JUNE 2025

MIRABAUD

MONTHLY NEWSLETTER
MIRABAUD WEALTH MANAGEMENT

Guilherme Barbosa
Investment Director

INTERNATIONAL

"NOTHING IMPORTANT HAPPENED TODAY."

Diary of His Majesty King George III, July 4th, 1776

Allow us to take you back in time. The date is July 4th, 1776, and the scene is London—the beating heart of an empire that spans continents. The city hums with the familiar rhythm of power: coach wheels clatter on cobblestones, merchants open their stalls along the Thames, and court officials bustle through the corridors of St James's Palace, preoccupied with protocol, taxation, and trade.

The summer air hangs warm and still, the kind that softens paper and dulls the sharp edges of urgency. Behind thick stone walls, in a high-ceilinged chamber lit by the pale light of a cloudy afternoon, King George III sits at his writing desk. His empire is vast—India to the east, the Caribbean to the south, and the American colonies to the west—yet the affairs of state seem routine. Petitions are reviewed. Orders are signed. The machinery of monarchy rolls on.

Then, with a flick of his quill, the King records his daily reflection. A simple sentence. Unassuming. Almost offhand:

"Nothing important happened today."

Though likely apocryphal, the line has passed into legend—not because it is verified, but because it is true in spirit.

That same day, across the Atlantic in Philadelphia, a group of men—merchants, farmers, lawyers—gathered in a modest hall to sign a document that would ignite a revolution. The Declaration of Independence was not a dramatic event in the moment. There were no cannon blasts or roaring crowds. Just ink on parchment and trembling hands. The world did not shift with a bang—but it shifted all the same.

And so, the phrase endures:

"Nothing important happened today."

Because sometimes, the most decisive moments pass without spectacle.
History does not always arrive with fanfare. Sometimes it comes quietly—disguised as routine, buried in the ordinary.

Only with hindsight do we see clearly: the most important changes are often invisible as they happen. What feels like just another day can, in time, reveal itself to be the beginning of everything.

Nearly 250 years later, that same quiet irony echoed through the second quarter of 2025.

Scan the headlines on asset performance, and you might think the financial world had a smooth, even celebratory few months. The S&P 500 surged +10.9% this quarter, reaching new all-time highs. Global equities advanced, sovereign bonds held steady, the euro strengthened, and cryptocurrencies posted impressive gains. To the casual observer, Q2 might have seemed like a continuation of a resilient bull market.

Performance of the main financial indices since 2021:

	Jun.	Jun.$	2025	2025$	2024	2024$	2023	2023$	2022	2022$	2021	2021$
S&P 500	5.08		6.20		25.0		26.3		-18.1		28.7	28.7
Stoxx 50	-1.10	2.50	11.07	26.25	11.9	4.7	23.2	27.3	-8.5	-14.0	24.1	24.1
MSCI EM	6.12		15.52		8.0		10.1		-19.9		-2.3	-2.3
SMI	-2.48	0.96	5.91	20.70	7.5	-0.3	7.1	17.6	-14.3	-15.0	23.7	19.5
Euro - USD	3.88		13.84		-6.2		3.1		-5.8		-6.9	
US Dollar Index	-2.47		-10.70		7.1		-2.1		8.2		6.4	
Gold Spot - USD	0.42		25.86		27.2		13.1		-0.3		-3.6	
CHF - USD	3.70		14.41		-7.3		9.9		-1.3		-3.0	
Global Agg.	1.89		7.27		-1.7		5.7		-16.2		-4.7	
US Aggregate	1.54		4.02		1.3		5.5		-13.0		-1.5	
US Treasury	1.25		3.79		0.6		4.1		-12.5		-2.3	
US T Bills	0.35		2.10		5.3		5.1		1.3		0.0	
Global HY	2.31		6.83		9.2		14.0		-12.7		1.0	
Euro Aggregate	-0.09	0.34	0.84	10.61	2.6	-2.7	7.2	11.0	-17.2	-22.0	-2.9	-9.6

« JUST LIKE TAKING NO ACTION, ACTING HASTILY IN UNCERTAIN TIMES CAN MEAN MISINTERPRETING THE VERY SHIFTS THAT DEFINE THE NEXT CYCLE.»

