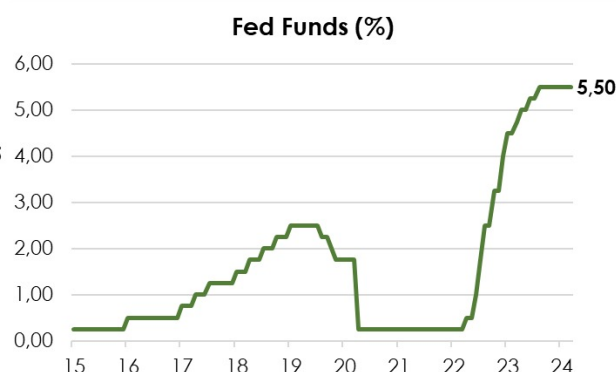


Copom opted for a more cautious stance, however, we maintained the Selic at 8.75% at the end of the cycle

Highlights

- » The Central Bank altered its guidance, restricting itself only to the next step of monetary policy.** The 0.5pp reduction in the Selic rate, to 10.75% as previously signaled, was accompanied by a tougher tone from the committee. Even while maintaining its inflation outlook – with a decrease in expectations for free prices – the institution chose to emphasize the worsening of underlying service inflation at the beginning of the year. Additionally, it also reinforced the greater uncertainties with the external scenario, which contributed to the change in communication. Now, the members foresee only one more reduction of the same magnitude, although they recognize that the baseline scenario has not shown substantial changes.
- » Thus, we maintain the expectation that the terminal point of the cycle will be 8.75%, but with some softening in the last meetings.** In addition to the maintenance of the BC's projections, we expect that the next inflation data will show a more benign dynamic – as already recorded in the closed IPCA for February. The resilience of activity is already contemplated in our models, which point to a cooling of underlying services throughout the year even with a still heated labor market. Industrial goods are expected to remain without inflationary pressures. However, this more cautious stance suggests that we may have three more cuts of 50 basis points and two final cuts of 25 basis points.
- » Externally, the maintenance of our scenario for Fed Funds also corroborates this view for domestic interest rates.** This week, the FOMC maintained the neutrality of the statement, revised upward the median Dots for 2025 and 2026, due to the persistent economic resilience of the USA, but maintained the 3 interest rate cuts in 2024. Thus, assets showed significant improvement which was accentuated after Powell's speech. The chairman's speech was once again dovish considering that the upside surprise of January CPI may have been a one-off and reinforcing that policymakers still expect moderation in the labor market. Therefore, we continue to expect that the American monetary easing will begin in June – which tends to dissipate risk aversion and favor emerging countries.
- » Finally, the result of federal revenue for February came in line with our expectation, at R\$ 186.5 billion.** This positive surprise for the market, which expected R\$ 184 billion, joined the other positive numbers released for the first two months of 2024. Thus, considering the already approved projects, we project that the government will end the year with a deficit of R\$ 52 billion – above the zero fiscal deficit target, therefore. However, the still noisy political news between Congress and the Executive, which has shown difficulty in articulation, should not be pressured by the discussion of changing the target in March.



Source: BCB, Fed, Buysidebrazil



Economic Calendar

» In **Brazil**, the highlights will be the IPCA-15 for March and the Copom minutes. For inflation, we expect a 0.30% increase on a month-on-month basis. Additionally, we will have the first Quarterly Inflation Report of the year and labor market data. On Friday, the market will be closed due to the holiday.

» **Internationally**, the main economic indicator will be the February PCE deflator from the **USA**. An improvement in core inflation is expected, along with more moderate personal income. Additionally, the third estimate of the US GDP for the fourth quarter of 2023 will be released.

