

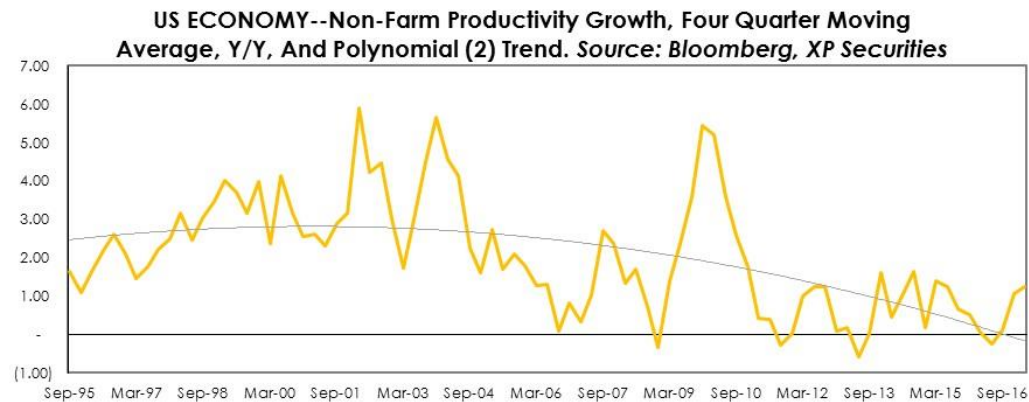
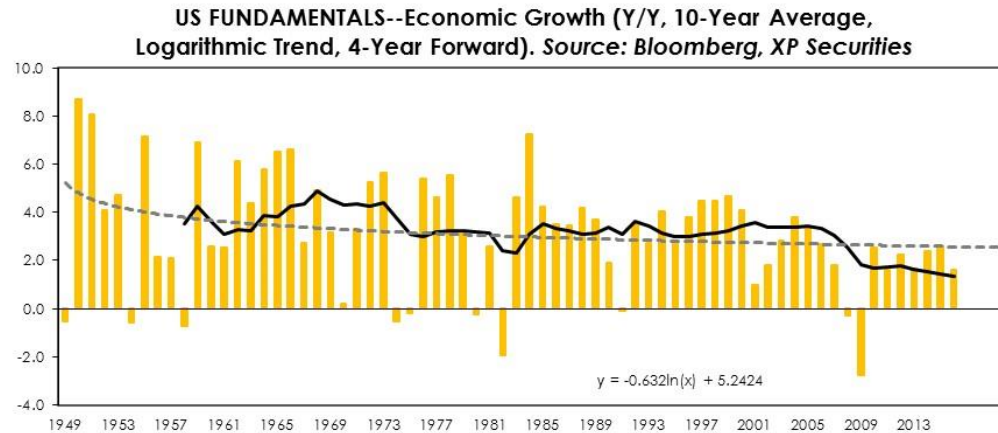
XP SECURITIES



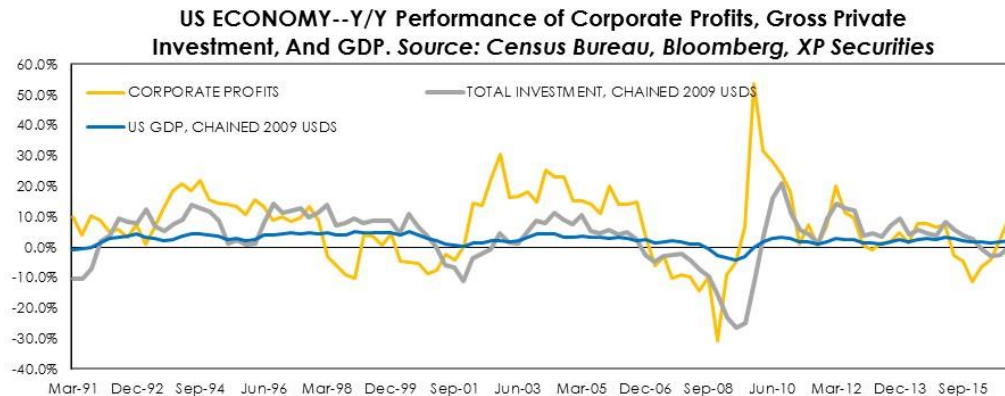
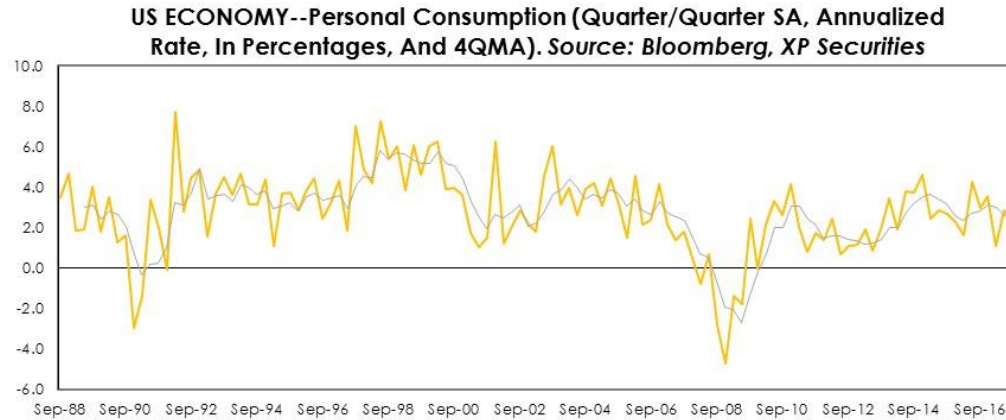
A Look Ahead To 2018 Growth Risks Will Take Center Stage