Nothing happened this month. Nothing happened this quarter.

Or so it might have seemed.

But that would be the shallow reading.

Beneath the surface, Q2 was anything but calm. It opened with a market-shaking announcement of "reciprocal" US tariffs, triggering the fifth-largest two-day drop in the S&P 500 since World War II. Long-dated Treasury yields spiked. Oil markets roared in June following Israeli strikes on Iranian nuclear facilities. Geopolitical tensions flared, and U.S. fiscal anxieties deepened with a credit rating downgrade and renewed tax reform debate. Meanwhile, the U.S. dollar, a long-standing pillar of global finance, suffered its worst first-half performance since 1973 – a shift that many overlooked.

And yet – markets found a way to look past the chaos.

Tariff threats were delayed or softened. Ceasefires were negotiated. Economic data – especially in the US and Europe – remained remarkably resilient, and inflation even surprised to the downside. Optimism returned, volatility faded, and asset prices climbed.

It was, in the end, a quarter of contradiction. Volatility surged, narratives shifted, and the foundations of policy were shaken – only to be capped by record highs and apparent calm.

So, as investors reviewed their quarterly statements – buoyed by performance – they might have been tempted, like the monarch of old, to scribble in the margins:

"Nothing important happened today."

But if history teaches us anything, is that the most important things often do not announce themselves. They unfold slowly, almost imperceptibly – until the world has changed.

As we enter July, with Independence Day just ahead, markets face a fresh test of resilience. June reminded us that volatility doesn't always leave a scar – but it often leaves a trace. The quarter was rich in contradictions: strong asset performance on the surface, but plenty of tremors beneath. Now, with key developments ahead – from trade negotiations and fiscal debates to monetary policy recalibrations – investors must remain attuned not only to headlines, but to what lies beneath them.

History offers a lesson here. Transformations rarely shout. They arrive quietly, concealed by the routines of the day and the noise of the short term. Dismissing early signals simply because they lack drama is a risk in itself. July 4th was not the end of the British Empire—but it was the beginning of the end. Those who failed to see it paid the price, slowly at first, and then all at once.

Just as July 4th, 1776 did not feel like a turning point in London, today's markets may lull us into a similar false sense of continuity.

Take the gradual erosion of the U.S. dollar's global standing. It has not made front-page news like equity rallies or central bank moves, but its consequences run deep. A weaker dollar affects trade balances, capital flows, and long-term portfolio dynamics. This is more than a fluctuation—it may mark the early stages of a structural reassessment of confidence in U.S. fiscal and geopolitical leadership.

In anticipation of this shift, the Investment Committee has reduced USD exposure across portfolios. This is not a knee-jerk reaction, but a strategic adjustment—a recognition that currency trends, when grounded in macroeconomic fundamentals and policy direction, can reshape the investment landscape over time.

Just like taking no action, acting hastily in uncertain times can mean misinterpreting the very shifts that define the next cycle. Remaining vigilant and well diversified through these periods is not complacency—it is conviction. It is the discipline to stay engaged when the future feels murky, and the confidence to recognize that what appears quiet today may prove transformative tomorrow.

And so, for the patient investor, what feels like "nothing happened today" may, in time, reveal itself as the moment everything quietly began to change.

Eric Hatisuka
CIO Mirabaud Brazil

BRAZIL

"IF YOU DO NOT CHANGE DIRECTION, YOU MAY END UP WHERE YOU ARE HEADING."

Lao Tzu, Chinese philosopher

There is an important concept in economics and the social sciences known as Path Dependence. In simple terms, it means that "the future development of a system is affected by the path it has taken in the past" (G.M. Hodgson, 1993).

