

MONTHLY NEWSLETTER

MIRABAUD WEALTH MANAGEMENT



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INTERNATIONAL

WAITING FOR CORRECTION

There are months when markets roar, and months when they whisper. August 2025 whispered. Like in Samuel Beckett's *Waiting for Godot*, the audience leaned forward, expecting disruption, but the curtain fell and nothing decisive had occurred.

In the play two men stand beneath a barren tree, filling their hours with fragments of talk, convinced that someone important will arrive. They quarrel, they reconcile, they imagine a future, they drift back into silence, but the visitor never comes. The play is often described as "a tragedy in which nothing happens; twice."

The drama is not in action but in anticipation, in the tension of suspended time. Beckett's play, reminds us that time can pass in splendour and still remain empty of resolution.

However, History has often given reason to fear August. It is the month when stillness can be treacherous.

In August 1914, families in Vienna picnicked in summer fields, confident that peace would endure. Within weeks, armies were marching, stock exchanges had shuttered, and the world stumbled into war. Decades later, in August 1998,

Russia defaulted, contagion rippled through Asia and Wall Street, and the hedge fund LTCM teetered on collapse. In August 2011, the unimaginable happened: the United States lost its triple-A sovereign rating, shaking the foundations of global finance.

Yet there are other Augusts, quieter ones, when the rupture that so many expected never came. In 1999, markets braced for a second wave of crisis after Asia and LTCM, only to see the month pass without incident, as equities marched toward the dot-com peak. In 2017, volatility collapsed to record lows. Many warned it was unsustainable, but equities drifted higher still, in one of the calmest summers in modern history.

So it was with August 2025 in financial markets. Investors braced for rupture such as a tariff shock, a weak labour market, political theatre in Europe, a fracture in Fed independence. The stage was set. The actors assembled. The audience leaned forward, waiting for correction. And yet, nothing happened. Markets advanced. Bonds rallied. Gold gleamed. The dollar slipped. Anticipation was everything; resolution never arrived.

Act I – Waiting for a Break in Equities

The month began with unease. The August 1 tariff deadline passed, leading to fresh US tariffs announced on August 7: a new 50% tariff on copper, and a 35% tariff on Canadian non-USMCA goods. Because the US had struck trade deals with the EU and Japan in advance, the measures were less disruptive than feared, but they reminded investors of how fragile global supply chains remain.

Then came the US July jobs report, and with it the sharpest gasp of the month. Job growth barely positive: +19k in May, +14k in June. Downward revisions of -258k for those months, the steepest since the pandemic in May 2020. Markets trembled. The S&P 500 fell -1.6% in its worst day of August. Ten-year yields dropped -7.8bps. For a moment, it felt like the long-awaited correction might be arriving. Even the word “recession” peered its head out from hiding.

But the drama fizzled. The July CPI report came broadly in line with expectations, showing no immediate inflationary impact from tariffs. Investors recalibrated: the weaker labour market was not the start of collapse, but the justification the Fed needed to ease. The narrative flipped from fear to relief.

The climax arrived in Wyoming. At Jackson Hole, Fed Chair Powell pivoted dovish. The labour market, he said, was "not particularly tight and faces increasing downside risks." The stage direction was clear: September would likely bring a rate cut. Markets exhaled.

By month's end, equities had not collapsed but advanced. The S&P 500 rose +2.0%, its fourth consecutive monthly gain and a string of fresh records. The Dow Jones gained +3.2%, the Nasdaq +1.6%. Europe's Stoxx 600 added +1.0%, Japan's Nikkei surged +4.1%, and the MSCI EM index gained +1.5%. Only France fell out of step: the CAC 40 slipped -0.9%, reflecting political unease.

The Mag-7 remained centre stage, still dominant, still richly valued. Nvidia dazzled again, only to be punished for failing to exceed impossible expectations. Amazon, Tesla, Apple each had

their moments. Yet none derailed the rally. The supporting cast, small caps, cyclicals and European equities showed hints of life, but the narrative did not shift.

Act II – Waiting for the Fed to Speak

If equities were anticipation without climax, the bond market was dialogue without entrance.

The US 2-year Treasury yield fell -34bps in August to 3.62%, its biggest monthly decline since August 2024. The 10-year yield slipped -15bps to 4.23%. In total return, Treasuries gained +1.0% on the month. The front end priced in conviction: the Fed would cut in September.

Yet a parallel subplot unsettled confidence. President Trump moved to fire Fed Governor Lisa Cook. Markets shuddered at the signal: the independence of the central bank, already a delicate theme, was again in question. Inflation expectations jumped. The 2-year inflation swap rose +9bps to 3.05%. The spread between the 2-year and 30-year yield steepened +37bps to 131bps, its sharpest monthly move in years.

