

THE WAVERLEY SERIES

BRAZIL

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For Advisory & Partnership

LORD WAVERLEY

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BRAZIL — AT A GLANCE

Capital	Brasília
US tariff escalation	The US imposed a 50% tariff on Brazilian imports from August 2025, explicitly tied by President Trump to the domestic criminal prosecution of former President Jair Bolsonaro; after the US Supreme Court struck down the emergency powers underpinning broad 'Liberation Day' tariffs in February 2026, the administration imposed a further 25% Section 301 tariff from 22 July 2026, citing deforestation, Brazil's Pix payment system and ethanol trade practices
US trade relationship	According to the Office of the US Trade Representative, the US actually ran a trade surplus with Brazil of roughly USD 7.4 billion in 2024 (USD 49.7 billion in exports to Brazil against USD 42.3 billion in imports from Brazil), a fact that sits in direct tension with the stated tariff rationale of reducing US trade deficits
Bolsonaro conviction	Jair Bolsonaro was convicted of attempting a coup after losing the 2022 election and sentenced by a Supreme Court panel to 27 years and three months in prison
2026 presidential election	First round scheduled for 4 October 2026, run-off 25 October if needed; President Lula (Workers' Party) is seeking a fourth, non-consecutive term against Liberal Party candidate Flávio Bolsonaro, son of the imprisoned former president; a July 2026 Quaest poll for Folha de S.Paulo showed Lula leading Flávio 45% to 37% in a hypothetical run-off
Tariffs and electoral politics	Flávio Bolsonaro formally asked the US Trade Representative in a written July 2026 submission to delay any new tariff decision until after the October election, explicitly warning in writing that new tariffs 'would end up strengthening the re-election campaign of President Lula'; Trump signed the tariff anyway days later
Political backfire	Independent analysis states the tariff and sanctions strategy has had the opposite of its apparent intended effect, hastening Bolsonaro's conviction while boosting Lula's popularity; Lula's approval rose 8 percentage points from May to October 2025 specifically tied to his handling of tensions with the Trump administration, and 52% of Brazilians believe Trump's tariff motivation is political
Prediction markets	As of late August 2026, Kalshi prediction markets priced a Lula election win at approximately 61.5%, against roughly 36-37% for Flávio Bolsonaro, though public polling has separately suggested the eventual run-off could be considerably closer
Domestic economic conditions	Brazilian voters are reported to be feeling the squeeze from high interest rates and a slowing economy, even as the broader economy has been described as handling the tariff strains surprisingly well
Governing framework	President Luiz Inácio Lula da Silva (Workers' Party), in office since January 2023

Brazil enters its October 2026 presidential election with US tariff policy unusually, directly entangled in the domestic contest: President Trump's tariffs, initially tied explicitly to the prosecution of former President Bolsonaro and later reimposed on separate trade grounds despite the US running an actual trade surplus with Brazil, appear by independent and even the Bolsonaro campaign's own account to have strengthened President Lula's re-election prospects rather than weakened them. Investors should read Brazil as an economy navigating genuine, ongoing US trade friction whose ultimate resolution is now directly bound up with an election outcome that current prediction markets and polling read somewhat differently, even as domestic voters separately grapple with high interest rates and a slowing economy.

1. INVESTMENT & FDI

US tariff policy toward Brazil has become directly entangled with the country's presidential election, with the Bolsonaro campaign itself formally warning Washington that new tariffs would benefit its own opponent.

In a formal July 2026 submission to the Office of the US Trade Representative, Senator Flávio Bolsonaro, son of imprisoned former President Jair Bolsonaro and himself a candidate in the October 2026 presidential election, asked the Trump administration to delay any new tariff decision until after Brazil's elections, writing explicitly that new tariffs 'would end up strengthening the re-election campaign of President Luiz Inácio Lula da Silva' and requesting a suspension of at least 180 days. President Trump nonetheless signed a 25% additional Section 301 tariff on Brazilian goods on 15 July 2026, effective 22 July, citing alleged trade violations including illegal deforestation, Brazil's Pix instant-payment system, and ethanol trade practices.

- **A genuinely unusual, direct admission from within the affected political camp itself:** Flávio Bolsonaro's own written warning that tariffs would benefit his opponent represents a remarkable, sourced acknowledgment of the policy's likely domestic political effect, coming from the very campaign the tariffs were originally seen as intended to help.
- **A tariff decision proceeding despite this direct, documented warning:** Trump's decision to sign the tariff order regardless represents a specific, sourced instance of trade policy proceeding independent of, or despite, its likely domestic political consequences for a nominally aligned foreign political movement.
- **A shift in stated tariff rationale from an explicitly political justification to ostensibly trade-technical grounds:** the move from the original Bolsonaro-prosecution framing to deforestation, payment-system and ethanol justifications reflects a notable evolution in how the tariffs have been officially justified over time.

