MIRABAUD

MONTHLY NEWSLETTER
MIRABAUD WEALTH MANAGEMENT

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INTERNATIONAL

“ET TU, BRUTE? THEN FALL, CAESAR.”
Shakespeare, W. (1599). *Julius Caesar* (Act 3, Scene 1)

March has always been more than just a month. Named for Mars, the Roman god of war, it marked the beginning of the military campaign season — the moment when order gave way to ambition, and ambition to empire. In ancient Rome, March signalled not renewal, but readiness: for conflict, for transition, for the unpredictable.

No March was more consequential than the Ides of March, 44 BC, when Julius Caesar was assassinated. His death, staged as a defence of the Republic, ushered in a violent power struggle that the Republic did not survive. Amid civil war, collapsing institutions, and monetary debasement, gold reasserted itself as the ultimate store of value. Rome’s silver denarius coin faltered as emperors clipped coins and inflated the supply, but the gold aurei coins held their worth. They funded armies, secured loyalties, and protected wealth when trust in governance disappeared. This pattern did not end with Rome.

Under the classical gold standard (1870s–World War I), gold underpinned global currencies. Central banks held reserves, and convertibility was sacrosanct. That discipline imposed constraints on fiscal profligacy until it could no longer do so. The trauma of World War I and the political unwillingness to adjust currencies through deflation, ultimately broke the system. Gold remained the benchmark, the fallback, the final truth. Even after convertibility ended, confidence was still priced in ounces.

Then came Weimar Germany. In the early 1920s, burdened by reparations and domestic instability, the Reichsbank printed money to cover the fiscal gap. Inflation accelerated to hyperinflation. By 1923, the papiermark collapsed and the paper used as currency was worth more than the note itself. A kilo of bread cost billions and the currency was swept from the streets like trash. Those who held gold, foreign currency, or hard assets survived. It wasn't just about wealth preservation, it was about economic survival. After the collapse, the Rentenmark, was introduced, partially backed by land and mortgages, but full faith was only restored when the Reichsbank re-pegged the mark to gold. Trust returned not through promises, but through metal. Our Latin American readers are surely feeling a bit of déja-vu.

And now, March 2025 brings its own message. After a strong start to the year, Q1 ended in turmoil. In March, the S&P 500 fell -5.6%, its worst month since 2022. The Magnificent 7 dropped -16.0% for the quarter. The trigger? A mix of policy changes and profit taking. The new US administration imposed sweeping 25% tariffs on Canada, Mexico, China, steel and aluminium evoking memories of trade wars past. Simultaneously, DeepSeek's surp rise AI model release raised existential questions about tech valuations, while Nvidia's earnings "disappointed" as they were only slightly better than expected as opposed to the recent "much better than expected". Market confidence cracked. The following table shows how major indices and currencies have performed.

« FROM ANCIENT ROME TO THE INFLATION-TORN WEIMAR REPUBLIC, FROM CENTRAL BANK VAULTS TO PRIVATE SAFES, GOLD HAS CONSISTENTLY REFLECTED THE THINGS MARKETS DON'T ALWAYS SAY OUT LOUD: THAT BELIEF IS FRAGILE AND SYSTEMS ARE MORTAL.»

PERFORMANCE OF THE MAIN FINANCIAL INDICES:

	Mar.	Mar.$	2025	2025 $	2024	2024 $	2023	2023 $	2022	2022 $	2021	2021 $
S&P 500	-5.63		-4.3		25.0		26.3		-18.1		28.7	28.7
Stoxx 50	-3.80	0.04	7.7	12.5	11.9	0.0	23.2	27.3	-8.5	-14.0	24.1	15.6
MSCI EM	0.64		3.0		8.0		10.1		-19.9		-2.3	
Brazil Bovespa	6.08	9.09	8.3	16.9	-10.4	0.0	22.3	33.1	4.7	10.1	-11.9	-18.1
Euro	4.25		4.5		-6.2		3.1		-5.8		-6.9	
US Dollar Index	-3.16		-3.9		7.1		-2.1		8.2		6.4	
Gold Spot	9.30		19.0		27.2		13.1		-0.3		-3.6	
Brazilian Real	3.18		8.2		-21.4		8.9		5.4		-6.8	
Global Agg. Bond	0.62		2.6		-1.7		5.7		-16.2		-4.7	
Latam Bonds	-0.33		2.3		10.5		11.1		-13.2		-2.5	
Global High Yield	-0.32		1.8		9.2		14.0		-12.7		1.0	
US T Bills	0.34		1.0		5.3		5.1		1.3		0.0	
Brazil CDI	0.96	4.12	3.0	11.4	10.9	-12.9	13.0	24.8	12.4	18.4	4.4	-2.7

Meanwhile, inflation expectations surged to post-Covid levels and the University of Michigan's five-year inflation outlook jumped to 4.1%, a level unseen since my College days in 1993. The Fed paused hikes but announced a slowdown in quantitative tightening, reducing Treasury runoff from $25bn to $5bn starting April 1. The European Central Bank moved in the opposite direction, delivering rate cuts in both January and again in March. Policy divergence widened. Sentiment soured.

Bond markets were equally turbulent. German yields surged on the back of a post-election fiscal stimulus package and a €500bn infrastructure fund, while the US 10-year briefly broke back above 4.20%. Curves steepened and the dollar slid. Investors, unsure whether to expect reflation or stagflation, pulled capital into what they could trust. And once again, gold quietly did what it always does.

Gold rose +19.0% in the first quarter, hitting a record high of $3,124/oz, its strongest quarterly performance since 1986. That move wasn't driven by one factor, but rather a response to polycrisis. A mix of trade fragmentation, stagflation fears, doubts about earnings quality and eroding policy credibility combined into something simple: fear.

W have seen gold respond this way before and often in March:

In March 2003, as the Iraq War began, gold rose more than 20% over the following year.

In March 2011, amid the Arab Spring, it surged over 30% in six months.

In March 2014, gold spiked briefly to $1,382 during Russia's annexation of Crimea, before retracing as geopolitical reactions proved restrained.

In March 2020, during the COVID panic, gold rose from $1,670 to $2,008 by August, a gain of over 20% in just five months.

In March 2022, as Russia intensified its invasion of Ukraine, gold surpassed $2,050/oz, rising 7% from February's close in mere days.

Now, in March 2025, gold rose again, not because markets fear a rate hike, but because they fear a world out of control.

Importantly, it's not just individuals who seek safety in gold. Central banks around the world have been accumulating gold reserves at the fastest pace in decades, particularly in emerging markets. For them, gold is not only a hedge against inflation or geopolitical risk, but a strategic asset immune to sanctions, credit ratings and politics. When the architecture of the international monetary system begins to show cracks, gold becomes the quiet cornerstone of sovereign portfolios.

At the investor level, gold's power lies not in price action, but in psychology. When equity narratives break, when inflation isn't "transitory," when global institutions appear reactive rather than proactive, gold provides clarity. It is a tool for expressing doubt, a hedge against monetary fragility and a bridge across regime shifts.

Gold does not yield. It does not compound. It does not disrupt. Some people have said that it does nothing. But it does endure, not in spite of those facts, but because of them. From ancient Rome to the inflation-torn Weimar Republic, from central bank vaults to private safes, gold has consistently reflected the things markets don't always say out loud: that belief is fragile and systems are mortal.

March reminds us, once again, that empires, like markets, rise on trust and fall on overreach. And in that moment between the two, gold speaks and it does so rather loudly.

Our positioning in portfolios continues to have gold even though it is not part of our benchmark so we are taking an active bet when we own gold in our portfolios. Given this month's text, we will continue with our gold position. We have reduced further our equity allocation as the uncertainty has increased in markets. We have moved to slightly underweight in equities at the beginning of April and we have increased our allocation to cash and government bills. Our more defensive positioning is due to an increased probability of a stagflation scenario as inflation expectations have risen and growth expectations have fallen.

