

# Invest in Brazil



Authored by:  
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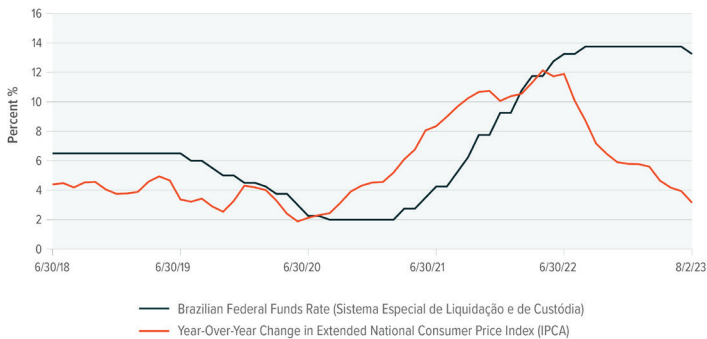
## Introduction

We believe that Brazil stands out as a rich backdrop for investors, due to its large and diverse economy, abundant natural resources, growing consumer market, infrastructure development, and skilled workforce. Here we highlight seven reasons why we're optimistic about the country's short- and long-term growth prospects. Bottom line, we believe that one should balance valuation multiples with a company's prospects for both earnings growth and reinvestment rates.

**Monetary Policy Cycle:** In the past six rate cutting cycles, we've seen MSCI Brazil (USD) rally in four of them and move down in only two. Importantly, those rallies have averaged roughly 96.7% upside, where the drawdowns averaged only roughly 17.3% (based on data accessed from Bloomberg LP on August 3, 2023).

### BRAZILIAN CENTRAL BANK RESPONSE TO INFLATION DRIVING REAL POSITIVE RATE ENVIRONMENT

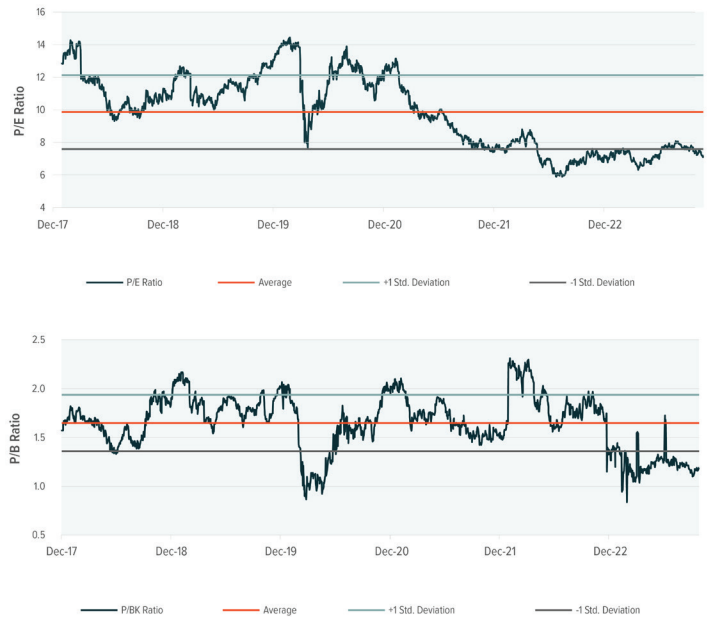
Source: Global X ETFs with information derived from: Bloomberg LP. Data accessed on August 3, 2023.



**Brazil has some of the cheapest valuations in the world**, about one standard deviation below historical averages. We think this is a nice margin of safety.

### MSCI BRAZIL INDEX TRADING AT A DISCOUNT TO HISTORIC PRICE TO EARNINGS AND PRICE TO BOOK RATIOS

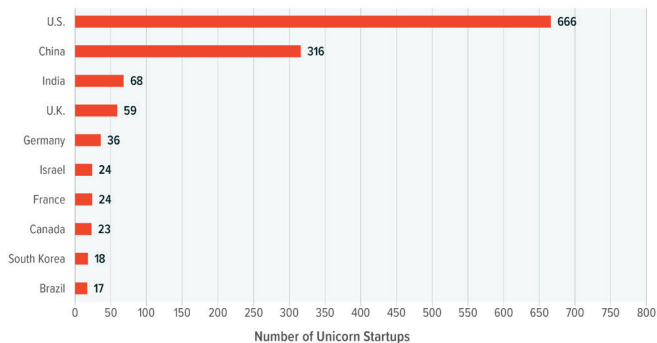
Source: Global X ETFs with information derived from: Bloomberg LP. 12/28/17 to 10/25/23. Data accessed on October 25, 2023.



