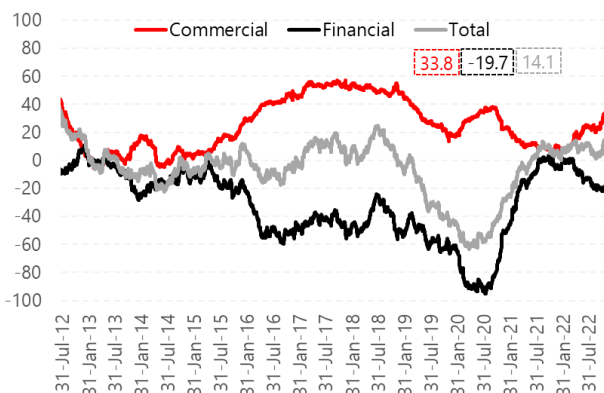


**MUSICAL CHAIRS**

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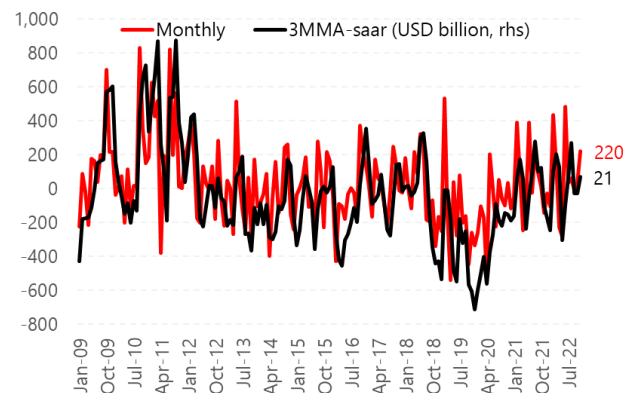
- The Brazilian spot FX market recorded net inflows of US\$3.5 billion in November 2022, with the commercial segment recording net inflows of US\$0.3 billion and the financial segment seeing net inflows of US\$3.1 billion in the period. The outcome was roughly the opposite compared to a year ago (net outflows of US\$3.4 billion), given better figures in the commercial segment (net inflow of US\$0.3 billion in 2022 vs. net outflows of US\$7.2 billion) and similar inflows in the financial one (US\$3.1 billion vs. US\$3.8 billion, respectively).
- Last month’s outcome led YTD net inflows to reach US\$22.4 billion in the penultimate month of 2022 (or US\$12.1 billion in the 12-month period leading to the end of November).
- In seasonally adjusted terms, the commercial segment recorded daily average inflows of US\$61 million, while the financial segment printed daily average inflows of US\$159 million. Regarding the former, we highlight the accommodation in the anticipation of exports revenue and acceleration in the anticipation of imports payments, which may indicate a stronger appetite for importers to settle their deals ahead of the change in the administration in 2023. However, as it stood in the positive camp, this backdrop led the gap between shipped and financial trade balances to remain nearly stable (US\$28.0 billion in November from US\$27.7 billion in the previous reading, the tightest gap since December 2020). As for the financial flows, we underline the fact that inflows moved up, while outflows remained in its downward trend started in September, thus indicating stronger interest in Brazilian financial assets in the domestic market, despite uncertainties on the local political front.
- All in all, spot FX flows pointed to some improvement in the financial segment coupled with some accommodation in the commercial segment, which underpins our view of a limited room 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 inflows of US\$3.5 billion in November 2022, with the commercial segment’s US\$0.3 billion in net inflows accompanied by the financial segment’s net inflows of US\$3.1 billion. Looking at the recent

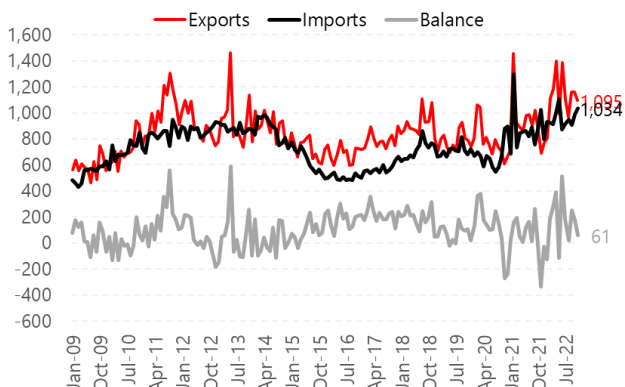
**IMPORTANT DISCLOSURES/CERTIFICATIONS ARE IN THE “IMPORTANT DISCLOSURES” SECTION OF THIS REPORT.**