Eric Hatisuka
CIO Mirabaud Brazil

BRAZIL

THE IMPORTANCE OF THE DOLLAR SMILE FOR BRAZIL

Benjamin Franklin, one of the so-called Founding Fathers of the United States, is not smiling in the effigy illustrating the hundred-dollar bill. There is certainly a slight smile, but it cannot be compared to the enigmatic smile of Monalisa, to take the best-known example of oblique smiles.

If George Washington, Andrew Jackson and the other effigies on the dollar notes aren't smiling either, what's the deal with the dollar smile?

The "dollar smile" theory, proposed by economists Stephen Jen and Faith Yilmaz at the beginning of the current century, is a concept that seeks to explain the behavior of the world's most important reserve currency at different moments in the economic cycle.

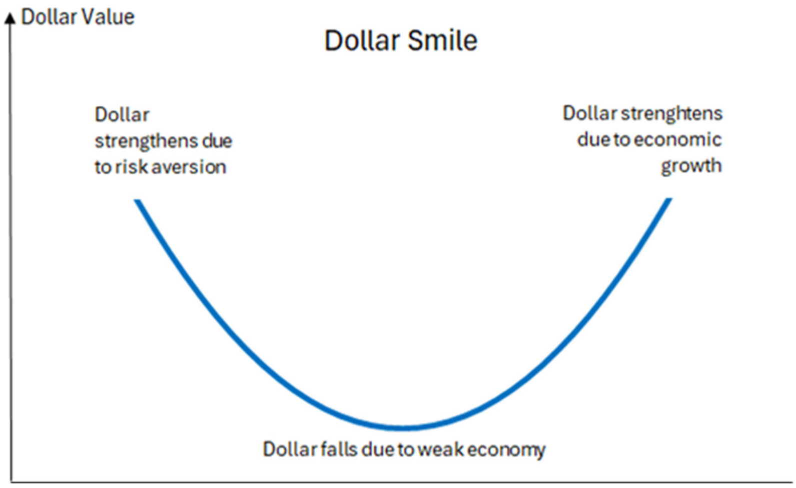
In simple terms, the dollar appreciates every time the American economy is expanding vigorously, due to the profit opportunities present in the United States in periods of growth, attracting the flow of global capital; but also, every time some financial event causes an increase in risk aversion, since the dollar also plays the role of 'safe haven' for global capital in times of crisis.

On the other hand, the dollar tends to depreciate when the US economy slows down smoothly, in the (relatively rare) phenomenon known in the market by the popular name of "soft landing".

In short, at the extremities of the economic cycle, accelerated growth or strong recession, the dollar would appreciate; while in its benign interregnum, a smooth slowdown in the American economy, the dollar would depreciate.

The following graph that summarizes this dynamic resembles a smile, hence the name dollar smile.

« (...) AN INCREASED RISK OF RECESSION AND DEFLATION, BUT WITHOUT AN IMMINENT FINANCIAL CRISIS - EXACTLY THE BENIGN INTERREGNUM SCENARIO PREDICTED BY THE DOLLAR SMILE MODEL.»



The dollar smile theory helps to explain precisely the moment we are experiencing today in the Brazilian markets.

Since the end of 2024, the value of the Dollar measured against the Real has fallen by around 7.6%, from R$ 6.1774 on 31/12/24 to R$ 5.7057 at the March closing. When measured against the Euro and the Yen, the Dollar has also fallen by 4.3% and 4.6% respectively, confirming the universal nature of the US currency's devaluation so far.

The interesting thing is that this period coincides precisely with the start of the second term of US President Donald Trump, who took office on 20 January and immediately unleashed his protectionist trade policy in full.

In other words, just when the dollar was expected to appreciate, since the increase in the price of imported products was supposed to cause inflation and therefore interest rates in the United States to rise, the opposite happened.