Alberto J. Bernal
Chief EM and Global Strategist
New York / Miami

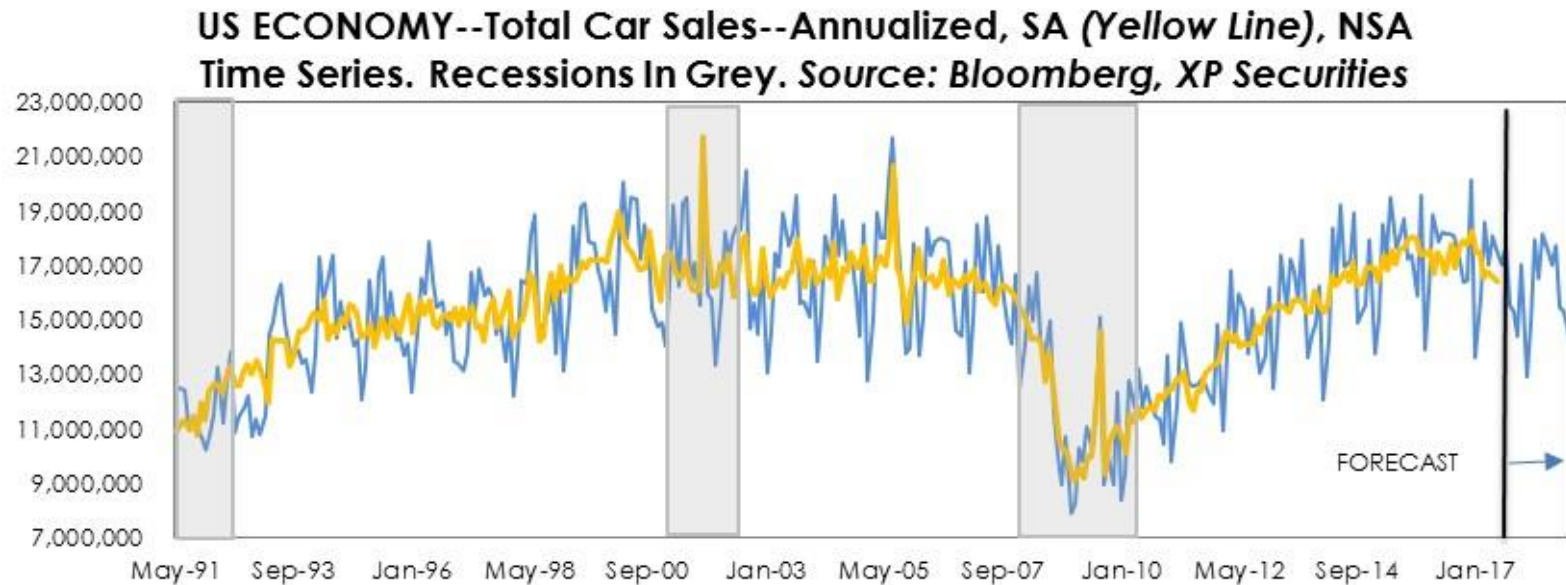
US Economic Growth Will Fall Below 2% Y/Y In 2018 (And Continue In 2019 and 2020)



US Economic Growth Will Fall Below 2% Y/Y In 2018 (And Also In 2019 and 2020)



US Economic Growth Will Fall Below 2% Y/Y In 2018 And The Risk Is That Growth Will Be Even Lower



HealthCare Repeal In The Senate Looks Very Difficult... Making Tax Reform Hard

Table 4.

Ten-year Revenue and Economic Impact of the Trump Tax Plan by Provision

Provision	Billions of Dollars, 2016-2025		
	Static	GDP	Dynamic
Eliminate the alternative minimum tax	-\$354	-0.3%	-\$428
Cap itemized deductions	\$397	0.2%	\$451
Repeal the Net Investment Income Tax	-\$628	0.7%	-\$447
Eliminate Head of Household status	\$116	-0.1%	\$90
Replace the personal exemption with a larger standard deduction	\$227	0.0%	\$232
Tax carried interest as ordinary income	\$14	0.0%	\$10
Reforms for childcare-related expenses	-\$500	0.1%	-\$461
Allow businesses to choose between interest deductibility and expensing	-\$322	0.6%	-\$192
Eliminate Section 199 and other business expenditures	\$213	-0.2%	\$152
Reforms to capital gains basis	\$48	-0.1%	\$27
Eliminate the estate tax	-\$240	0.9%	-\$24
Consolidate individual income tax to three brackets at 12%, 25%, and 33%	-\$1,418	0.9%	-\$1,205
Lower the corporate income tax rate to 15%	-\$2,122	4.1%	-\$1,044
Enact a deemed repatriation of deferred foreign-source income	\$200	0.0%	\$200
Total under the higher-rate assumption	-\$4,368	6.9%	-\$2,639
(Lower the individual rate on pass-through income to 15 percent)	-\$1,538	1.3%	-\$1,291
Total under the lower-rate assumption	-\$5,906	8.2%	-\$3,932

Source: Tax Foundation Taxes and Growth Model, March 2016

Note: Individual items may not sum to total due to rounding.

