Data-Dependent Fed and Dead Heat in Brazil

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Marketing communication: This document is a marketing presentation. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. 3 September 2026 A CROSS THE A MERICAS WRITTEN BY Benito BERBER Tel. +12126983044 benito.berber@natixis.com Christopher HODGE Tel. +1 212 891 1917 christopher.hodge@natixis.com John BRIGGS Tel. +1 212 583 4982 john.briggs@natixis.com Selin AKER Tel. +1 929 688 6923 selin.aker@natixis.com Discover more on our Website Data-Dependent Fed and Dead Heat in Brazil “Summer's end is around the bend just flyin' The swimmin' suits are on the line just dryin' I'll meet you there per our conversation I hope I didn't ruin your whole vacation ” - John Prine, Summer’s End %º Influential Fed Governor Waller say that his vote at the September meeting will hinge on next week’s inflation data. In the more near term, we think tomorrow’s jobs data will disappoint. Read our full preview in August Jobs Preview: Treading Water . %º While we are neutral directionally as of Monday, after the recent flattening we are more confident in steepeners, particularly 2s10s %º LatAm Macro Brazil – it is TIED! Chile – Low growth + Weak CLP + Stubborn CPI = BCCh’s rate @ 4.5% for longer. Peru – BCRP will wait to hike

A CROSS T HE A MERICAS 2 US Week in Review The biggest news of this week, at least before tomorrow’s jobs data, was the comments by Fed Governor Waller today. Waller said his views about his vote at the September Fed meeting would be heavily influenced by next week’s inflation data and if the data comes in soft, he would be inclined to hold rates steady. Waller feels, in contrast to Fed Chair Warsh, that there has in fact been disinflationary progress, and if that progress continues in August’s data than the current policy stance (characterized by him as “mildly restrictive”) would be appropriate. Waller’s comments helped bring down expectations of a hike in September from about 65% to 52% at the time of this writing. His views are a rare, explicit glimpse into the reaction function of a policymaker and place even more emphasis on next week’s CPI data. Job openings data from July was weaker than expected with downward revisions to June’s data, both helping to confirm the notion that the labor market has cooled. Still, despite the cooling and the step down in job gains, labor supply and demand appear to continue to be roughly in balance. The low labor churn (low hire/low fire) has kept wage growth tepid and is not contributing to inflationary pressures but is far from a jobs market to brag about. Dwarfing JOLTS data in importance will be tomorrow’s Employment Situation Report, which will deliver payrolls and the unemployment rate for August. We expect another lackluster report, with payrolls undershooting the consensus expectation and the unemployment rate ticking up a touch. The labor market is still in equilibrium currently, and the unemployment rate has been remarkably stable, but we think there is some underlying softness that could be revealed if participation recovers. Inflation is still the more concerning of the Fed’s mandates, but we see continued softness in labor demand along with tepid wage growth that will not add to inflationary pressures. Read our full preview in August Jobs Preview: Treading Water . The labor market appears to be in balance… …and not a source of inflationary pressures Source: Natixis, Haver Source: Natixis, Haver ISM Services improved from the prior month to 55.4 (previously 54.1) and most categories continued their gains. Services activity has been resilient this year, but the employment subindex continues to languish below the breakeven threshold of 50 (above which indicates expansion). PMIs have been a less reliable predictor of growth or employment in recent years, but we can nevertheless view them as a crude gauge about the momentum of the services economy.

A CROSS T HE A MERICAS 3 ISM Manufacturing continued its winning streak Source: Natixis, Haver The ISM manufacturing index was once again in expansion territory in August but fell short of expectations and slipped from the prior month. Four of the five major subcomponents worsened from the prior month, which could be in part due to a slowdown in inventory restocking as concerns about the Iran war fade. Nevertheless, after the losing streak from 2023-2025, we think that the durability of manufacturing output has legs due to the AI-buildout, easing trade tensions (Canada excepted), and tax benefits from the One Big Beautiful Bill. ISM Manufacturing continued its winning streak Source: Natixis, Haver Durable goods data came in line with expectations for July, continuing a trend of solid activity this year. Real capital goods shipments are a key input to forecasting business equipment investment and another solid number for July is in line with our continued optimism about GDP growth from private investment in Q3.