« AUGUST 2025 WILL NOT BE REMEMBERED FOR CRISIS. IT WILL BE REMEMBERED, IF AT ALL, AS A MONTH OF SUSPENDED TIME (...) EACH EVENT PROMISED DRAMA. NONE DELIVERED. »

It was a scene with two voices: dovish anticipation of cuts, and hawkish concern about credibility. The Fed was both saviour and suspect, awaited and doubted. Like Beckett's Godot, Powell was endlessly discussed, his entrance delayed, his role uncertain.

In Europe, the drama belonged to France. Prime Minister Bayrou's call for a confidence vote on September 8 triggered fiscal unease. The Franco-German spread widened +13bps to 79bps, its biggest monthly jump since June 2024. France's 10-year yield closed just 5bps beneath Italy's, the narrowest gap since 2003 and French bonds underperformed, returning -0.9% for the month.

The ECB, meanwhile, was silent. Having cut rates twice earlier this year, it paused. Inflation had cooled, growth was stabilising, and President Lagarde saw no need to act. The absence itself became meaningful: silence that carried weight, like the pauses in Beckett's dialogue.

Act III – Waiting for a Signal in FX & Commodities

Currencies moved with the Fed narrative. The US dollar index fell

-2.2%, weakening against every G10 peer as rate cuts were priced in.

Gold shone as the month's brightest star. Prices rose +4.8% to \$3,448/oz, lifted by the prospect of easier policy and demand for insurance in uncertain times. The ascent was measured, not manic. Gold was the quiet constant, the gleaming prop on stage that drew the eye even when the actors faltered.

Oil carried the month's most political subplot. Rumours of a Ukraine ceasefire swirled as President Trump met with President Putin in Alaska, a territory which was part of Russia until 1867, followed by talks with European leaders. Markets reacted to each whisper. Oil and defence stocks swung with the headlines. No deal emerged. Oil ended softer, trading in the mid-\$60s, weighed also by questions over Chinese demand.

Bitcoin broke its winning streak. After four consecutive monthly gains, it fell -6.3% to \$109,127. The most modern of assets succumbed to the oldest of forces: fatigue. Like a side character in a long play, it exited the stage abruptly, to murmurs but not shock.

Performance of the main financial indices since 2021:

	Aug.	Aug. \$	2025	2025 \$	2024	2024 \$	2023	2023 \$	2022	2022 \$	2021	2021 \$
S&P 500	2.03		10.78		25.0		26.3		-18.1		28.7	28.7
Stoxx 50	0.65	3.10	12.31	26.99	11.9	4.7	23.2	27.3	-8.5	-14.0	24.1	24.1
MSCI EM	1.46		19.59		8.0		10.1		-19.9		-2.3	-2.3
SMI	2.97	4.66	8.27	22.60	7.5	-0.3	7.1	17.6	-14.3	-15.0	23.7	19.5
Euro - USD	2.37		12.86		-6.2		3.1		-5.8		-6.9	
US Dollar Index	-2.20		-9.88		7.1		-2.1		8.2		6.4	
Gold Spot - USD	4.80		31.38		27.2		13.1		-0.3		-3.6	
CHF - USD	1.47		13.35		-7.3		9.9		-1.3		-3.0	
Global Aggregate	1.45		7.21		-1.7		5.7		-16.2		-4.7	
US Aggregate	1.20		4.99		1.3		5.5		-13.0		-1.5	
US Treasury	1.06		4.48		0.6		4.1		-12.5		-2.3	
US T Bills	0.41		2.88		5.3		5.1		1.3		0.0	
Global High Yield	1.53		8.88		9.2		14.0		-12.7		1.0	
Euro Aggregate	-0.20	0.34	0.64	10.61	2.6	-2.7	7.2	11.0	-17.2	-22.0	-2.9	-9.6

Act IV – Waiting with Readiness

How should one respond to a month when nothing happens? By recognising that stillness itself carries meaning.

We maintain a measured confidence in the goldilocks scenario, trimming exposure to mid-caps. But we are not idle. Should correction arrive, whether in September, October, or beyond, we are ready to increase allocations to tech companies, to redeploy liquidity at more attractive levels. Waiting is not passivity; it is preparation.

We hold an overweight in gold, not merely as a hedge but as a core allocation in a world of uncertain policy and shifting reserves.

Cash and short-term bills remain elevated. These are not barren assets but flexible ones; silent until the plot turns. They earn

carry, provide ballast, and stand ready to fund opportunity.

Our stance is theatrical in its own way: poised, vigilant, patient. We are waiting for correction, but waiting with readiness.

