Equity Strategy
Brazil

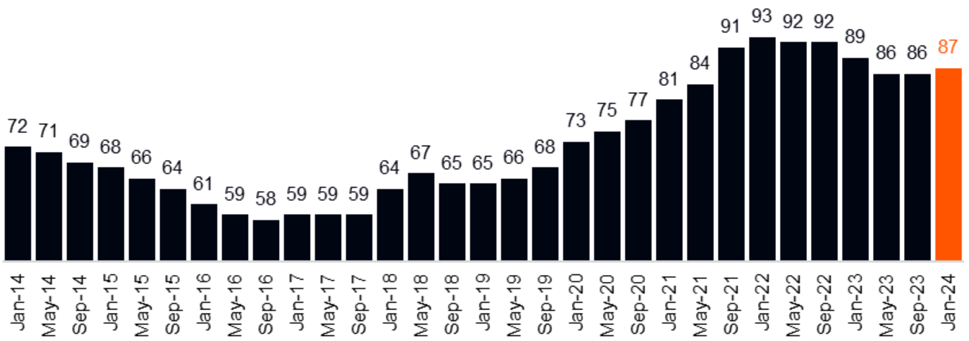
November 20, 2023

# Our Expectations for the Next IBOV Rebalance

The Ibovespa's next rebalance will happen in the end of December, with official previews to be published by B3 on December 1, December 18 and December 27, and the new composition will become effective on January 2, 2024. Our model currently predicts the inclusion of TRPL4.

- **Our forecast.** Our model currently forecasts the addition of TRPL4 in the next rebalance, which would increase the number of index components to 87.
- **What to watch for.** We highlight VIVA3, AURE3 and PSSA3 as stocks that are near the inclusion threshold according to our model and that could appear in B3's official previews, depending on changes in their negotiability going forward. Although our model doesn't put any of current index members near the exclusion threshold, BHIA3 is currently trading at a per-share value below BRL 1; if it fits B3's definition of a "penny stock" near the rebalance date, that could lead to its exclusion from the index.
- **Weight changes**. Apart from the inclusion of TRPL4, with a forecasted weight of 0.46%, our model also forecasts changes in weight for two stocks, VALE3 and PETR3. In both cases, the stocks' weights are likely to be capped by their negotiability indexes, with potential weight reductions from 15.08% to 14.79% for VALE3 and from 4.69% to 4.03% for PETR3.

## IBOV – Number of Stocks




Source: Itaú BBA, Bloomberg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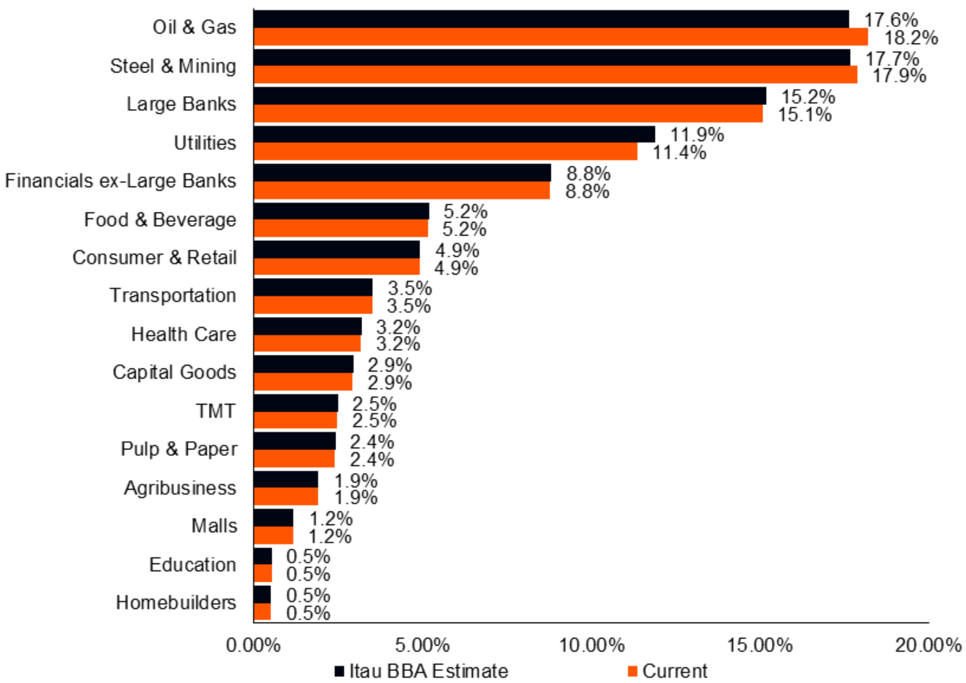
## Quick Recap of Ibovespa Rebalance Rules and Methodology

