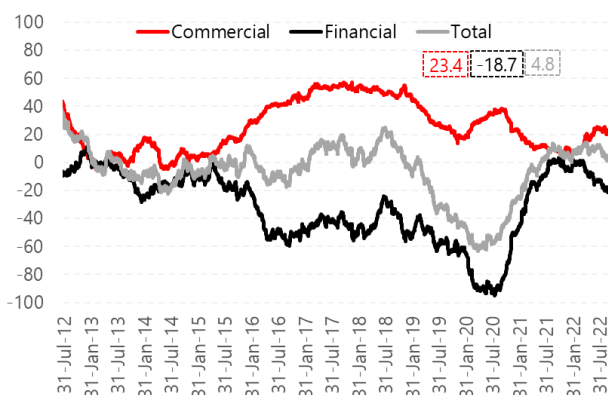


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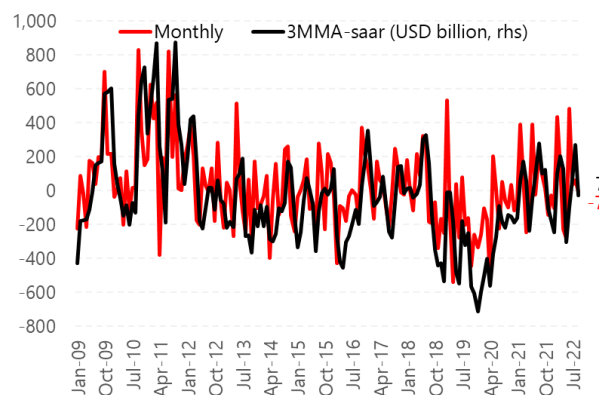
- The Brazilian spot FX market recorded net outflows of US\$3.8 billion in September 2022, with the commercial segment recording net inflows of US\$2.0 billion and the financial segment seeing net outflows of US\$5.8 billion in the period. The outcome was roughly three times worse than a year ago (net outflows of US\$1.2 billion), given larger outflows in the financial segment (US\$5.8 billion in 2022 vs. US\$4.0 billion) and smaller inflows in the commercial one (US\$2.0 billion vs. US\$2.8 billion, respectively).
- Last month's outcome halted the three-month streak of positive figures that began in June 2022, thus leading YTD net inflows to recede to US\$17.3 billion in the closing of 3Q22 (or US\$4.8 billion in the 12-month period leading to the end of September).
- In seasonally adjusted terms, the commercial segment recorded daily average inflows of US\$250 million, while the financial segment printed daily average inflows of US\$260 million. Regarding the former, we highlight the acceleration in the anticipation of exports revenue and accommodation in the anticipation of imports payments, which may indicate a stronger appetite for exporters to repatriate their money. This backdrop led the gap between shipped and financial trade balances to remain nearly stable (US\$29.4 billion in September from US\$29.2 billion in the previous reading, the tightest gap since January 2021). As for the financial flows, we underline the fact that both inflows and outflows have maintained their (recent) upward trend, thus indicating stronger interest in Brazilian financial assets in the domestic market, but larger remittances of profits and dividends stemming from a stouter economic pace as well.
- All in all, spot FX flows continue to point to some balance between net inflows in the commercial segment and net outflows in the financial segment for the year, which underpins our view of a limited room support for the BRL to either strengthen or weaken substantially in the near future.

Figure 1. Spot FX Flows
(USD billion, 12M)



Sources: Brazilian Central Bank, Santander.

Figure 2. Net Spot FX Flows
(USD million, daily avg, sa)



Sources: Brazilian Central Bank, Santander.

The Brazilian spot FX market recorded net outflows of US\$3.8 billion in September 2022, with the commercial segment's US\$2.0 billion in net inflows accompanied by the financial segment's net outflows of US\$5.8 billion. Looking at the recent

