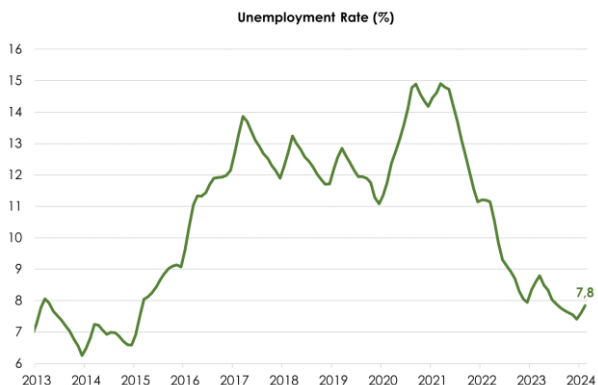
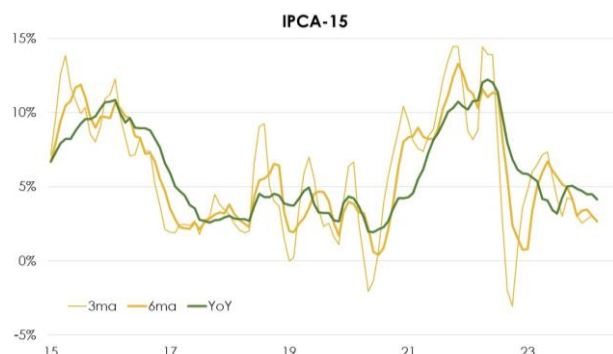


With external and internal uncertainties alleviated, Copom maintains the scenario of the monetary policy cycle

Highlights

- **The Copom minutes have confirmed our adjustment to ease the pace of interest rate cuts at the end of the cycle.** The increased clarity provided by the Central Bank regarding the uncertainties responsible for the change in guidance prompted a reading interpreted as more hawkish by the market, although the baseline scenario was maintained. Both domestically and internationally, inflation remains the main point of attention, with a focus on the dynamics of services. In this regard, the institution explored its discomfort with the domestic labor market and the acceleration of yields. On the other hand, it emphasized that "it would be a mistake to interpret the change in future signaling as an indication of a change in the monetary policy cycle." Thus, we reiterate our expectation of the terminal Selic rate at 8.75%, but with more modest reductions in the last meetings - in line with the greater flexibility sought by the Committee.
- **The Quarterly Inflation Report, in turn, brought the projections of the Central Bank - which remained unchanged.** Even with the upside surprises in IPCA between December and February (by 54bps over the Copom scenario), the downward revisions to short-term inflation and the negative result of registrations and permits allowed expectations to remain stable. And, although the forecasted number for 2024 GDP has been revised upwards (from 1.7% to 1.9%, as projected by us), most of the revision was explained by the extractive industry. There were mixed signals in the services sector (which went from 1.9% to 2.0%), with an increase in transportation and financial services, while retail was weaker. Thus, the resilience of activity did not alter the expected gradual economic slowdown scenario.
- **Nevertheless, as per our projection, the March IPCA-15 pressured assets by registering an increase in underlying services in the seasonally adjusted metric.** In the headline index, there was a 0.36% increase on the margin, above expectations (0.30%), with highlights for higher numbers of airfare (+4bps), natural products (+3bps), and gasoline (+2bps) than our expectation. However, underlying services were below our expectations, confirming the prospective scenario. Although personal services are a point of attention, as they are more pressured than in 2023, it is worth noting that the seasonal factor of this release brought a worse impression underlying than what will be indicated by the closed IPCA of the month and that the other disaggregations remain aligned with our scenario. Additionally, the still favorable behavior of industrial goods adds a positive bias to the cores.
- **Thus, we will continue monitoring the behavior of yields in the labor market.** This week, Caged recorded the creation of 306k formal job vacancies in February (well above the consensus of 235k), with a focus on the services sector, which exceeded seasonality. However, the result of the Continuous PNAD showed an increase in the unemployment rate to 7.8%, as projected - which corroborated the expected trajectory for the year. However, as discussed in the RTI press conference, the stationary point of the labor market is difficult to measure given the recent reforms and their impacts. Hence, the yields are a fundamental vector of attention. For now, the panorama remains preserved.