Although the definition above may sound obvious or truistic, the concept of Path Dependence explains a lot about the world we know today, from the adoption of the standard QWERTY keyboard layout to why traffic flows in different directions in different countries (i.e., whether the driver sits on the right or left side of the car).

In both cases, the prevailing reality or standard was not necessarily the best or the most efficient option, but this did not prevent it from becoming dominant over possible alternatives, often due to fortuitous reasons that can only be fully explained in hindsight.

Similarly, the dominance of the Dollar as the international transaction currency and reserve currency is strongly tied to the economic agreements made in the post-war period, with the Bretton Woods Agreement (1944) and the Marshall Plan (1948) as cornerstones.

Although the most logical solution might have been for international trade transactions to be settled in one of the partners' currencies or even in any other major international currency, the preference for the Dollar naturally imposed itself.

However, a review of history shows that there were several severe events that could have seriously undermined the credibility of the Dollar as a reserve currency. Events such as the unilateral end of the gold standard by the United States (1971), the high American inflation during the 1970s, and the 2008 Subprime Crisis could have dramatically altered the course of this story but did not.

Will it be different this time? And what could the consequences be for Brazil?

"You can always count on the Americans to do the right thing after they've tried everything else." (Winston Churchill)

In fact, all the events mentioned above were responsible for historic lows in the Dollar's value against the world's major currencies, as well as against gold. If the Dollar's role as a global currency had undergone a fundamental shift, it would have been clear in each of these situations.

The end of the gold standard, for example, triggered a run against the Dollar in favor of gold and other globally important currencies at the time, such as the Japanese Yen, the German Mark, the British Pound, the French Franc, and the Swiss Franc to name just the most representative industrial economies of that era.

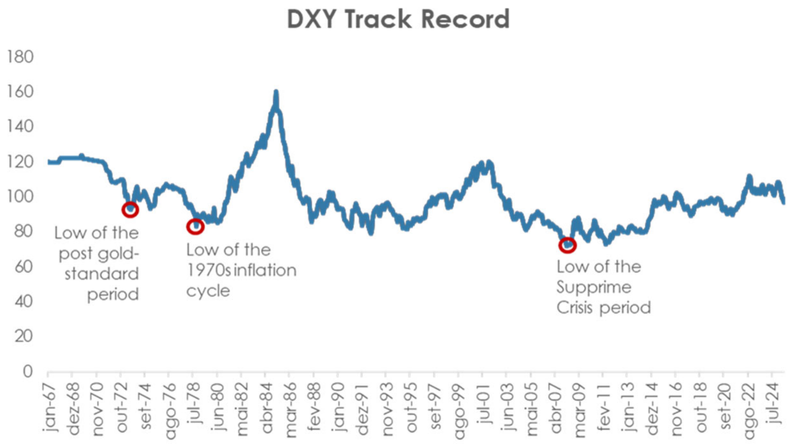
Expressed in terms of the DXY basket (which represents the Dollar's value against a group of major world currencies), the lowest level reached immediately after the end of the gold standard was 92.91, recorded in July 1973. This was a drop of nearly 25% compared to the pre-Bretton Woods exit period.

Likewise, the DXY bottomed out at 83.07 in October 1978, during the final stages of America's great inflation of the 1970s, another 10% decline from the previous low.

Later, during the Subprime Crisis, the Dollar fell to 71.80 on the DXY in March 2008 (note: by then, the DXY no longer included the German Mark and the French Franc, which had been replaced by the Euro as of 2002). This represented a 40% drop in the Dollar's value from the recent high of 118.62, reached in March 2002.

By comparison, the most recent drop in the Dollar, as shown in the DXY chart below, brought it to 96.88 at the end of June 2025. That figure, clearly, causes far less alarm than those of the past episodes.

« THE KEY QUESTION IS WHETHER THE DOLLAR IS GOING THROUGH YET ANOTHER PHASE IN ITS CYCLICAL PATTERN OF HIGHS AND LOWS (...) OR WHETHER WE ARE SEEING THE BEGINNING OF A DEEPER CREDIBILITY CRISIS AND A POTENTIAL DECLINE OF U.S. ECONOMIC HEGEMONY.»