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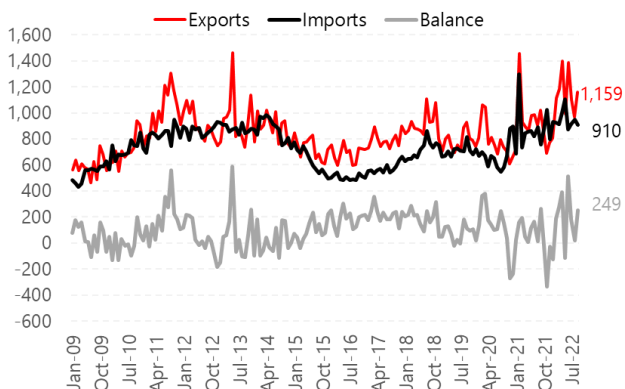
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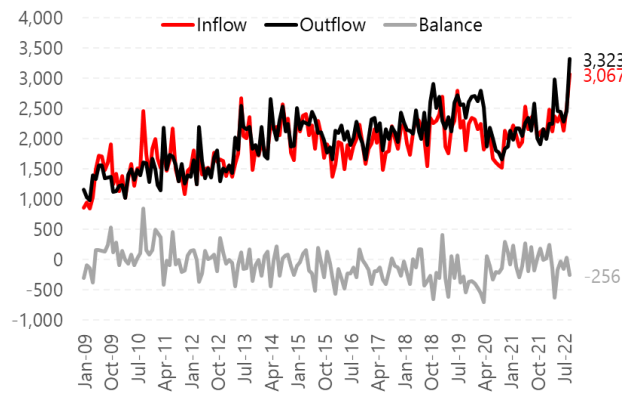
data for seasonally adjusted daily average flows of the different components of the spot FX market, (although we note that anticipation of both import payments and export proceeds has seesawed lately), for the latter, this anticipation has been higher than for the former, thus leading to improvement in the commercial segment's recent performance. Regarding the financial segment, although inflows increased last month, the volume of outflows outpaced them, thereby indicating the positive balance seen in August was a short-lived respite for the segment.

Figure 3. Spot FX Flows – Commercial Segment (USD million, daily avg, sa)



Sources: Brazilian Central Bank, Santander.

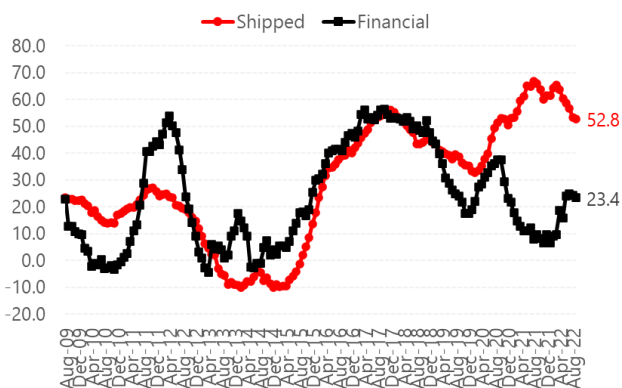
Figure 4. Spot FX Flows – Financial Segment (USD million, daily avg, sa)



Sources: Brazilian Central Bank, Santander.

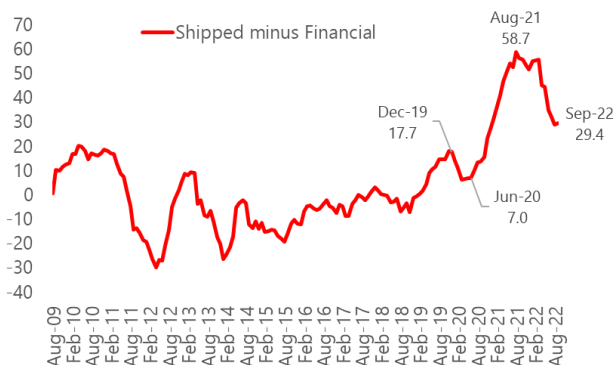
In our view, the commercial segment's continued positive results could indicate that the prospect for the maintenance of high interests in Brazil has lured exporters to the domestic fixed income market and kept the gap between the shipped trade balance and their financial settlements in the recent lows—the gap stood at US\$29.4 billion in September, barely unchanged compared with the US\$29.2 billion seen in August, which was the narrowest since January 2021 (US\$31.0 billion). This backdrop seems to provide some insulation against episodes of extreme BRL weakening in the coming months. In turn, financial outflows worsened lately, as uncertainties on the domestic front and turbulences on the international front persisted, which signal to us there is a limited room for the BRL to follow a long-lasting strengthening trend as well.

Figure 5. Trade Balance Shipped vs Financial (USD billion, 12M-to-date)



Sources: Brazilian Central Bank, SECINT, Santander.

Figure 6. Trade Balance Shipped vs Financial (USD billion, 12M-to-date)



Sources: Brazilian Central Bank, SECINT, Santander.



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