

Copom reduced the Selic rate to 12.25% indicating global concerns

Highlights

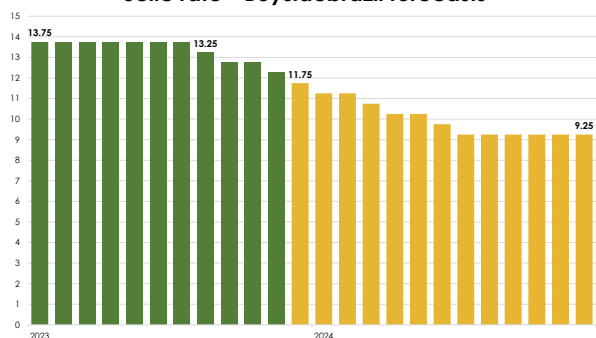
» Copom reduced the Selic rate by 50 bps to 12.25%, as broadly expected, emphasizing the worsening external environment. The statement mentioned the rise in longer-term interest rates in the United States, persistently high inflation core metrics, labor market pressures, and new geopolitical tensions, demanding caution from emerging economies. Regarding the domestic scenario, the assessment remained largely unchanged from September, although the monetary authority slightly adjusted its inflation forecasts for 2024 and 2025, which increased from 3.5% and 3.1% to 3.6% and 3.2%, respectively.

» The Committee also indicated the continuation of 50 bps in the upcoming meetings without substantial changes on fiscal comments. We believe the Committee did not want to commit to a change that has not yet occurred and that further details about the fiscal outlook may eventually be included in the minutes. We currently maintain our Selic rate forecast at 11.75% by the end of this year and 9.25% for the next.

» We believe the primary target maintenance is important for fiscal credibility. News regarding an eventual 2024 target change has intensified this week after President Lula stated that his government does not need to erase its fiscal deficit next year. Although we do not expect that the zero primary result will be reached in 2024, its maintenance shows some commitment to fiscal sustainability, implying effort for extra revenue and, in case of non-achievement, some expenditure adjustment as indicated by the fiscal framework law approved last August. Considering that, if the target is modified, we may calibrate our fiscal forecasts towards a more intense primary deficit.

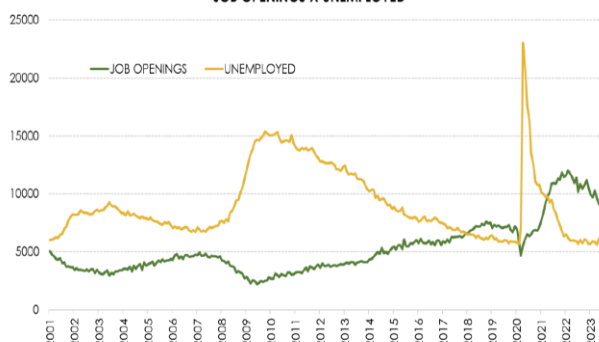
» The FOMC meeting and most recent payroll results reinforce our expectations of no additional Fed Funds hike this cycle. We emphasize the lower-than-expected job creation in October, the downward revision in September's number, the higher unemployment rate, and the wage growth slowdown. Also, the FOMC statement brought a more dovish tone, highlighting the tighter financial conditions and the lag in monetary policy, which appears to be more significant in this cycle. Those events have recently improved markets performances worldwide, including in Brazil. The exchange rate has appreciated below the R\$/US\$ 5.00 level, and yields have receded despite higher domestic fiscal risks.

Selic rate - Buysidebrazil forecasts



Source: BCB, Buysidebrazil

JOB OPENINGS X UNEMPLOYED



Source: BEA, Buysidebrazil



Economic calendar

» Intense domestic calendar includes the Copom minutes and October's IPCA result. We believe the document may bring additional details on fiscal evaluation while core consumer inflation will continue on a downward trend. September's external accounts, credit and fiscal data, and retail sales will also be released throughout next week.

» After weaker US data and softer FOMC statement, markets will now focus on Chinese inflation indicators, also monitoring some Fed members' speeches.