Epilogue – The Beauty of Stillness

August 2025 will not be remembered for crisis. It will be remembered, if at all, as a month of suspended time. Tariffs rose, jobs disappointed, France stumbled toward a confidence vote, and Trump unsettled the Fed. Each event promised drama. None delivered.

Markets advanced quietly: equities higher, Treasuries stronger, gold gleaming, the dollar softer. France underperformed. Bitcoin fell. But the correction that had been so widely expected never arrived.

Godot teaches us that waiting itself can be the drama. August 2025 reminded us of it.

But in markets, unlike in theatre, Godot always arrives. Corrections are inevitable. They may not come when expected, but they come. And when they do, we intend not merely to watch, but to act; turning waiting into allocation, anticipation into opportunity.

Until then, portfolios remain balanced, cautious, and prepared: ready for the next act.



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CIO Mirabaud Brazil

BRAZIL

BRAZILIAN BANALISM AND THE MANIFEST DESTINY TOWARDS FIXED INCOME

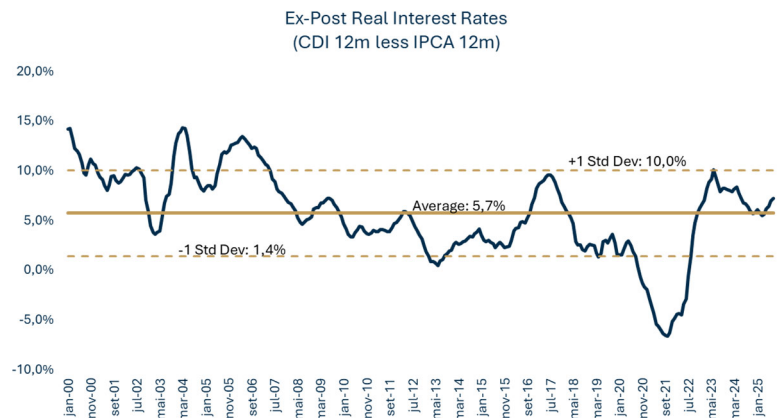
The controversial concept of Manifest Destiny dates back to the United States in the 19th century and constitutes the “theoretical basis” used to justify the American expansion westward across the continent, towards the Pacific Ocean, from the original 13 colonies settled in the country's northeast.

This concept draws its foundations from the so-called American Exceptionalism, an idea originating from the studies of Alexis de Tocqueville, that the United States of America is an exemplary country in terms of its values, political system and economic freedom.

Etymologically, the expression ‘manifest destiny’ defines something that is certain, inescapable and, at the same time, obvious and unequivocal. Similarly, exceptionalism expresses the quality of something that is exceptional, unique and singular.

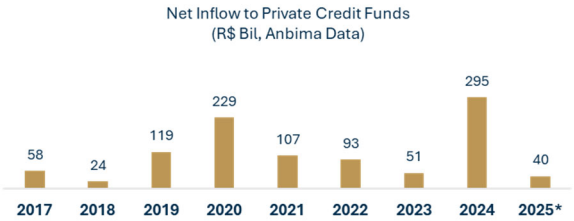
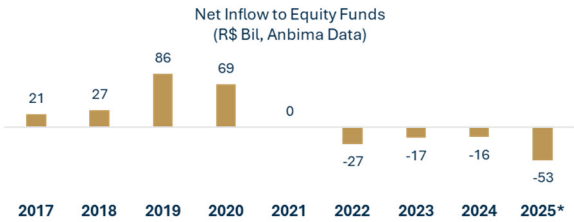
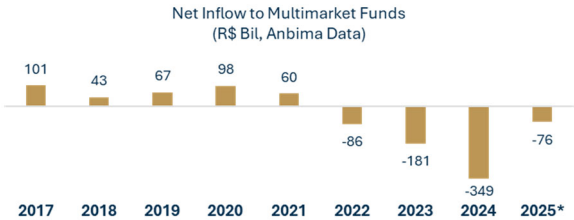
We borrow the expression ‘manifest destiny’ here to illustrate another phenomenon that is obvious and, at the same time, certain: the hegemony of fixed income assets within the domestic investment portfolio, a direct result of the high and persistent nature of Brazilian real interest rates.

A quick inspection of the chart below showing Brazil's historical real interest rates (‘ex-post’) in 12-month moving windows shows that, in addition to a relatively high average of 5.7% above the IPCA since the implementation of the Inflation Targeting Regime, there is also high volatility, resulting in a standard deviation of 4.3% in the series, with extreme occurrences recorded at a maximum of 14.3% and a minimum of -6.6% in the period.



High real interest rates are the direct result of Brazilian economic policy, which, geared towards sustaining a bloated and wasteful state, produces an irresistible attraction to fixed income as a response to the risk premium that the country is compelled to pay to roll over a heavy and growing public debt.