### Brazil is an innovation hub.

#### TOP 10 COUNTRIES WITH MOST UNICORNS - GLOBAL UNICORN INDEX 2023

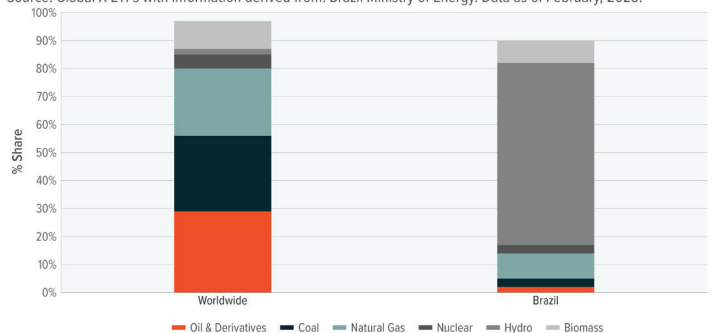
Source: Global X ETFs with information derived from: Hurun Research Institute. Data as of July 31, 2023.



### Brazil boasts an abundance of energy resources; is a leader in green energy.

#### PERCENTAGE OF POWER DERIVED FROM VARIOUS SOURCES: WORLDWIDE VERSUS BRAZIL

Source: Global X ETFs with information derived from: Brazil Ministry of Energy. Data as of February, 2023.

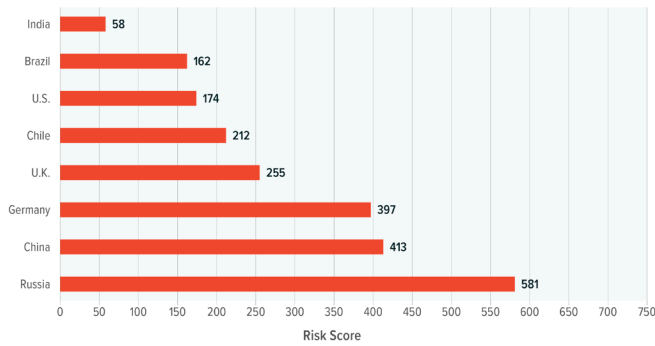




**Brazil has relatively low geopolitical risk.**

**GEOPOLITICAL RISK INDEX OF SELECT COUNTRIES (2023)**

Source: Global X ETFs with information derived from: Economic Policy Uncertainty. Data as of July 31, 2023.



**There is an opportunity for financial deepening in Brazil.**

**KEY MARKET NUMBERS WORLDWIDE**

Source: Global X ETFs with information derived from: B3 (2022).

| Countries                            | U.K. | U.S. | China | India | Brazil |
|--------------------------------------|------|------|-------|-------|--------|
| Total Population (mn)                | 67   | 332  | 1,412 | 1,408 | 214    |
| Number of Investors (mn)             | 20   | 190  | 210   | 45    | 6      |
| Population in the Stock Exchange (%) | 30%  | 57%  | 15%   | 3%    | 3%     |
| Population with Bank Account (%)     | 100% | 95%  | 89%   | 83%   | 84%    |
| Market Cap / GDP (%)                 | 105% | 172% | 66%   | 115%  | 44%    |

**Brazil feeds the world.**

**BRAZILIAN SHARE IN KEY COMMODITIES (2022)**

Source: Global X ETFs with information derived from: U.S Department of Agriculture (2022).

| Commodity              | Soybeans | Coffee | Orange Juice | Sugar | Chicken | Beef |
|------------------------|----------|--------|--------------|-------|---------|------|
| Production             | 1st      | 1st    | 1st          | 1st   | 3rd     | 2nd  |
| Exports                | 1st      | 1st    | 1st          | 1st   | 1st     | 1st  |
| Global Share (exports) | 50%      | 33%    | 75%          | 36%   | 32%     | 24%  |

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