Calendar

Date	Country	Event	Period	Survey	Prior
11/6/2023 Monday					
6:00 AM	Eurozone	PMI	Oct (F)		
		Services		47.8	47.8
		Composite		46.5	46.5
6:30 AM	Eurozone	Investor Confidence	Nov	-22.5	-21.9
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	Nov	-	-
8:30 AM	Brazil	Current Account Balance	Sep	-\$1400m	-\$778m
8:30 AM	Brazil	Foreign direct investment	Sep	\$4600m	\$4270m
10:00 AM	Brazil	PMI	Oct		
		Composite		-	49.0
		Services		-	48.7
11/7/2023 Tuesday					
7:00 AM	Eurozone	PPI (MoM)	Sep	0.5%	0.6%
8:00 AM	Brazil	Copom Meeting Minutes	Nov	-	-
8:30 AM	Brazil	Total Outstanding Loans	Sep	-	5524b
8:30 AM	Brazil	Outstanding Loans MoM	Sep	-	6.1%
10:30 AM	USA	Trade Balance	Sep	-\$60.5b	-\$58.3b
3:30 PM	USA	L. Logan Speech	-	-	-
5:00 PM	USA	Consumer Credit	Sep	\$10.000b	-\$15.628b
11/8/2023 Wednesday					
7:00 AM	Eurozone	Retail Sales (MoM)	Sep	-0.2%	-1.2%
8:00 AM	Brazil	FGV Inflation IGP-DI (MoM)	Oct	-	0.45%
8:30 AM	Brazil	Primary Budget Balance	Sep	13.7b	-22.8b
9:00 AM	Brazil	Retail Sales (MoM)	Sep	-	-0.2%
9:00 AM	USA	MBA Mortgage applications	Nov	-	-2.1%
2:30 PM	Brazil	Foreign Exchange Flow Weekly	Nov	-	-
10:30 PM	China	CPI (YoY)	Oct	-0.2%	0.0%
10:30 PM	China	PPI (YoY)	Oct	-2.8%	-2.5%
11/9/2023 Thursday					
10:30 AM	USA	Initial Jobless Claims	-	218k	217k
11:30 AM	USA	R. Bostic Speech	-	-	-
4:00 PM	USA	J. Powell Speech	-	-	-
11/10/2023 Friday					
5:00 AM	Brazil	FIPE CPI (MoM)	Nov	-	0.23%
8:30 AM	Brazil	IGP-M (MoM)	Nov	-	-
9:00 AM	Brazil	IBGE Inflation IPCA (MoM)	Oct	-	0.26%
9:30 AM	USA	L. Logan Speech	-	-	-
11:00 AM	USA	R. Bostic Speech	-	-	-
12:00 PM	USA	Conf. Board Consumer Confidence	Nov (P)	64.0	63.8
4:00 PM	USA	Monthly Budget Statement	Oct	-	-\$171.0b
5:30 PM	USA	R. Bostic Speech	-	-	-

MACROECONOMIC FORECASTS	2018	2019	2020	2021	2022	2023	2024
GDP (%)	1.8	1.2	-3.3	5.0	2.9	3.1	1.9
IPCA (CPI, %)	3.7	4.3	4.5	10.1	5.8	4.80	3.80
Selic Rate (eop, %)	6.50	4.50	2.00	9.25	13.75	11.75	9.25
USDBRL (eop)	3.87	4.03	5.20	5.58	5.22	5.00	5.00
Current Account Balance (USD bn)	-51.5	-65.0	-28.2	-46.4	53.6	-32.0	-45.6
Current Account Balance (% GDP)	-2.7	-3.5	-1.9	-2.8	-2.8	-1.6	-2.3
Trade Balance - BCB (USD bn)	43.4	26.5	32.4	36.4	44.2	78.6	60.0
Foreign Direct Investment (USD bn)	78.2	69.2	37.8	46.4	87.2	63.0	75.0
Foreign Direct Investment (% GDP)	4.2	3.7	2.6	2.8	4.5	3.2	3.8
Central Government Primary Result (BRL bn)	-120.2	-95.1	-743.3	-35.1	54.1	-107.8	-58.7
Central Government Primary Result (%GDP)	-1.7	-1.3	-9.8	-0.4	0.5	-1.0	-0.5
Public Sector Primary Result (BRL bn)	-108.3	-61.9	-703.0	64.7	126.0	-96.7	-45.3
Public Sector Primary Result (% GDP)	-1.5	-0.8	-9.2	0.7	1.3	-0.9	-0.4
Gross Public Debt (% GDP)	75.3	74.4	86.9	78.3	73.5	75.4	78.5

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