The data from Anbima on net inflows to the investment fund industry, below, show how high interest rates in recent years have 'drained' resources from multimarket and equity funds in favour of fixed income and credit funds.



**« OUR MANIFEST
DESTINY TOWARDS
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THE MOST TEDIOUS
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'BANALISM,' A
BIZARRE OPPOSITE OF
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In fact, the graphs also show another interesting and, at the same time, intuitive fact: the fall in interest rates between 2017 and 2021 generated a huge flow of capital into multimarket and equity funds, which was entirely reversed in the following years due to the rise in the Selic rate.

In other words, Brazil's overly cyclical monetary policy causes volatility in real interest rates, generating volatility in domestic capital flows, which in turn swing like a deranged pendulum, seeking conservative or risky investments at the same speed as interest rates rise or fall.

During periods of falling interest rates, investors are led to believe that there will be room for other asset classes to thrive, only to realise, after reallocating their investments, that cutting public spending is never part of any Brazilian government's political agenda and that, in the absence of such measure, there is no way for real interest rates to be reduced permanently and without voluntarism.

Our manifest destiny towards fixed income is just the most tedious face of our 'banalism,' a bizarre opposite of exceptionalism. After all, nothing is more ordinary than a country

that allows itself to be hijacked by the interests of politically organised groups that influence the economic agenda in their favour, creating specific expenditures and privileges that, when added together, weigh heavily on the public budget in the long term.

Economic environment and strategy

In August, there was a general recovery in Brazilian asset prices, particularly the Bovespa Index and the real against the dollar, due to reduced concerns about the tariffs that the Trump administration is imposing on imports from Brazil.

With the tariffs coming into effect on 6 August, it was announced that several items on the list had been exempted from the charges, bringing a little more sanity to local asset prices.

Interest rates, however, continue to price in a cycle of Selic rate cuts that would only begin in 2026, despite much more favourable consumer inflation figures in Brazil.

On the other hand, Federal Reserve System Chairman Jerome Powell's speech at the annual conference of central bankers in Jackson Hole clearly signalled that the US central bank is likely to cut interest rates again at its next meeting, with monetary easing possibly continuing into 2026.

In our assessment, the disinflation process resulting from the appreciation of the real, which is likely to accelerate when the Fed cuts interest rates again, tends to bring forward the Brazilian Central Bank's

monetary easing agenda and open up space for the domestic interest rate curve to take on a more negatively sloped shape, favouring the mark-to-market of longer-maturity fixed-income securities.

Our investment strategy continues to seek to remain conservative, still favouring inflation-linked securities maturing in 2029 and 2030, to the detriment of equities and multimarket funds, at least until the 2026 election race becomes clearer.

PERFORMANCE OF THE MAIN FINANCIAL INDICES:

Renda Fixa		29/08/25	MTD	3M	YTD	
CDI	-	93,71	1,16%	3,52%	9,02%	
IMA-B	-	10.519,50	0,84%	1,51%	8,84%	
IMA-B 5	-	10.254,86	1,18%	2,00%	7,61%	
IMA-B 5+	-	11.626,87	0,54%	1,09%	9,65%	
IRF-M	-	20.641,03	1,66%	3,86%	12,94%	
IMA-S	-	7.753,39	1,17%	3,57%	9,20%	
Índices Globais		País	29/08/25	MTD	3M	YTD
Ibovespa	BRL	141.422,26	6,28%	3,39%		17,57%
Dow Jones	USD	45.544,88	3,20%	7,66%		7,05%
S&P 500	USD	6.460,26	1,91%	8,83%		9,84%
NASDAQ	USD	23.415,42	0,85%	8,95%		11,44%
Euro Stoxx 50	EUR	5.351,73	0,60%	(0,07%)		9,31%
FTSE 100	GBP	9.187,34	0,60%	4,71%		12,41%
MSCI Emerging	EM	49,86	2,68%	9,80%		20,38%
MSCI World	World	4.177,72	2,49%	7,63%		12,67%
Moedas		País	29/08/25	MTD	3M	YTD
Dólar/Real	USD	5,43	3,05%	4,30%		12,10%
Euro	EUR	1,17	2,37%	2,14%		12,86%
Franco Suíço	CHF	0,80	1,47%	2,11%		13,35%
Libra Esterlina	GBP	1,35	2,25%	(0,30%)		7,89%
Bitcoin	BTC	107.800,31	(7,46%)	2,73%		15,03%
Hedge Funds		País	29/08/25	MTD	3M	YTD
Ind. de Hedge Funds	BRL	5.830,27	2,24%	3,29%		9,82%



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