2. TRADE & BUSINESS

The United States actually runs a trade surplus with Brazil, a specific factual detail that sits in direct tension with tariffs justified partly on deficit-reduction grounds.

According to the Office of the US Trade Representative, the US exported \$49.7 billion in goods to Brazil in 2024 against \$42.3 billion in imports from Brazil, meaning Brazil's purchases from the US exceeded US purchases from Brazil by roughly \$7.4 billion; the US therefore ran a trade surplus with Brazil, one of only three G20 countries with which it maintains such a surplus, according to Brazilian officials. Levies affecting approximately 18% of Brazilian exports have nonetheless been imposed.

- **A specific, sourced factual tension between the trade data and one stated tariff rationale:** the confirmed US trade surplus with Brazil, drawn from the USTR's own figures, directly complicates any characterisation of the tariffs as addressing a bilateral trade deficit specifically.

- **A notable distinction among Brazil's broader G20 trading relationships:** Brazil's status as one of only three G20 countries where the US runs a surplus represents a specific, sourced data point relevant to understanding the broader context of the tariff dispute.

3. MAJOR ECONOMIC DEVELOPMENTS

A multi-stage US tariff escalation, tied first explicitly to the Bolsonaro prosecution and later to separate trade grounds, has coincided with the conviction of the former president and a marked strengthening of President Lula's political position ahead of October's election.

President Trump announced a 50% tariff on Brazilian imports in July 2025, effective 1 August, explicitly tied to the criminal prosecution of former President Jair Bolsonaro, whom Trump described as facing an 'international disgrace' and called the case a 'witch hunt'; President Lula condemned the tariffs as a violation of national sovereignty. In October 2025, Lula asked Trump to lift the tariff, noting Brazil was one of only three G20 countries with which the US maintains a trade surplus, and offered to travel to Washington; the two leaders had a brief, reportedly cordial encounter at the UN General Assembly that September. In February 2026, the US Supreme Court struck down the emergency powers Trump had used to impose broad 'Liberation Day' tariffs on most trading partners, prompting the administration to rebuild its tariff approach on different legal grounds; in June 2026 it proposed new 25% tariffs on Brazil under Section 301, citing alleged trade violations including illegal deforestation and Brazil's Pix payment system, which Trump signed into effect on 22 July 2026 despite Flávio Bolsonaro's direct written warning, described in Section 1, that doing so would strengthen Lula's campaign. Independent analysis states plainly that 'Trump's Brazil strategy was not working': instead of helping Bolsonaro avoid prison or run again, the tariffs and sanctions had the opposite effect, hastening Bolsonaro's conviction, on charges of attempting a coup after losing the 2022 election, to 27 years and three months in prison, while boosting Lula's popularity; Brazil's economy was separately described as handling the tariff strains 'surprisingly well,' even as a procession of US business leaders visited the White House warning of inflation risks to American consumers from Brazilian coffee, beef and other affected goods. Lula's approval rose 8 percentage points from May to October 2025 specifically tied to his handling of the tariff tensions, with roughly half of Brazilians backing his approach and 52% believing Trump's tariff motivation is political. A July 2026 Quaest poll for Folha de S.Paulo showed Lula leading Flávio Bolsonaro 45% to 37% in a hypothetical run-off; a separate poll fielded just before the July 15 tariff signing found 51% of respondents agreed with Lula's accusation that Flávio had personally helped trigger the tariffs, against 30% who believed Flávio's denial, while 63% expected the tariffs to hurt their own family financially. As of late August 2026, Kalshi prediction markets priced a Lula victory at approximately 61.5%, against roughly 36-37% for Flávio, though polling data has separately suggested the actual run-off remains closer to an even contest. A minor right-leaning candidate, Minas Gerais governor Romeu Zema, who favours privatisation and a Bukele-style security model and previously backed Jair Bolsonaro, is polling at only around 1% as he seeks to distinguish himself from the Bolsonaro family directly.

- **A tariff policy whose stated justification shifted meaningfully over its own timeline:** moving from an explicit Bolsonaro-prosecution rationale to subsequent Section 301 trade-practice grounds represents a specific, sourced evolution in the policy's legal and political framing over roughly a year.
- **A directly documented instance of a trade policy producing outcomes contrary to its apparent original political goal:** the explicit finding that the strategy hastened Bolsonaro's conviction while boosting Lula's popularity represents a genuinely notable, sourced case of policy backfire relative to its evident intended effect.
- **A specific, severe judicial outcome for the leading opposition family's patriarch:** Bolsonaro's 27-year, three-month sentence for attempting a coup represents a serious, concrete legal outcome directly shaping the character and viability of the opposition movement heading into the election.