The rules and methodology for stock inclusion and retention remain the same. The thresholds are as follows: i) a trading presence exceeding 95% over the last 12 months; ii) a contribution of over 0.1% to the total volume traded on the Ibovespa; and iii) an accumulated negotiability index (NI) below 85% for inclusion and below 90% for retention. The last filter is the hardest to pass; eligible companies are categorized by NI in decreasing order, and the number is cumulative. Being classified as a penny stock is also an exclusion criterion.

### Ibovespa – Expected Sector Composition




Source: Itaú BBA, B3, Economatica

The table below shows the detailed output from our model for each company. Buy/sell pressure is calculated considering ANBIMA's equity fund industry data from October (the latest available monthly consolidated data). We assume that 70% of the AuM of passive equity funds and equity ETFs and 10% of the AuM of active equity funds will track index changes. This information is also shown in terms of days of trading, calculated by dividing pressure by the last three-month ADTV.

## Ibovespa – Expected Composition and Changes (Inclusions in Blue)

| Ticker | Sector | Current Index | Itau BBA Estimate | Change | 3M ADTV (BRL mm) | Buy/Sell (BRL mn) | Pressure (Days) |
|---|---|---|---|---|---|---|---|
| PETR4 | Oil & Gas | 7.69% | 7.74% | 0.04% | 1,714.8 | 32.5 | 0.0 |
| VALE3 | Steel & Mining | 15.08% | 14.79% | -0.30% | 1,673.3 | -213.3 | -0.1 |
| ITUB4 | Large Banks | 6.71% | 6.75% | 0.04% | 689.6 | 28.2 | 0.0 |
| BBDC4 | Large Banks | 3.64% | 3.67% | 0.02% | 503.3 | 15.6 | 0.0 |
| B3SA3 | Financials ex-Large Banks | 3.33% | 3.35% | 0.02% | 451.7 | 13.9 | 0.0 |
| BBAS3 | Large Banks | 3.30% | 3.32% | 0.02% | 454.6 | 13.6 | 0.0 |
| MGLU3 | Consumer & Retail | 0.29% | 0.29% | 0.00% | 267.3 | 1.3 | 0.0 |
| HAPV3 | Health Care | 0.91% | 0.91% | 0.01% | 310.2 | 3.7 | 0.0 |
| PRIO3 | Oil & Gas | 1.70% | 1.71% | 0.01% | 425.4 | 7.0 | 0.0 |
| RENT3 | Transportation | 2.38% | 2.38% | 0.00% | 410.2 | -2.6 | 0.0 |
| ABEV3 | Food & Beverage | 2.74% | 2.76% | 0.02% | 350.1 | 12.0 | 0.0 |
| LREN3 | Consumer & Retail | 0.63% | 0.63% | 0.00% | 305.6 | 3.0 | 0.0 |
| PETR3 | Oil & Gas | 4.69% | 4.03% | -0.66% | 465.8 | -474.1 | -1.0 |
| ELET3 | Utilities | 3.67% | 3.69% | 0.02% | 282.3 | 15.5 | 0.1 |
| BPAC11 | Financials ex-Large Banks | 1.77% | 1.78% | 0.01% | 290.0 | 7.4 | 0.0 |
| SUZB3 | Pulp & Paper | 1.66% | 1.67% | 0.01% | 335.5 | 7.3 | 0.0 |