HealthCare Repeal In The Senate Looks Very Difficult... Making Tax Reform Hard

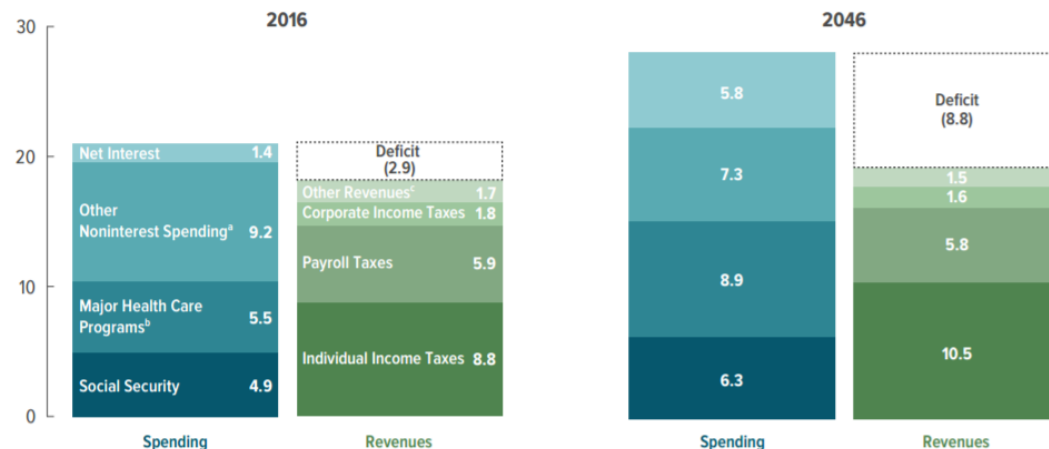
2 THE 2016 LONG-TERM BUDGET OUTLOOK

JULY 2016

Summary Figure 1.

The Federal Budget Under the Extended Baseline

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

The extended baseline generally reflects current law, following CBO's 10-year baseline budget projections through 2026 and then extending most of the concepts underlying those baseline projections for the rest of the long-term projection period.

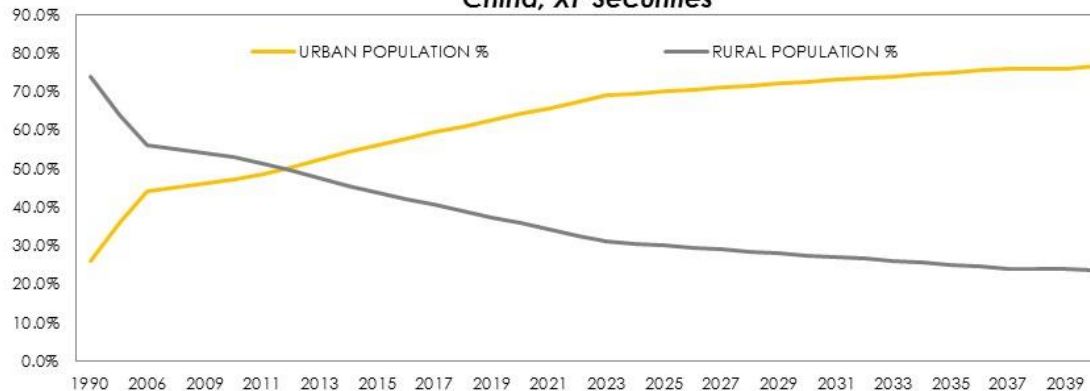
- a. Consists of all federal spending other than that for Social Security, the major health care programs, and net interest.
- b. Consists of spending on Medicare (net of offsetting receipts), Medicaid, and the Children's Health Insurance Program, as well as outlays to subsidize health insurance purchased through the marketplaces established under the Affordable Care Act and related spending.
- c. Consists of excise taxes, remittances to the Treasury from the Federal Reserve System, customs duties, estate and gift taxes, and miscellaneous fees and fines.