Date	Country	Event	Period	Survey	Prior
3/25/2024 Monday					
8:00 AM	Brazil	Construction Confidence	Mar	-	0.20%
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$1504m
9:25 AM	USA	R. Bostic Speech	-	-	-
9:30 AM	USA	Chicago Fed Nat Activity Index	Feb	-0.34	-0.30
11:00 AM	USA	New Home Sales	Feb	675k	661k
11:30 AM	USA	Dallas Fed Manf. Activity	Mar	-13.0	-11.3
3/26/2024 Tuesday					
5:00 AM	Brazil	FIPE CPI (MoM)	-	-	0.42%
8:00 AM	Brazil	Central Bank Meeting Minutes	-	-	-
8:00 AM	Brazil	Industry Confidence	Mar	-	-
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
9:00 AM	Brazil	IPCA-15 (MoM)	Mar	0.34%	0.78%
9:30 AM	USA	Services Confidence	Mar	-	-8.8
9:30 AM	USA	Durable Goods Orders	-	1.2%	-6.2%
10:00 AM	USA	House Price Index (MoM)	Jan	0.20%	0.21%
11:00 AM	USA	Conf. Board Consumer Confidence	Mar	107.0	106.7
11:00 AM	USA	Richmond Fed Manufact. Index	Mar	-	-5
11:00 AM	USA	Richmond Fed Business Conditions	Mar	-	-7
11:30 AM	USA	Texas Services Sector Outlook	Mar	-	-3.9
3/27/2024 Wednesday					
7:00 AM	Eurozone	Conf. Board Consumer Confidence	-	-	-14.9
7:00 AM	Eurozone	Services Confidence	Mar	7.7	6.0
7:00 AM	Eurozone	Industrial Confidence	Mar	-9.5	-9.5
7:00 AM	Eurozone	Economic Confidence	Mar	96.2	95.4
8:00 AM	Brazil	FGV Inflation IGP-M MoM	Mar	-0.41%	-0.52%
8:00 AM	Brazil	Services Confidence	Mar	-	-
8:00 AM	Brazil	Commerce Confidence	Mar	-	-
-	Brazil	Formal Job Creation Total	Feb	-	180395
3/28/2024 Thursday					
8:00 AM	Brazil	BCB Inflation Report	1Q	-	-
9:00 AM	Brazil	National Unemployment Rate	Feb	-	7.6%
9:30 AM	USA	GDP (QoQ)	4Q T	3.2%	3.2%
9:30 AM	USA	Initial Jobless Claims	-	214k	210k
11:00 AM	USA	Pending Home Sales (MoM)	Feb	1.5%	-4.9%
11:00 AM	USA	Conf. Board Consumer Confidence	Mar (F)	76.5	76.5
11:00 AM	USA	U. of Mich. 1 Yr Inflation	Mar (F)	-	3.0%
11:00 AM	USA	U. of Mich. 5-10 Yr Inflation	Mar (F)	-	2.9%
12:00 PM	USA	Manufacturing Conficende	Mar	-	-4
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
3/29/2024 Friday					
9:30 AM	USA	Personal Income (MoM)	Feb	0.4%	1.0%
9:30 AM	USA	Personal Spending	Feb	0.5%	0.2%
9:30 AM	USA	PCE Deflator (MoM)	Feb	0.4%	0.3%
9:30 AM	USA	PCE Core Deflator MoM	Feb	0.3%	0.4%
9:30 AM	USA	Trade Balance	-	-\$89.9b	-\$90.2b



Macroeconomic projections

	2019	2020	2021	2022	2023	2024
GDP (%)	1,2	-3,3	4,8	3,0	2,9	1,9
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	8,1
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	3,6
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	8,75
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,86	4,80
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-36,1
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-1,3
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	82,0
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	68,0
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,5
Primary Result of the Central Government (R\$ billion)	-95,1	-743,3	-35,1	54,1	-249,1	-51,7
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4
Primary Result of the Public Sector (R\$ billion)	-61,9	-703,0	64,7	126,0	-249,1	-43,2
Primary Result of the Public Sector (% of GDP)	-0,8	-9,2	0,7	1,3	-2,3	-0,4
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	76,5

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