Churchill, during WWII, coined the phrase above about America's capacity to course-correct and, indeed, when we look at these past events and the lack of long-term impact on the Dollar's reserve currency status, we can see that major corrections were made that altered what could otherwise have seemed like an inevitable fate.

The exit from the gold standard and the subsequent inflation (and the two oil shocks of the 1970s) were tackled at great cost by Federal Reserve Chairman Paul Volcker, through interest rates that reached a staggering 19% per year in June 1981, something unimaginable in today's U.S. economic context.

In the case of the Subprime Crisis and the low-growth decade that followed, Fed Chairman Ben Bernanke took equally bold (and heterodox) measures, such as the infamous Quantitative Easing (QE) program, to address a crisis that had wiped out much of the capital foundation of the U.S. financial system.

These were moments that required energetic, unusual, and creative actions to avoid a collapse in confidence and capital, that could have quickly undermined trust in the U.S. Dollar.

The novelty in the current cycle is the political component of Trumponomics, with the so-called "Liberation Day" and "One Big Beautiful Act" — referring respectively to trade policy (which aims to reduce the trade deficit) and fiscal policy (which may further increase the fiscal deficit) under Trump.

This political component adds significant noise to an already complex economic environment. Both reducing trade via import tariffs and increasing the fiscal deficit in an already deficit-heavy administration would be difficult enough to analyze in isolation, let alone when implemented together.

The key question is whether the Dollar is going through yet another phase in its cyclical pattern of highs and lows in which case, despite the peculiar moment, it would simply be a matter of relative price adjustments (as discussed in the Monthly Letter of March, under the Dollar Smile framework) or whether we are seeing the beginning of a deeper credibility crisis and a potential decline of U.S. economic hegemony.

In the first case, the analysis remains within the realm of cyclical currency behavior.

In the second, we must consider the loss of the Dollar's "Exorbitant Privilege", a term coined by former French Finance Minister Valéry Giscard d'Estaing in the 1960s, now more broadly referred to as American Exceptionalism.

The implications of the Dollar losing its reserve currency status are vast and profound, especially because there is no clear alternative in the global financial system today that could take its place.

Just to cite one immediate consequence: if the Dollar ceases to be the ultimate safe-haven asset and begins to decline in times of crisis like any other regular currency, then the Federal Reserve’s ability to conduct counter-cyclical monetary policy, such as QE, would be severely impaired.

In QE operations, the Fed purchases U.S. government securities held by banks and exchanges them for newly issued money, increasing the monetary base, raising the velocity of money, and ultimately stimulating inflation and economic activity.

Such a mechanism only works if the Dollar appreciates during times of crisis. If the opposite occurs and the Dollar weakens, then QE would lead to capital flight, currency depreciation, and a sharp rise in inflation, which would require interest rate hikes and completely offset the intended effects of liquidity injection.

The path ahead remains uncertain. The most likely scenario is that the American political system, with its checks and balances, will be able to avoid a shift in direction that could lead to the decline of the U.S. But we cannot deny that recent political developments, if they persist, have the real potential to undermine the Dollar's future role as the global reserve currency and safe-haven asset.

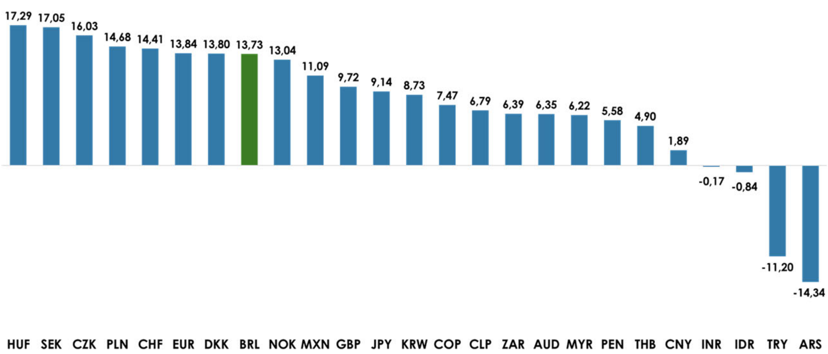
Impacts for Brazil

Brazil today, with an economy that represents less than 2% of the world's GDP and a relatively low trade flow, is a fairly closed economy and therefore not very exposed to the economic cycles of international trade.