China Will Grow 6.2% Y/Y In 2018 (*Was 5.7% Y/Y Ex Q217*) CAPEX Will Remain The Key Growth Driver

**CHINA--Year-Over-Year Economic Growth, In Percentages. Forecast
In Square. Source: Bloomberg, XP Securities**

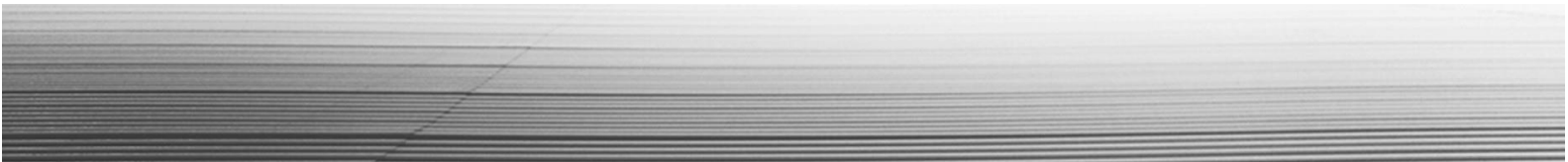


**CHINA--Population Dynamics (Percentage Of Total). Source: CIA, NBS
China, XP Securities**

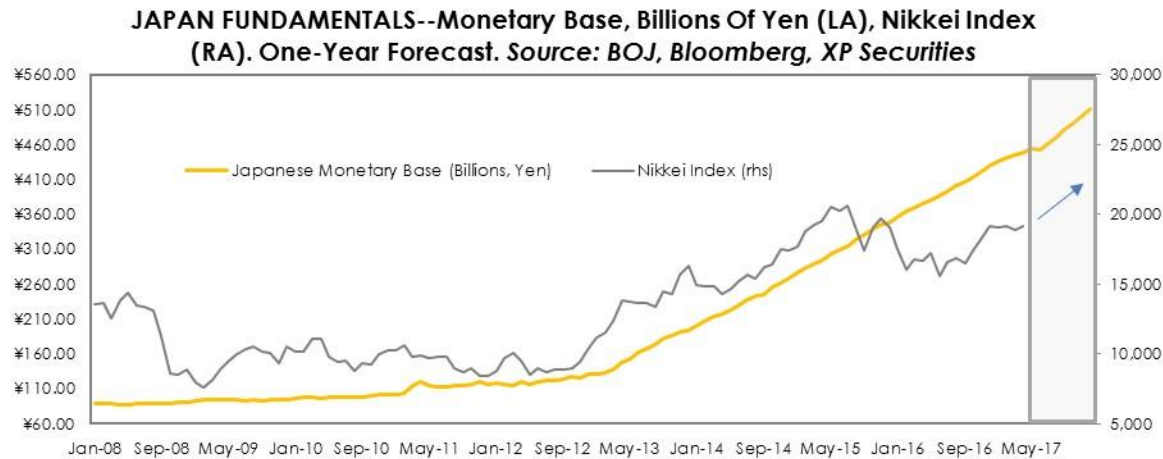
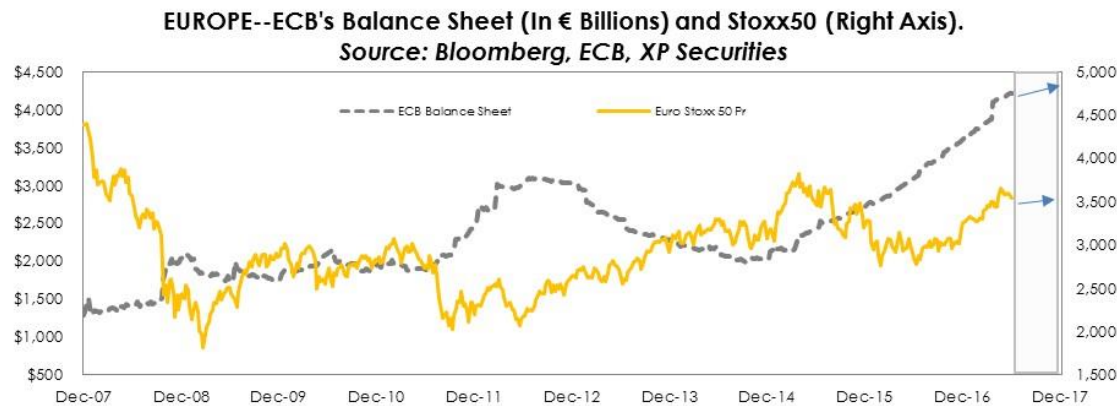


China Will Grow 6.2% Y/Y In 2018

CAPEX Will Remain The Key Growth Driver



Japan And Europe Will Be Forced To Keep The Monetary Stimulus Alive For Longer Than Expected



Japan And Europe Will Be Forced To Keep The Monetary Stimulus Alive...Because Inflation Will Underperform