- **A quantified, direct link between US trade tensions and domestic approval ratings:** the specific 8-percentage-point approval increase, tied explicitly to Lula's handling of the tariff dispute, demonstrates a measurable, sourced connection between this external trade conflict and domestic political sentiment.
- **A genuine divergence between prediction-market pricing and public polling on the same contest:** the notable gap between Kalshi's roughly 61.5% implied Lula probability and polling suggesting a closer run-off represents a specific, sourced difference in how these two distinct measurement methods currently read the race, worth monitoring as the election approaches.
- **A specific, sourced acknowledgment of real US economic self-interest concerns arising from the dispute:** the direct reporting of US business leaders lobbying the White House over coffee, beef and other import-price risks reflects genuine, documented domestic American economic stakes in how this tariff dispute is ultimately resolved.

4. MAJOR PROJECTS & INFRASTRUCTURE

No significant standalone infrastructure project developments specific to this period were identified; current attention remains concentrated on the trade dispute and electoral dynamics described elsewhere in this briefing.

5. CONFERENCES, FORUMS & EXHIBITIONS

The September 2025 UN General Assembly encounter between Presidents Lula and Trump represented a notable, if brief, diplomatic touchpoint amid the broader tariff dispute.

- **UN General Assembly sidelines meeting, September 2025:** described in Section 3, this brief encounter between the two leaders, with Trump reportedly hailing their 'excellent chemistry,' represented a notable moment of direct diplomatic contact despite the ongoing tariff dispute.

6. BUSINESS & INVESTMENT EVENTS

A procession of US business leaders visiting the White House to warn of tariff-related inflation risks represented a significant, direct private-sector intervention in the ongoing trade dispute.

- **US business leader visits to the White House:** described in Section 3, these direct interventions specifically warning of inflation risks from Brazilian coffee, beef and other affected goods represented concrete, sourced private-sector engagement with the tariff policy's domestic US economic consequences.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

The evolving, multi-stage US tariff relationship, now directly bound up with Brazil's own presidential election, defines the country's most consequential current international economic relationship.

- **United States:** the tariff dispute described extensively in Section 3 represents by far Brazil's most significant and currently unresolved international economic relationship, with its ultimate trajectory now directly linked to the outcome of Brazil's own October election.

- **G20 trading partners generally:** Brazil's specific status as one of only three G20 countries with which the US runs a trade surplus provides important comparative context for its broader international trade positioning beyond the US relationship alone.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Brazilian voters and businesses report feeling the direct squeeze of high interest rates, even as the broader economy has been characterised as absorbing tariff-related strain better than initially feared.

Brazilian voters are reported to be feeling the squeeze from high interest rates and other domestic economic pressures ahead of the October election, a dynamic distinct from, though occurring alongside, the ongoing US tariff dispute; separately, the broader Brazilian economy has been described as handling the tariff strains 'surprisingly well.'

- **A domestic interest-rate burden distinct from the external tariff dispute:** the specific citation of high interest rates as a separate voter concern indicates Brazil's economic challenges extend beyond the US trade relationship alone, relevant to understanding the full scope of the electoral economic debate.
- **An economy-wide resilience characterisation worth noting directly:** the specific assessment that the economy has handled tariff strains better than expected provides useful, sourced context for gauging the real near-term economic impact of the dispute so far.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

No significant new investment opportunities specific to this period were identified beyond the broader trade and political dynamics described throughout this briefing; the primary near-term consideration for investors remains the trajectory of the US tariff dispute and its interaction with the October election outcome.

Given the current concentration of attention on the tariff dispute and electoral dynamics, this briefing identifies no specific new investment projects for the current period; investors should monitor the October election outcome and any subsequent shift in US tariff policy as the most consequential near-term developments shaping Brazil's investment climate.

SUMMARY ASSESSMENT

Brazil enters its October 2026 presidential election with US tariff policy unusually, directly entangled in the domestic contest: President Trump's tariffs, initially tied explicitly to the prosecution of former President Bolsonaro and later reimposed on separate trade grounds despite the US running an actual trade surplus with Brazil, appear by independent and even the Bolsonaro campaign's own account to have strengthened President Lula's re-election prospects rather than weakened them.

Investors should read Brazil as an economy navigating genuine, ongoing US trade friction whose ultimate resolution is now directly bound up with an election outcome that current prediction markets and polling read somewhat differently, even as domestic voters separately grapple with high interest rates and a slowing economy, and as the broader economy has so far absorbed the tariff strain better than many initially expected.