On the other hand, through the financial channel, communication is quite evident and the Real, like almost all world currencies, has benefited greatly from the fall in the Dollar this year.

As we can see in the chart below, the Real was one of the currencies that appreciated the most this year, up almost 15% until June. These exchange rate gains tend to be reflected internally in the fall in the prices of imported products, with special emphasis, as always, on the price of oil, making a positive contribution to controlling domestic inflation.

Cumulative Currency Variation vs. USD up to Jun-25



Although the Brazilian government is pursuing a fiscal policy that is exhausting the state budget's room for manoeuvre, the timing is not particularly bad, as the economic growth of the last three years has brought tax collection gains that have helped generate a balanced primary fiscal result over the last 12 months.

Because of these cyclical issues, the tendency is for Brazil to benefit from the devaluation of the dollar, through a fall in the perception of country risk.

However, the appreciation of the Real and the fall in Brazil's risk perception tend to hide the main management problem of the Brazilian public machine: the excess of indexations and compulsory budget ties that bind fiscal execution to an eternal need for increasing compulsory spending.

The improvement in risk perception reduces the urgency of reforms that reduce the size of the state, increase its efficiency and open up space for a new cycle of investment and growth in which the private sector can also participate.

Metaphorically speaking, the risk of the extemporaneous appreciation of the Real is to create the sensation that the roof of our house is intact and free of leaks, when in fact it has only momentarily stopped raining.

PERFORMANCE OF THE MAIN FINANCIAL INDICES:

Renda Fixa		30/06/25	MTD	3M	YTD
CDI	-	91,47	1,10%	3,43%	6,41%
IMA-B	-	10.515,74	1,30%	5,49%	8,80%
IMA-B 5	-	10.105,56	0,45%	2,95%	6,04%
IMA-B 5+	-	11.742,77	1,86%	7,28%	10,74%
IRF-M	-	20.244,97	1,78%	5,97%	10,77%
IMA-S	-	7.565,23	1,11%	3,46%	6,55%
Índices Globais	**País**	**30/06/25**	**MTD**	**3M**	**YTD**
Ibovespa	BRL	138.854,60	1,33%	4,29%	15,44%
Dow Jones	USD	44.094,77	4,32%	4,24%	3,64%
S&P 500	USD	6.204,95	4,96%	8,99%	5,50%
NASDAQ	USD	22.679,01	6,27%	14,55%	7,93%
Euro Stoxx 50	EUR	5.303,24	(1,18%)	(1,45%)	8,32%
FTSE 100	GBP	8.760,96	(0,13%)	1,09%	7,19%
MSCI Emerging	EM	48,24	7,00%	9,21%	16,47%
MSCI World	World	4.026,44	4,22%	8,94%	8,59%
Moedas	**País**	**30/06/25**	**MTD**	**3M**	**YTD**
Dólar/Real	USD	5,43	5,09%	5,46%	12,07%
Euro	EUR	1,18	3,88%	9,13%	13,84%
Franco Suíço	CHF	0,79	3,70%	11,17%	14,41%
Libra Esterlina	GBP	1,37	2,03%	6,05%	9,72%
Bitcoin	BTC	107.606,61	2,88%	23,25%	14,82%
Hedge Funds	**País**	**30/06/25**	**MTD**	**3M**	**YTD**
Ind. de Hedge Funds	BRL	5.754,31	2,12%	7,37%	8,39%

MIRABAUD

Autorregulação ANBIMA Gestão de Recursos

Autorregulação ANBIMA Gestão de Patrimônio