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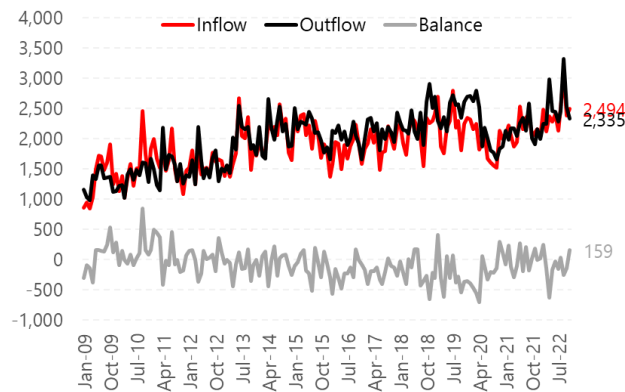
data for seasonally adjusted daily average flows of the different components of the spot FX market, (although we note that anticipation of both import payments and export proceeds has seesawed lately), for the latter, this anticipation has lost more steam than for the former, thus leading to deterioration in the commercial segment’s recent performance. Regarding the financial segment, inflows increased last month, while the volume of outflows receded, thereby denoting the second positive figure in a row.

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



Sources: Brazilian Central Bank, Santander.

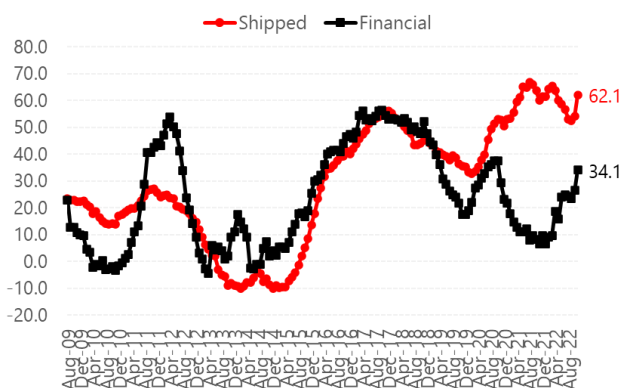
**Figure 4. Spot FX Flows – Financial Segment (USD million, daily avg, sa)**



Sources: Brazilian Central Bank, Santander.

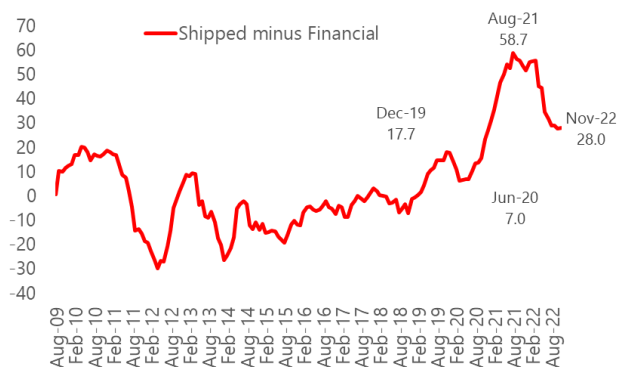
In our view, the commercial segment’s continued positive results could indicate that the prospect for the maintenance of high interests in Brazil has lured exporters to the domestic fixed income market and kept the gap between the shipped trade balance and their financial settlements in the recent lows—the gap stood at US\$28.0 billion in November, barely unchanged compared with the US\$27.7 billion seen in October, which was the narrowest since December 2020 (US\$27.1 billion). This backdrop seems to provide some insulation against episodes of extreme BRL weakening in the coming months. In turn, as uncertainties on the domestic front and turbulences on the international front persists, we still see 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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