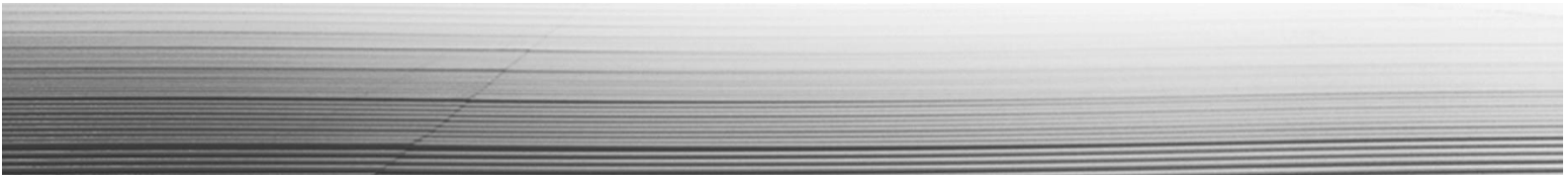
JAPAN--Y/Y Headline CPI, 12-Month Moving Average. Forecast Inside Square. Official Target, +2% Y/Y. Source: Bloomberg, XP Securities



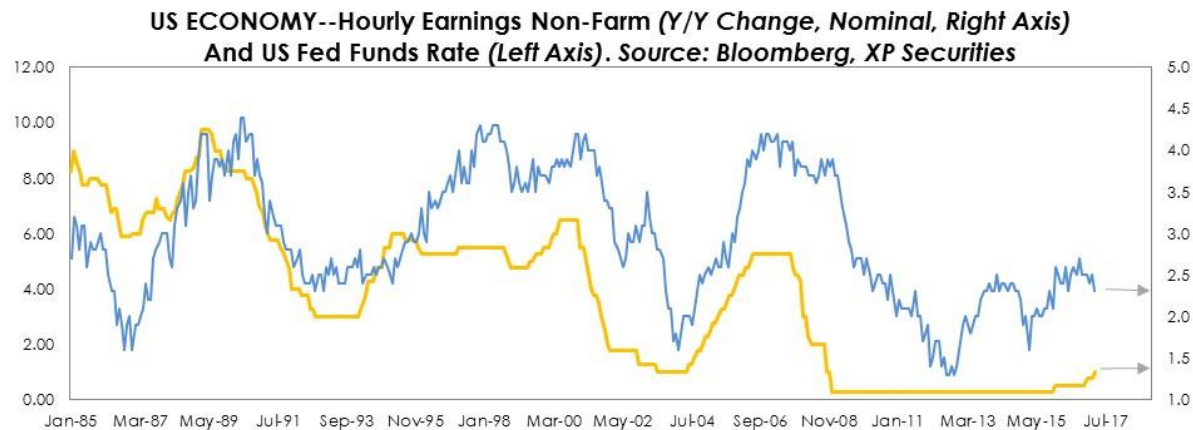
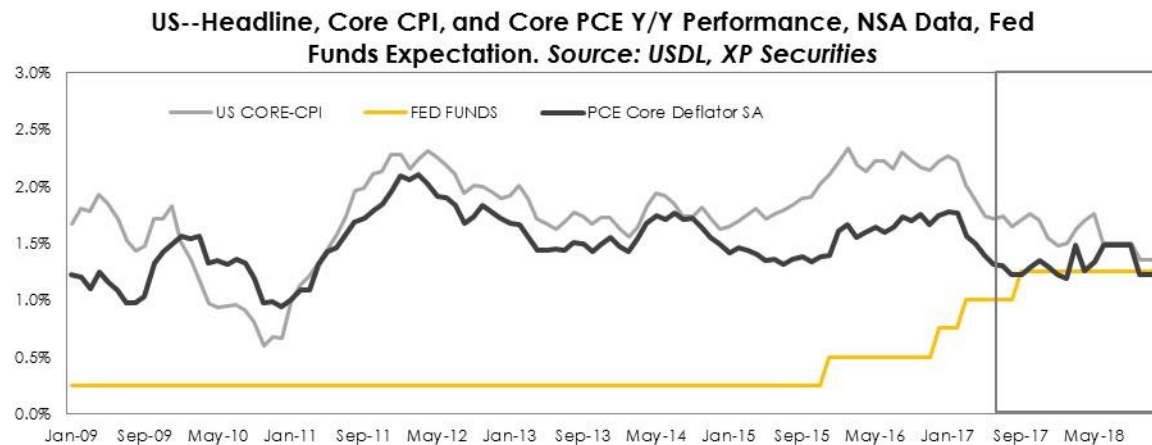
US, EUROPE, GERMAN CPI--Headline Y/Y Change, NSA Data. Forecast In Square. Source: Bloomberg, Statistisches Bundesamt, XP Securities