A CROSS T HE A MERICAS 4 Durable good orders continue to be solid… …as the Expectations Index dropped sharply Source: Natixis, Haver Source: Natixis, Haver What to Watch for Next Week The highlight of next week, and the Fed's focus, will be on CPI, which will come out on Friday, September 11. We maintain a cautious optimism about the inflation trajectory but concede that the onus is on dovish data to avoid a hike in the near term. We think that anything below a gain of 0.2% m/m on the month would likely be considered additional progress on the disinflationary path, while anything above would likely cement the hawkish stance from the Fed and result in a hike later this month.

A CROSS T HE A MERICAS 5 US Rates Week in Review Due to travel this is an abbreviated note. This week continued to see upward pressure not only on UST yields but global developed world bond yields as a whole. The ongoing war, rising oil and, for Europe, gas prices, concerns about AI issuance, government deficit worries ... all contributed to the rise in yields. Clearly none of these are new, but in the absence of top tier data and in the face of what we see as ineffective attempts by the Treasury to stop the rise in yields (and indeed potentially contributing to it), the market has continued to push this late-August trend. As we flagged last week and additionally in this week's Natixis US Rates Technical Chartbook , from a technical perspective a fair amount of damage has been also been done (quoting ourselves from our Chartbook "This is one of those times to not over-complicate the chart: 5yr yields are breaking out and targets are 4.63% and 4.736%"). Indeed, in addition to long-end concerns we have held all year, recent concerns about market pricing for the Fed led us to unwind our long in 5yrs that was hedged with long inflation on Monday for a small net profit of +4bps (see here for the full details). And despite our view that 75bps, the unwind of Powells mini-cycle, is as far as the market should go currently, with nothing as yet to stabilize the market we remain cautious on any longs even as market pricing of the Fed reached over 60bps of hikes. When we do consider them, it will be in the belly or shorter due and based on Fed pricing as well as (hopefully) some technical tailwinds instead of the current headwinds. As for the long-end, over the medium term we see it underperforming in a rally (which will most likely driven by reduction in Fed pricing), or in a selloff due to the structural factors we have discussed all year. For us, the path to a flattener is a bear one as the market prices in more than 75bps of hikes, and for now we see that as a low probability. In summary, while we are neutral directionally as of Monday, after the recent flattening we are more confident in steepeners, particularly 2s10s. In addition, the chart is more favorable, and the curve held ~30bps, which is a good level to lean against. Of course large moves may not come until we see the August CPI report and possibly the result of the September FOMC meeting, but long-term pressure from the AI buildout (higher real rates) and the rebuild of term premium (higher longer-term yields) should persist. US 2s10s Cash Curve Weekly Source: Natixis, Bloomberg

A CROSS T HE A MERICAS 6 LatAm Highlights Brazil: It is TIED! The first round of the presidential election is on October 4 and the second round is on October 25. What do most polls indicate? The first thing polls have shown in the past, and continue to show now, is that no candidate has enough support to win in the first round. The second, and particularly relevant, point is that the election is effectively tied between left-leaning President Lula and right-leaning Flavio Bolsonaro, the son of the former president. Using the second-round poll aggregator of Plano Politico, a consulting company, Lula led Flavio by 3ppts a month ago. As of September 3, the aggregator now points to a spread of 1.6ppts, still in favor of Lula. Given that the margin of error in most polls is 3%, we can say that the election is now statistically tied. Furthermore, we would argue that the polls have tightened not because Flavio has done something different or meaningfully better in his campaign, but because of the corruption allegations involving Lula's son, Lulinha. Third, for whatever reason, Flavio is peaking at the right time. Chile: Low growth + Weak CLP + Stubborn CPI = BCCh's rate @ 4.5% for longer We believe the BCCh will keep the policy rate at 4.50% not only at next week's meeting, but also over the next nine months. Next week, we expect the BCCh to reaffirm a cautious, wait-and-see stance. Economic activity is softening. The non-mining IMACEC has contracted on a monthly basis in four months this year. The most recent release, for July, showed the non-mining IMACEC contracting by 0.55% m/m sa, the largest contraction since August 2025. High-ish unemployment, weak construction activity, and weather disruptions all contributed to the slowdown. A major winter storm hit Chile in mid-July hit the economy. The contraction in mining was severe, with mining IMACEC collapsing by 9.44% m/m sa as some mines temporarily closed due to the storms. Inflation came in at 3.5% y/y in July. In the coming months, it will likely accelerate to around 4.0%, due in part to the impact of El Niño. Core CPI has been running slightly below the 3.0% target in recent months, and it is unlikely to accelerate meaningfully given weak economic activity. In normal times, we believe the BCCh's bias would be to signal a cut. However, with the probability of a Fed tightening cycle increasing, it is unlikely that the BCCh embarks on a cutting cycle, particularly given that the policy rate is already in the neutral range. The BCCh also needs to be careful about a possible contamination of inflation expectations from the El Niño effect. In summary, we expect the BCCh to keep the policy rate at 4.50% for the remainder of the year with high probability, and possibly through the first half of 2027.