| WEGE3 | Capital Goods | 2.26% | 2.27% | 0.01% | 279.7 | 9.9 | 0.0 |
| RAIL3 | Agribusiness | 1.30% | 1.31% | 0.01% | 323.6 | 5.5 | 0.0 |
| ASAI3 | Consumer & Retail | 0.81% | 0.82% | 0.00% | 178.2 | 3.4 | 0.0 |
| GGBR4 | Steel & Mining | 1.23% | 1.27% | 0.03% | 218.9 | 22.8 | 0.1 |
| NTCO3 | Consumer & Retail | 0.59% | 0.59% | 0.00% | 151.7 | 2.5 | 0.0 |
| EQTL3 | Utilities | 1.72% | 1.73% | 0.01% | 232.5 | 7.3 | 0.0 |
| BRFS3 | Food & Beverage | 1.09% | 1.10% | 0.01% | 233.5 | 4.6 | 0.0 |
| ITSA4 | Financials ex-Large Banks | 2.35% | 2.35% | 0.00% | 191.7 | -1.2 | 0.0 |
| RRRP3 | Oil & Gas | 0.35% | 0.35% | 0.00% | 164.3 | 1.2 | 0.0 |
| VBBR3 | Oil & Gas | 1.10% | 1.10% | 0.01% | 190.7 | 4.3 | 0.0 |
| JBSS3 | Food & Beverage | 1.13% | 1.13% | 0.01% | 159.2 | 4.9 | 0.0 |
| AZUL4 | Transportation | 0.26% | 0.26% | 0.00% | 174.0 | 1.3 | 0.0 |
| BBSE3 | Financials ex-Large Banks | 0.98% | 0.99% | 0.01% | 141.5 | 3.9 | 0.0 |
| RDOR3 | Health Care | 1.35% | 1.36% | 0.01% | 178.7 | 6.1 | 0.0 |
| CIEL3 | Financials ex-Large Banks | 0.19% | 0.20% | 0.00% | 117.9 | 0.9 | 0.0 |
| RADL3 | Consumer & Retail | 1.59% | 1.60% | 0.01% | 145.8 | 6.7 | 0.0 |
| CSAN3 | Oil & Gas | 0.96% | 0.97% | 0.01% | 117.3 | 4.6 | 0.0 |
| SBSP3 | Utilities | 1.01% | 1.01% | 0.01% | 160.5 | 4.2 | 0.0 |
| HYPE3 | Health Care | 0.64% | 0.64% | 0.00% | 124.7 | 2.7 | 0.0 |
| EMBR3 | Capital Goods | 0.67% | 0.67% | 0.00% | 113.1 | 2.5 | 0.0 |
| CPLE6 | Utilities | 0.72% | 0.72% | 0.00% | 157.8 | 2.9 | 0.0 |
| BHIA3 | Consumer & Retail | 0.06% | 0.06% | 0.00% | 79.6 | 0.1 | 0.0 |
| MRVE3 | Homebuilders | 0.18% | 0.18% | 0.00% | 130.1 | 0.7 | 0.0 |
| TOTS3 | TMT | 0.77% | 0.77% | 0.00% | 126.6 | 3.6 | 0.0 |
| MULT3 | Malls | 0.33% | 0.33% | 0.00% | 96.7 | 1.3 | 0.0 |
| CMIG4 | Utilities | 0.88% | 0.89% | 0.01% | 112.9 | 3.7 | 0.0 |
| UGPA3 | Oil & Gas | 1.23% | 1.23% | 0.01% | 121.6 | 4.8 | 0.0 |
| CCRO3 | Transportation | 0.60% | 0.60% | 0.00% | 101.9 | 2.4 | 0.0 |
| BEEF3 | Food & Beverage | 0.09% | 0.09% | 0.00% | 108.2 | -0.1 | 0.0 |
| SOMA3 | Consumer & Retail | 0.15% | 0.15% | 0.00% | 99.7 | 0.5 | 0.0 |
| CYRE3 | Homebuilders | 0.26% | 0.26% | 0.00% | 118.6 | 1.0 | 0.0 |
| KLBN11 | Pulp & Paper | 0.75% | 0.75% | 0.00% | 96.3 | 3.3 | 0.0 |
| ENGI11 | Utilities | 0.69% | 0.69% | 0.00% | 126.3 | 2.9 | 0.0 |
| CSNA3 | Steel & Mining | 0.41% | 0.41% | 0.00% | 98.0 | 1.6 | 0.0 |
| TIMS3 | TMT | 0.62% | 0.62% | 0.00% | 123.0 | 2.4 | 0.0 |
| ENEV3 | Utilities | 0.93% | 0.94% | 0.01% | 84.2 | 4.2 | 0.0 |
