodical) conduct of the American president in his particular vision of how to exercise office, using social networks and other unconventional means of communication to transmit his political and economic decisions.

We can expect the same kind of behavior for the next four years, with the use of extravagant and media-driven measures as a way of doing politics, generating a lot of action but also a lot of noise in the process.

**Brazil in 2025, in a nutshell**

Strictly speaking, we believe that 2025 will be a year of interlude in Brazil, in which no major reforms will take place, including public spending cuts or fiscal consolidation, but in which the electoral campaign will not yet be in full swing.

In this sense, 2025 should be a slightly calmer year than 2024, connecting what was a year of revelations, in which the government explicitly assumes that it is no longer seeking any

kind of fiscal balance, with the debacle of 2026, when the "electoral anything goes" is expected to strain the already stretched public budget once and for all.

On the National Congress front, if the government wants to use the increase in the exemption from the income tax table as an electoral banner, it will have to approve it later this year, which brings an important additional fiscal risk if the government fails to approve a tax increase in the upper income brackets that could compensate for the tax waiver in the exempt bracket.

Our projection for the IPCA in 2025 is 6%, well above the 3% target, therefore, with a Selic rate that should reach 15% p.a. and GDP growth that should be around (or a tad below) 2.0%.

We believe that the economy will start to slow down more sharply in the second half of this year, which will certainly lead to strong emotions for 2026, with the government being urged to carry out more and more budgetary measures whose sole purpose would be electoral.

As part of this scenario, we imagine that in the second half of the year the Central Bank will be discussing a reduction in the base rate, which could also cause some additional exchange rate de-anchoring, taking the exchange rate to the level of R\$6.50 by the end of the year.

The Ibovespa should regain the 135,000-point level by the end of the year, but we are still not convinced that the country can resume some kind of virtuous cycle in the economy (and in investment assets) without the management of the public budget first returning to a more benign stance.

**PERFORMANCE OF THE MAIN FINANCIAL INDICES:**

Renda Fixa		31/01/25	MTD	3M	YTD	
CDI	-	86,83	1,01%	2,75%	1,01%	
IMA-B	-	9.768,55	1,07%	(1,56%)	1,07%	
IMA-B 5	-	9.709,37	1,88%	1,96%	1,88%	
IMA-B 5+	-	10.649,64	0,43%	(4,17%)	0,43%	
IRF-M	-	18.747,94	2,58%	0,35%	2,58%	
IMA-S	-	7.178,73	1,10%	2,82%	1,10%	
Índices Globais		País	31/01/25	MTD	3M	YTD
Ibovespa	BRL	126.134,94	4,86%	(2,76%)	4,86%	
Dow Jones	USD	44.544,66	4,70%	6,66%	4,70%	
S&P 500	USD	6.040,53	2,70%	5,87%	2,70%	
NASDAQ	USD	21.478,05	2,22%	7,98%	2,22%	
Euro Stoxx 50	EUR	5.286,87	7,98%	9,51%	7,98%	
FTSE 100	GBP	8.673,96	6,13%	6,95%	6,13%	
MSCI Emerging	EM	42,72	2,15%	(2,27%)	2,15%	
MSCI World	World	3.836,58	3,47%	5,19%	3,47%	
Moedas		País	31/01/25	MTD	3M	YTD
Dólar/Real	USD	5,84	5,40%	(0,97%)	5,40%	
Euro	EUR	1,04	0,08%	(4,80%)	0,08%	
Franco Suíço	CHF	0,91	(0,39%)	(5,14%)	(0,39%)	
Libra Esterlina	GBP	1,24	(0,97%)	(3,91%)	(0,97%)	
Bitcoin	BTC	102.110,01	8,96%	46,00%	8,96%	
Hedge Funds		País	31/01/25	MTD	3M	YTD
Ind. de Hedge Funds	BRL	5.355,34	0,88%	2,66%	0,88%	



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