

# **POLITICAL VOLATILITY IS AN ASSET CLASS**

## THE 'SMART SEASONAL' STRATEGY FOR BRAZIL

### **EXECUTIVE SUMMARY**

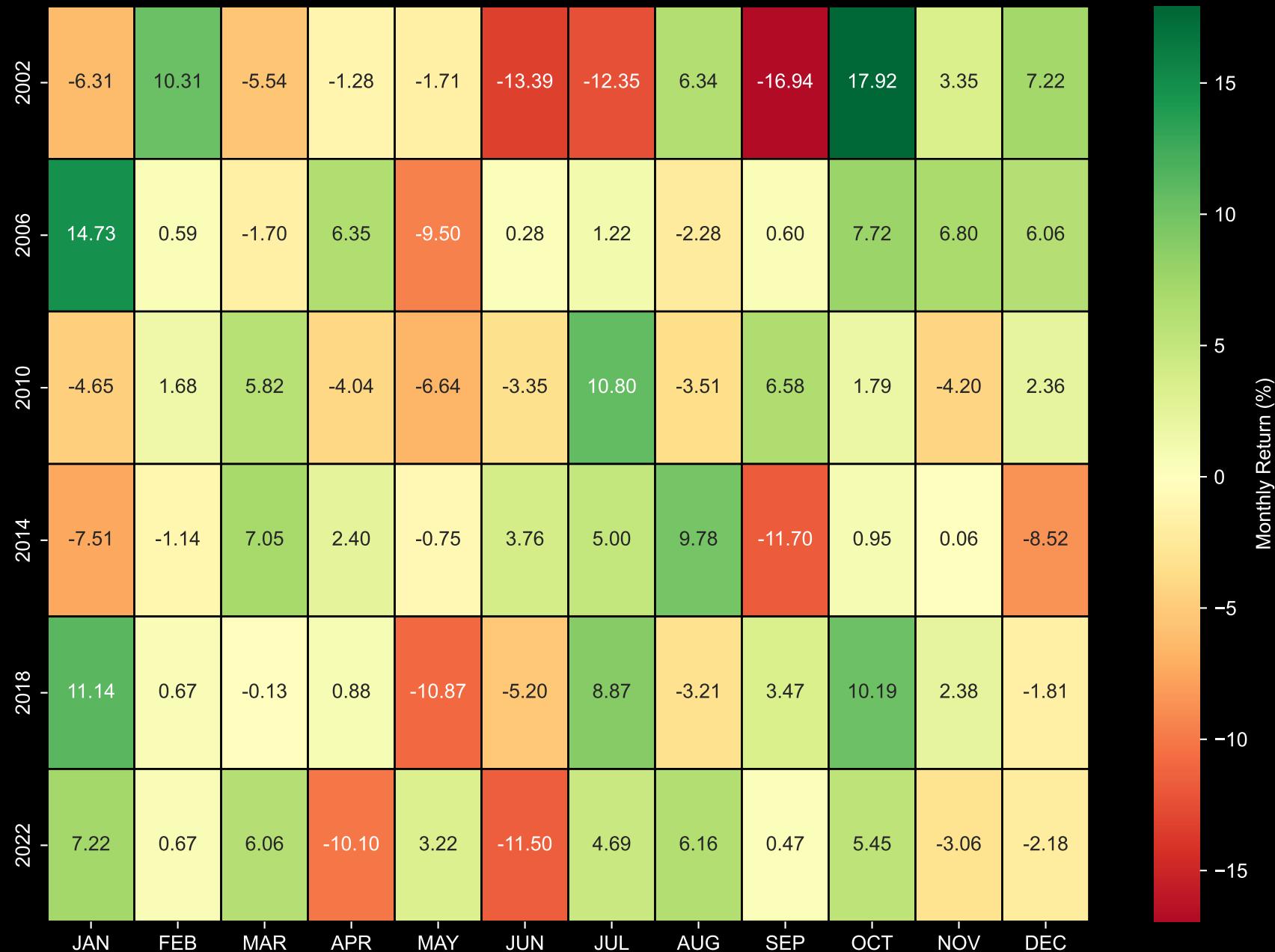
Everyone talks about political risk. Few measure it. I built a Python algorithm to analyze the last 6 Brazilian election cycles. The data reveals a clear 'Risk-Off' window between May and August where Cash (Selic) consistently beats Equities. Check out the full breakdown below.

### **STRATEGY BREAKDOWN**

Historical data shows that the mid-year campaign window (May-Aug) delivers negative returns due to uncertainty. We implement a quantitative rotation:

1. RISK-ON (Jan-Apr & Sep-Dec): Long exposure to Ibovespa to capture liquidity inflows and rallies.
2. RISK-OFF (May-Aug): Tactical rotation to 100% Risk-Free Rate (Selic/CDI). Defensive positioning to avoid "Campaign Corrections".

# IBOV PERFORMANCE: ELECTION CYCLES SEASONALITY



**ELECTION YEAR: 2002**

**RISK FREE RATE (SELIC): 19.0%**



**ELECTION YEAR: 2006**

**RISK FREE RATE (SELIC): 15.0%**



ELECTION YEAR: 2010

RISK FREE RATE (SELIC): 9.8%



ELECTION YEAR: 2014

RISK FREE RATE (SELIC): 10.8%



# ELECTION YEAR: 2018

RISK FREE RATE (SELIC): 6.5%



# ELECTION YEAR: 2022

RISK FREE RATE (SELIC): 12.4%