| CRFB3 | Consumer & Retail | 0.26% | 0.26% | 0.00% | 84.8 | 1.2 | 0.0 |
| ALOS3 | Malls | 0.62% | 0.62% | 0.00% | 110.2 | 2.5 | 0.0 |
| RAIZ4 | Agribusiness | 0.20% | 0.20% | 0.00% | 76.2 | 0.5 | 0.0 |
| GOLL4 | Transportation | 0.08% | 0.08% | 0.00% | 88.0 | 0.4 | 0.0 |
| VIVT3 | TMT | 0.98% | 0.98% | 0.01% | 116.8 | 4.0 | 0.0 |
| GOAU4 | Steel & Mining | 0.34% | 0.37% | 0.03% | 103.5 | 22.1 | 0.2 |
| YDUQ3 | Education | 0.27% | 0.27% | 0.00% | 102.6 | 1.8 | 0.0 |
| USIM5 | Steel & Mining | 0.18% | 0.18% | 0.00% | 75.1 | 0.5 | 0.0 |
| ARZZ3 | Consumer & Retail | 0.18% | 0.18% | 0.00% | 110.3 | 1.0 | 0.0 |
| BRKM5 | Oil & Gas | 0.24% | 0.25% | 0.00% | 78.1 | 1.0 | 0.0 |
| MRFG3 | Food & Beverage | 0.11% | 0.11% | 0.00% | 91.0 | 0.7 | 0.0 |
| IGTI11 | Malls | 0.22% | 0.22% | 0.00% | 71.8 | 0.7 | 0.0 |
| VAMO3 | Transportation | 0.19% | 0.19% | 0.00% | 87.7 | 0.7 | 0.0 |
| PETZ3 | Consumer & Retail | 0.06% | 0.06% | 0.00% | 71.6 | 0.5 | 0.0 |
| COGN3 | Education | 0.25% | 0.25% | 0.00% | 56.6 | 0.9 | 0.0 |
| ELET6 | Utilities | 0.55% | 0.55% | 0.00% | 70.8 | 2.5 | 0.0 |
| CVCB3 | Consumer & Retail | 0.06% | 0.06% | 0.00% | 62.8 | 0.5 | 0.0 |
| BBDC3 | Large Banks | 0.95% | 0.95% | 0.01% | 80.6 | 4.2 | 0.1 |
| TAEE11 | Utilities | 0.36% | 0.36% | 0.00% | 72.5 | 1.7 | 0.0 |
| IRBR3 | Financials ex-Large Banks | 0.16% | 0.16% | 0.00% | 88.2 | 0.8 | 0.0 |
| BRAP4 | Steel & Mining | 0.30% | 0.30% | 0.00% | 77.3 | 1.6 | 0.0 |
| RECV3 | Oil & Gas | 0.25% | 0.25% | 0.00% | 66.3 | 1.1 | 0.0 |
| ALPA4 | Consumer & Retail | 0.09% | 0.09% | 0.00% | 44.3 | 0.1 | 0.0 |
| SMTO3 | Agribusiness | 0.23% | 0.23% | 0.00% | 65.3 | 1.0 | 0.0 |
| TRPL4 | Utilities | 0.00% | 0.46% | 0.46% | 87.6 | 333.1 | 3.8 |
| CPFE3 | Utilities | 0.31% | 0.32% | 0.00% | 55.9 | 1.5 | 0.0 |
| FLRY3 | Health Care | 0.27% | 0.27% | 0.00% | 54.0 | 0.8 | 0.0 |
| EGIE3 | Utilities | 0.50% | 0.51% | 0.00% | 55.5 | 2.4 | 0.0 |
| LWSA3 | TMT | 0.12% | 0.12% | 0.00% | 38.4 | 0.8 | 0.0 |
| SANB11 | Large Banks | 0.49% | 0.49% | 0.00% | 65.0 | 2.4 | 0.0 |
| SLCE3 | Agribusiness | 0.18% | 0.18% | 0.00% | 49.7 | 0.7 | 0.0 |
| PCAR3 | Consumer & Retail | 0.03% | 0.03% | 0.00% | 44.2 | 0.2 | 0.0 |
| CMIN3 | Steel & Mining | 0.35% | 0.35% | 0.00% | 45.9 | 1.2 | 0.0 |
| EZTC3 | Homebuilders | 0.08% | 0.08% | 0.00% | 41.7 | 0.2 | 0.0 |
| DXCO3 | Consumer & Retail | 0.10% | 0.10% | 0.00% | 38.1 | 0.4 | 0.0 |

Source: Itaú BBA, B3, Economatica, Bloomberg

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