The biggest difference with Trump's Trade War 1, which took place between 2017 and 2021, is that this time there has been a rapid escalation of political rhetoric in the trading partners involved, leading to swift and forceful trade retaliation, the biggest risk of which would be to cause world trade fragmentation and a drop in global growth rates.

In this case, instead of seeing an increase in US inflation, we would see the opposite: a synchronized slowdown in the industrialized economies of the OECD + China, with an increased risk of recession and deflation, but without an imminent financial crisis - exactly the benign interregnum scenario predicted by the dollar smile model.

Ceci n'est pas une pipe

In 1929, the Belgian artist René Magritte made a provocative work called The Betrayal of Images (This is not a pipe), in which he questioned the relationship between an object and its image, as well as the idea that the image is the very reality of the object (below).

Just as life imitates art, it is dangerous to take the image of the fall in the Dollar against the Real as if it were an expression of the reality that Brazilian economic policy returning to the virtuous path.

On the contrary, the measures implemented by the government so far have had the sole (and populist) aim of improving the approval ratings of the government in office, at the expense of continuing the deterioration of public accounts and the overheating of the economy, with obvious risks for inflation.

Measures such as the release of the FGTS, the implementation of CLT payroll loans, an increase in the maximum range of Minha Casa Minha Vida (My House My Life), an increase in the minimum income tax exemption range, among others, will cause further imbalance in the public accounts and a further boost to demand in the economy, with severe risks of unanchoring inflationary expectations within the scope of the target regime.

It's important to bear in mind that the dollar's recent behavior reflects economic fundamentals far greater than the Brazilian economy itself and that taking the fall in the reserve currency's exchange rate as a sign that the markets approve of an economic policy that creates imbalances and future costs is, at the very least, a dangerous daydream. Or an expression of surrealist art, whose costs will be anything but abstract.

PERFORMANCE OF THE MAIN FINANCIAL INDICES:

Renda Fixa		31/03/25	MTD	3M	YTD
CDI	-	88,53	0,96%	3,08%	2,98%
IMA-B	-	9.998,79	1,84%	3,03%	3,45%
IMA-B 5	-	9.825,89	0,55%	3,05%	3,11%
IMA-B 5+	-	10.995,86	2,83%	2,99%	3,70%
IRF-M	-	19.123,23	1,39%	4,50%	4,63%
IMA-S	-	7.319,90	0,96%	3,18%	3,09%
Índices Globais	**País**	**31/03/25**	**MTD**	**3M**	**YTD**
Ibovespa	BRL	130.259,54	6,08%	8,31%	8,29%
Dow Jones	USD	42.001,76	(4,20%)	(2,30%)	(1,28%)
S&P 500	USD	5.611,85	(5,75%)	(6,01%)	(4,59%)
NASDAQ	USD	19.278,45	(7,69%)	(10,22%)	(8,25%)
Euro Stoxx 50	EUR	5.248,39	(3,94%)	7,13%	7,20%
FTSE 100	GBP	8.582,81	(2,58%)	5,31%	5,01%
MSCI Emerging	EM	43,70	1,13%	3,31%	4,50%
MSCI World	World	3.628,64	(4,64%)	(3,37%)	(2,14%)
Moedas	**País**	**31/03/25**	**MTD**	**3M**	**YTD**
Dólar/Real	USD	5,71	3,04%	7,86%	7,64%
Euro	EUR	1,08	4,25%	3,74%	4,46%
Franco Suíço	CHF	0,88	2,13%	2,01%	2,61%
Libra Esterlina	GBP	1,29	2,71%	2,70%	3,21%
Bitcoin	BTC	82.421,29	(2,13%)	(12,69%)	(12,05%)
Hedge Funds	**País**	**31/03/25**	**MTD**	**3M**	**YTD**
Ind. de Hedge Funds	BRL	5.357,46	(0,07%)	1,02%	0,92%

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Gestão de Recursos

Autorregulação ANBIMA
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