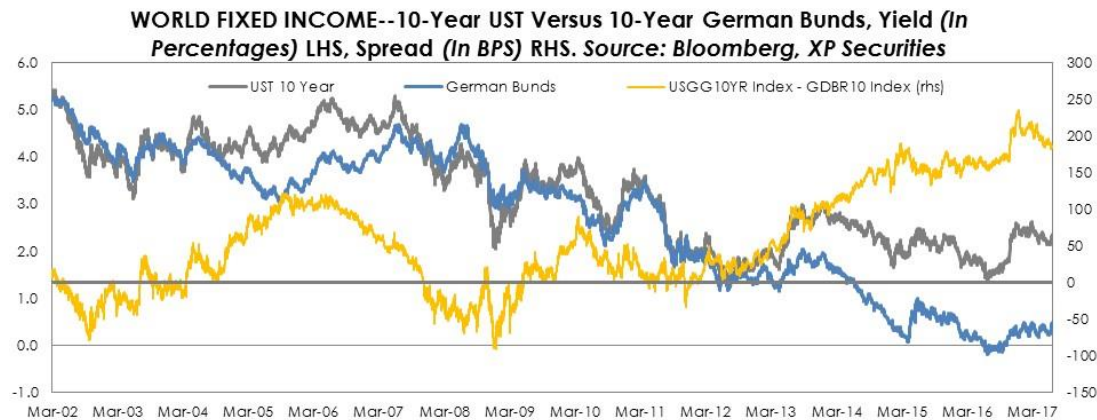
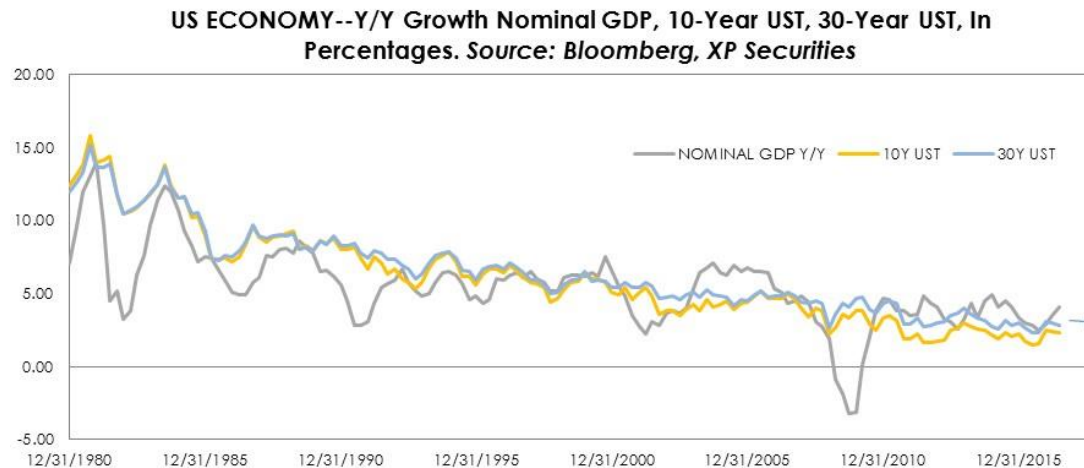
Implications



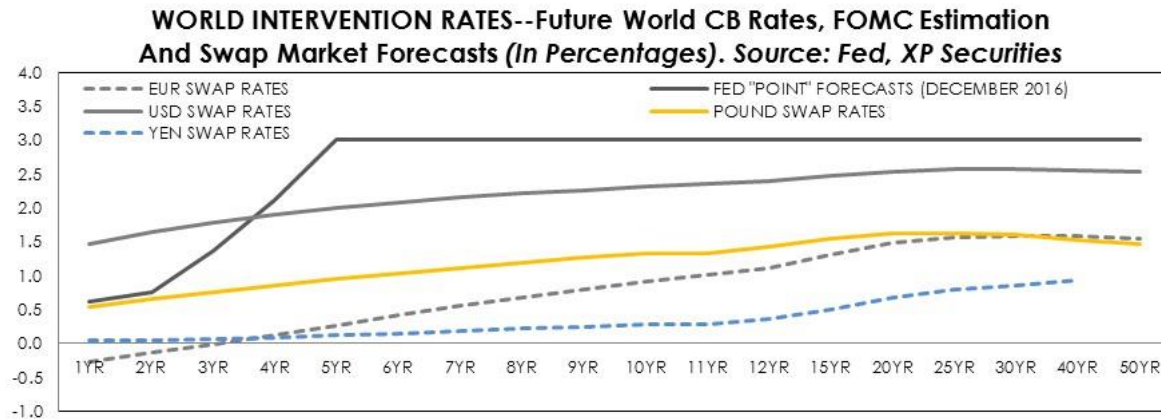
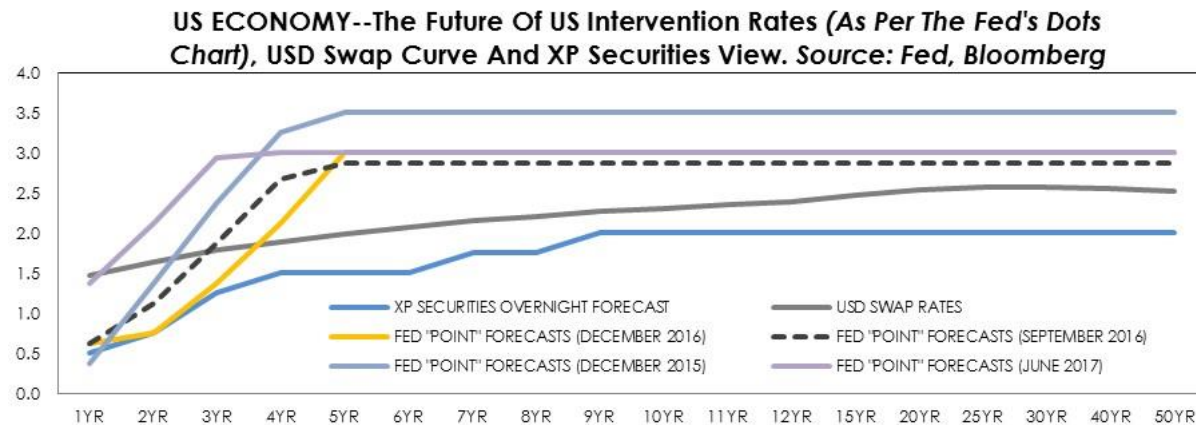
Inflation Will Remain Subdued Going Forward Despite The Economy Being Close Or At Full Employment



