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Brazil's Ibovespa crashes ~14% after Lula's surprise runoff win

The Ibovespa fell 13.88% on Mon, 26 Oct 2026, and a US-listed Brazil ETF sank about 21%. Markets had bet on Flávio Bolsonaro, seen as more fiscally restrictive, since his surprise first-round lead sent the index to record highs.

By **Manasee Kurlekar** | October 27, 2026



Brazil's markets bet on one winner. Voters picked the other. Ibovespa crashes ~14% after Lula's surprise runoff win

On Monday, the day after Brazil's presidential runoff, the Ibovespa plunged 13.88%, one of the worst sessions in its history. In New York, a US-listed Brazil ETF did even worse, sinking about 21%. The trigger was President Luiz Inácio Lula da Silva winning a race that markets had largely written off.

How the market got here

Three weeks earlier, investors thought they had their answer. In the first round on 4 October, Senator Flávio Bolsonaro beat the polls and finished ahead of Lula. Markets saw Bolsonaro as the more fiscally disciplined candidate, and Brazilian assets ripped. The Ibovespa surged 7.7% to a record high the next day, its biggest one-day gain in more than six years.

Then the race tightened. Through October, Bolsonaro's lead narrowed poll by poll, and by the final weekend the contest was a coin toss. Investors held on to the trade anyway. When Lula was declared the winner on Sunday, a month of optimism was unwound in a single session.

Why it matters beyond Brazil

The lesson isn't about who won. It's about what happens when markets treat an election as settled before the votes are counted. Brazil's rally was built on a first-round surprise, and it ignored polls showing the race was neck and neck.

For emerging-market investors from Mumbai to Mexico City, that's a familiar risk. EM assets often trade on politics as much as fundamentals, and positioning ahead of a close vote can turn one result into a crash. The same Monday, Wall Street rallied on AI optimism, which shows how far apart developed and emerging markets can move on the same day.

The next test is policy. Investors will watch for early signals on Lula's fiscal plans and his economic team. Those will decide whether Monday was a one-day panic or the start of a longer repricing.

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