A CROSS T HE A MERICAS 7 2025 Jan Mar Apr Jun Jul Sep Oct Dec 5.00% 5.00% 5.00% 5.00% 4.75% 4.75% 4.75% 4.50% 0 0 0 0 -25 0 0 -25 2026 Jan Mar Apr Jun Jul Sep Oct Dec 4.50% 4.50% 4.50% 4.50% 4.50% 4.50% 4.50% 4.50% 0 0 0 0 0 0 0 0 2027 Jan Mar Apr Jun Jul Sep Oct Dec 4.50% 4.50% 4.50% 4.50% 4.50% 4.50% 4.75% 5.00% 0 0 0 0 0 0 25 25 Source: BCCh. Natixis. Chile: Monetary Policy Path and Forecasts Peru: BCRP will wait to hike In September 2025, the BCRP lowered its policy rate by 25bps to 4.25%, well inside the neutral range, and has kept it there ever since. That makes eleven meetings in a row with no change in the policy rate. We think it will keep the rate at this level at next week's meeting and through the remainder of the year. Growth slowed in June, with the monthly GDP index's three-month annualized rate contracting by 0.3%, following a contraction of 2.1% in May. The fishing sector is taking a big hit and formal employment contracted. Still, demand remains resilient, and we continue to forecast 2026 GDP growth of between 2.5% and 3.0% y/y. Inflation moderated on a monthly basis in August, but it will likely accelerate over the remainder of the year. We believe inflation will be between 4.0% and 5.0% by December, depending on the severity of El Niño and the path of oil prices. However, super-core inflation will probably remain around the 2.0% target. The BCRP is in a tough position. Economic activity is OK in the sense that it is broadly in line with the potential growth rate. Inflation is already being hit by a severe supply shock due to rising oil prices, and it is about to worsen because of El Niño. Inflation expectations are high, but they mostly reflect the supply shock. The BCRP should hike, and probably will have to, if inflation expectations accelerate further and if the US Fed starts hiking. However, the PEN is too strong, supported by terms of trade that remain near multi-decade highs even as the BCRP buys reserves. Another argument against hiking is that El Niño could also hurt growth. In other words, it is not entirely clear what the BCRP should do. We would maintain a hawkish bias, particularly if inflation and inflation expectations continue to rise and if the US Fed starts a mini-hiking cycle. But for now, we believe the BCRP will keep the policy rate at 4.25% in the coming months. 2025 Jan Feb Mar April May June July Aug Sept Oct Nov Dec 4.75% 4.75% 4.75% 4.75% 4.50% 4.50% 4.50% 4.50% 4.25% 4.25% 4.25% 4.25% -25 0 0 0 -25 0 0 0 -25 0 0 0 2026 Jan Feb Mar April May June July Aug Sept Oct Nov Dec 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 0 0 0 0 0 0 0 0 0 0 0 0 2027 Jan Feb Mar April May June July Aug Sept Oct Nov Dec 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 4.25% 4.50% 4.75% 0 0 0 0 0 0 0 0 0 0 25 25 Source: BCRP. Natixis. Peru: Monetary Policy Path and Forecasts

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