Rates Will Remain Subdued Going Forward Despite The Economy Being Close Or At Full Employment

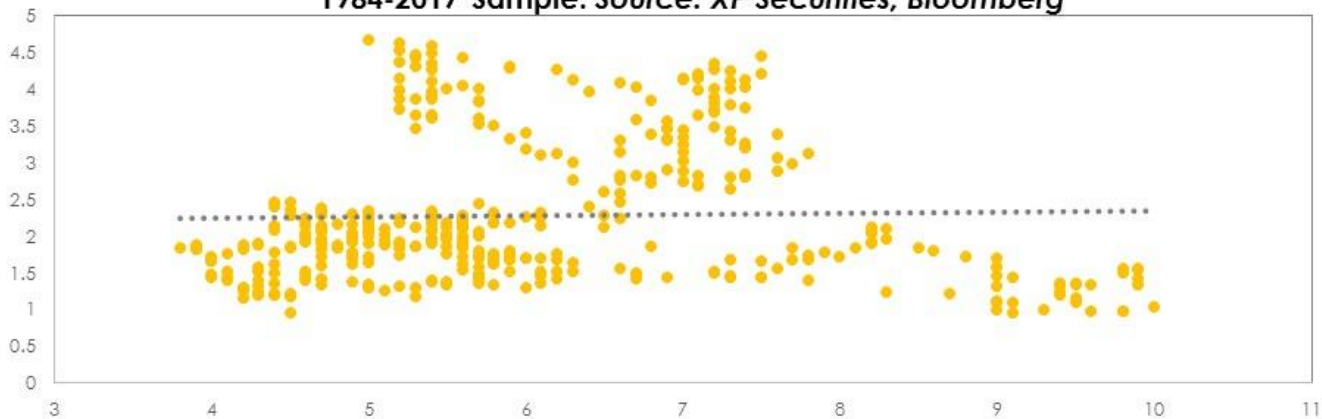


The Fed Will NOT Be Able To Meet Its Established “Dots Chart” Goals



What Ever Happened To The Phillips Curve?

US ECONOMY--Core PCE Y/Y Change (Y-Axis), Unemployment Rate (X-Axis)
1984-2017 Sample. Source: XP Securities, Bloomberg



US ECONOMY--Difference Between The Unemployment Rate And The U6 Under-employment Rate (Pre-Crisis Average, Grey Line). Source: XP Securities



Emerging Markets Will Continue To Benefit From Low Developed World Interest Rates...

TOTAL LOCAL DEBT RETURN SIMULATION (ASSUMES 5-YEAR HOLD STRATEGY)							FUTURE FX RATE THAT EQUALIZES RETURN (USD VERSUS LOCAL)	BREAKEVEN FX DEPRECIATION VERSUS TIME T (TODAY)
	INITIAL INVESTMENT	CURRENT YIELD	VALUE OF INITIAL INVESTMENT AT T+5 YEARS (COMPOUNDED)	TOTAL RETURN				
US 10-YEAR BOND	\$ 100.00	2.33%	\$ 112.21	12.21%		NA	NA	NA
COLOMBIA 10-YEAR, COP-DENOMINATED	\$ 100.00	6.32%	\$ 135.83	35.83%	\$	3,811.62	23.62%	
MEXICO 10-YEAR, MXN-DENOMINATED	\$ 100.00	6.77%	\$ 138.75	38.75%	\$	23.15	26.54%	
BRAZIL CURRENT 10-YEAR NTN-F	\$ 100.00	10.52%	\$ 164.92	64.92%	\$	5.04	52.71%	
ARGENTINA 2026, ARS-DENOMINATED	\$ 100.00	13.36%	\$ 187.17	87.17%	\$	29.95	74.96%	

**ARGENTINA, HONDURAS, JAMAICA, BRAZIL--Belly Of The Curve Benchmark
Yields (In Percentages). Source: Bloomberg, XP Securities**



