Brazil – So Bad, It’s Good
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Global GDP (% change, y-o-y)

Mediocre global output will not help Brazil grow faster

Source: Reuters, IMF, as of May 1, 2014.
More so given the sharp loss of Brazil’s competitiveness

Source: Reuters Ecowin, IBGE, US Department of Labour, as of May 1, 2014.
Business Confidence, Overall, ICEI

Businesses know that too well

Source: CNI, as of May 1, 2014.
Credit-led growth is also running out of steam

Household Debt to Disposable Income Accum. (over past 12 months, %)\(^{(1)}\)

\[\text{Source: BCB, as of May 1, 2014.}\]

\[\text{Source: Federal Reserve Board of Governor.}\]
Consumer Confidence SA (FGV)

Consumers know that too

Source: FGV, as of May 1, 2014.
Central Government Expenditure (*as a % of GDP*)

*Fiscal performance has reached its limit too without risking a further downgrade*

Source: National Treasury, as of May 1, 2014.
High inflation will also dent purchasing power and confidence further.
The World Cup Is Not Ready For Brazil

The population cannot take it anymore
Dilma’s Popularity

President Dilma is at a crossroads, the elections will trigger change

Source: CNT, as of May 1, 2014.
Brazil Equity Performance vs. MSCI World

A lot of the bad news is priced in, changes after the elections are not

Source: MSCI, as of April 1, 2014.
Highest Carry in the World

The high carry comes as an added benefit

12M Carry Implied in Currency Forwards

Source: Bloomberg, as of May 1, 2014.