Source: IBGE, Buysidebrazil



Economic Calendar

» In **Brazil**, the Central Bank will release the Credit Notes, External Sector, and Fiscal Policy reports for February. Additionally, the Ministry of Industry, Foreign Trade and Services (MDIC) will announce the trade balance result for March, which is expected to remain in surplus.

» **Internationally**, the focus will be on the **US** labor market data, particularly the March Payroll. However, the agenda will also be busy with the release of ISM reports, speeches from Fed officials, and inflation data in the **Eurozone**.

Date	Country	Event	Period	Survey	Prior
4/1/2024 Monday					
10:45 AM	USA	Manufacturing PMI	Mar (F)	-	52.5
11:00 AM	USA	Construction Spending (MoM)	Feb	0.6%	-0.2%
11:00 AM	USA	ISM Manufacturing	Mar	48.6	47.8
4/2/2024 Tuesday					
5:00 AM	Eurozone	Manufacturing PMI	Mar (F)	45.7	45.7
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
8:30 AM	Brazil	Total Outstanding Loans	Feb	-	-0.3%
11:00 AM	USA	JOLTs Job Openings	Feb	-	8863k
11:00 AM	USA	Factory Orders (MoM)	Feb	1.0%	-3.6%
1:00 PM	USA	Speech J. Williams (Fed New York)	-	-	-
1:05 PM	USA	Speech L. Mester (Fed Cleveland)	-	-	-
2:30 PM	USA	M. Daly Speech	-	-	-
10:45 PM	China	Caixin PMI	Mar	-	52.5
		Composite		-	52.5
		Non-manufacturing		-	52.5
4/3/2024 Wednesday					
5:00 AM	Brazil	FIPE CPI MoM	Mar	-	0.46%
6:00 AM	Eurozone	CPI MoM	Mar (P)	0.9%	0.6%
6:00 AM	Eurozone	Unemployment Rate	Feb	6.4%	6.4%
9:00 AM	Brazil	Industrial Production	Feb	-	-1.6%
9:15 AM	USA	ADP Employment Change	Mar	150k	140k
10:45 AM	USA	PMI	Mar (F)	-	51.7
		Non-manufacturing		-	52.2
		Composite		-	52.2
11:00 AM	USA	ISM Services Index	Mar	52.7	52.6
1:00 PM	USA	Speech A. Goolsbee	-	-	-
1:10 PM	USA	J. Powell Speech	-	-	-
4/4/2024 Thursday					
5:00 AM	Eurozone	PMI	Mar (F)	-	51.1
		Non-manufacturing		51.1	51.1
		Composite		49.9	49.9
6:00 AM	Eurozone	PPI (MoM)	Feb	-	-0.9%
8:30 AM	Brazil	Current Account	Feb	-\$3500m	-\$5068m
8:30 AM	Brazil	Foreign direct investment	Feb	\$6500m	\$8741m
9:30 AM	USA	Trade Balance	Feb	-\$66.0b	-\$67.4b
9:30 AM	USA	Initial Jobless Claims	-	-	210k
11:00 AM	USA	P. Harker Speech	-	-	-
1:45 PM	USA	Speech A. Goolsbee	-	-	-
3:00 PM	Brazil	Trade Balance Monthly	Mar	-	\$5447m
3:00 PM	USA	Speech L. Mester (Fed Cleveland)	-	-	-
4/5/2024 Friday					
6:00 AM	Eurozone	Retail Sales (MoM)	Feb	-0.3%	0.1%
8:00 AM	Brazil	FGV Inflation IGP-DI MoM	Mar	-	-0.41%
8:30 AM	Brazil	Budget Surplus	Feb	-42.7b	102.1b
9:30 AM	USA	Nonfarm Payrolls	Mar	215k	275k
9:30 AM	USA	Unemployment Rate	Mar	3.9%	3.9%
9:30 AM	USA	Average Hourly Earnings MoM	Mar	0.3%	0.1%



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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