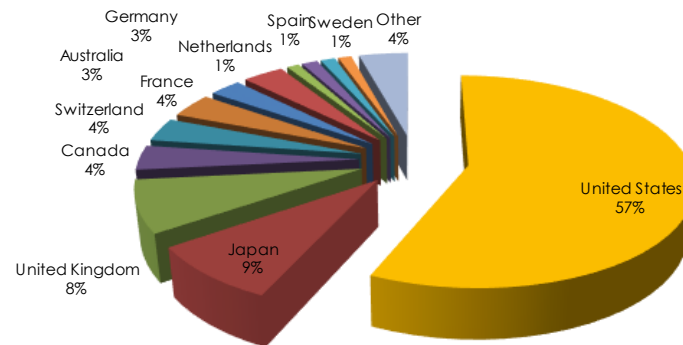
... And Valuations Remain Very Important From The Standpoint Of Strategy Formulation

SELECTED WORLD STOCK MARKET'S RELATIVE VALUE				
	LAST PRICE	CURRENT YEAR ESTIMATE (PE RATIO)	NEXT YEAR ESTIMATE (PE RATIO)	HISTORICAL (10-YEAR) MEDIAN PE RATIO
US MARKETS				
DOW JONES INDUSTRIAL	21,484	17.75	16.10	15.43
S&P 500	2,433	18.65	16.64	16.73
NASDAQ COMPOSITE	6,154	23.16	19.66	29.60
MSCI WORLD	1,919	16.90	15.31	16.82
MSCI EMERGING MARKETS	1,007	12.90	11.49	12.97
LATAM MARKETS				
MEXICAN BOLSA	50,274	18.45	16.46	21.16
BRAZIL'S BOVESPA	63,297	11.75	10.60	15.70
ARGENTINA'S Merval	22,523	17.13	11.51	12.10
CHILE'S IPSA	4,842	18.30	16.34	19.39
COLOMBIA IGBC	1,473	14.55	11.48	19.90
LIMA GENERAL INDEX	16,249	13.13	11.51	19.73
EUROPEAN MARKETS				
EURO STOXX 50	3,478	14.80	13.53	15.24
FTSE 100 INDEX	7,368	15.06	13.96	16.41
CAC 40 INDEX	5,180	15.30	13.92	14.21
DAX INDEX	12,454	13.73	12.71	15.40
IBEX 35 INDEX	10,524	14.71	13.45	12.90
FTSE MIB INDEX	20,939	14.42	12.27	14.62
SWISS MARKET INDEX	8,954	17.95	16.27	18.30
RUSSIAN INDEX	1,008	6.35	5.66	6.70
ASIAN MARKETS				
NIKKEI 225	20,082	17.47	15.98	20.60
HANG SENG INDEX	25,522	12.31	11.33	11.40
SHANGHAI SE COMPOSITE	3,207	14.05	12.50	16.40
S&P/ASX 200 INDEX	5,763	15.80	15.06	18.19
INDIA SENSEX	31,246	19.11	15.56	18.92
JAKARTA COMPOSITE	5,825	16.68	14.48	19.30
VIETNAM STOCK INDEX	778	15.37	13.52	12.80

The 2018 Strategy Does Not Deviate Much From The Current One. OW EM, Long “Carry” (*High Dividend, High Coupon*)

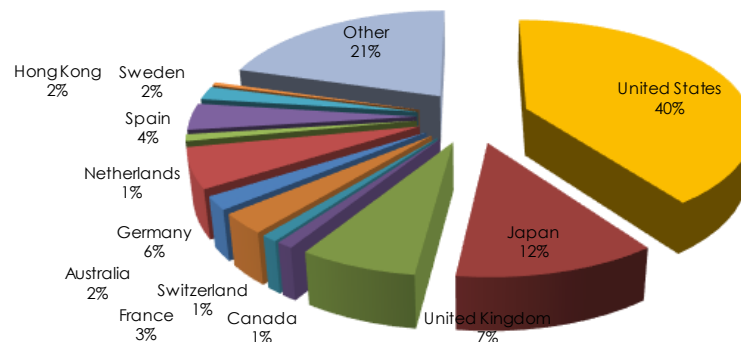
Composition Of The World's MSCI Index (Actual Index Weightings).

Source: iShares, MSCI, XP Securities

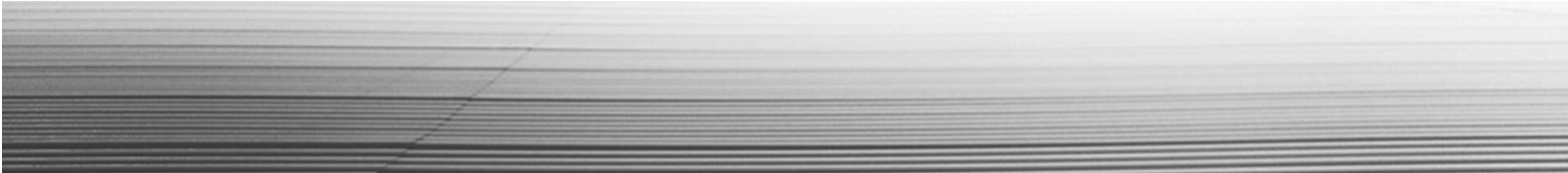


Composition Of The World's MSCI Index, XP Securities Recommendation.

Source: iShares, MSCI, XP Securities



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