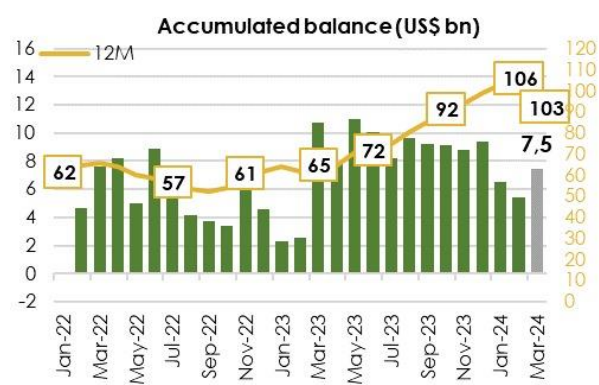
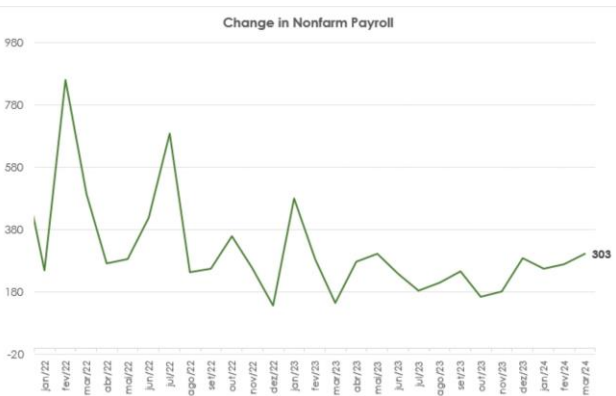


With the labor market heating up, the probability of a Fed Funds rate cut in June diminishes

Highlights

- Mixed data in the United States has raised uncertainty regarding the Federal Reserve's monetary policy stance.** Regarding economic activity, the March ISM services result brought some relief to market expectations, particularly due to the significant slowdown in Prices Paid (from 58.6% to 53.4%), contrary to the increase seen in the industrial index (from 52.5% to 55.8%), however, with the release of the Payroll data, which showed the creation of 303 thousand jobs in the month, well above the market's expectation of 214 thousand, mainly in the construction and manufacturing sectors, in line with the manufacturing data. Thus, despite the annualized maintenance of wage growth rate at 4.1%, the stronger result fuels the debate on the inflationary impact of the labor market, as well as alters the probabilities regarding the pace of policy adjustments.
- Therefore, we acknowledge that the scenario of a Fed Funds rate cut in June loses ground with recent data.** The reversal of goods deflation in the PCE, the acceleration of prices in the ISM manufacturing, and the very heated labor market reinforce a more cautious stance towards rate cuts, contradicting the Committee's precautionary speeches, even though Chairman Jerome Powell expresses that the overall economic outlook remains intact. For now, we maintain the scenario of 3 rate cuts, with the CPI release next week being crucial for expectations.
- In the domestic scenario, the highlight of the week was the extraordinary foreign exchange swap auction held on Tuesday (2nd) by the Central Bank.** Being the first intervention in the foreign exchange market since the beginning of the current government, the Central Bank justified the action as a measure to contain the effects of the redemption of NTN-A3, due on April 15th. However, since the authority sold the equivalent of \$1 billion in contracts, while the total amount of notes is around \$3.7 billion, the perception of the adopted conduct is that the Central Bank wanted to send a message to the market, that it is attentive to possible dysfunctions in the foreign exchange market and that if there are effective distortions, it will intervene again.
- Still in the external sector, declines in commodity prices underpin recent downward revisions to the 2024 trade surplus.** Last Thursday (04), along with the release of the consolidated trade balance for March, which recorded a surplus of \$7.5 billion for the month, the MDIC revised its year-end balance expectations from \$94.9 billion to \$73.5 billion, incorporating a decrease of around 26%. The main factor for the revision was the price effect on items such as soybeans, oil, and ore, whose weights in the balance are most significant, in addition to a reduction in exports due to a more subdued global demand. It is worth noting that in the last RTI, released last week, the Central Bank also incorporated downward revisions to the balance, going from \$73 billion to \$59 billion, reinforcing a lower contribution from external accounts as a basis for currency appreciation.



Source: BLS, MDIC, Buysidebrazil.



Economic Calendar

» In **Brazil**, the highlight of the week will be the release of the **closed IPCA for March**, which **we project to rise by 0.27% MoM**. Economic activity data like PMC and PMS will also be released.

» **Internationally**, attention will be focused on the release of the **March CPI** from the **United States**. On the monetary policy side, the release of the **FOMC minutes** and the Eurozone's interest rate decision will be awaited.

Date	Country	Event	Period	Survey	Prior
4/8/2024 Monday					
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$2075m
8:00 PM	USA	N. Kashkari Speech	-	-	-
4/9/2024 Tuesday					
5:00 AM	Brazil	FIPE CPI Weekly (MoM)	-	-	0.38%
7:00 AM	USA	NFIB Small Business Optimism	Mar	90.0	89.4
8:00 AM	Brazil	IGP-M (MoM)	Apr	-	-
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
4/10/2024 Wednesday					
9:00 AM	Brazil	IBGE Inflation IPCA MoM	Mar	0.27%	0.83%
9:30 AM	USA	CPI (MoM)	Mar	0.3%	0.4%
		Core (MoM)		0.3%	0.4%
1:45 PM	USA	Speech A. Goolsbee	-	-	-
2:30 PM	Brazil	IC-Br (MoM)	Mar	-	-
3:00 PM	USA	FOMC Meeting Minutes	-	-	-
3:00 PM	USA	Monthly Budget Statement	Mar	-	-\$296.3b
10:30 PM	China	PPI (YoY)	Mar	-2.8%	-2.7%
10:30 PM	China	CPI (YoY)	Mar	0.4%	0.7%
4/11/2024 Thursday					
9:00 AM	Brazil	Retail Sales (MoM)	Feb	-	2.5%
		Broad (MoM)		-	2.4%
9:15 AM	Eurozone	ECB Main Refinancing Rate	-	4.00%	4.00%
9:30 AM	USA	PPI (MoM)	Mar	0.3%	0.6%
		Core (MoM)		0.2%	0.3%
9:30 AM	USA	Initial Jobless Claims	-	-	-
9:45 AM	USA	Speech J. Williams (Fed New York)	-	-	-
1:00 PM	USA	S. Collins Speech	-	-	-
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
4/12/2024 Friday					
9:00 AM	Brazil	IBGE Services Volume (MoM)	Feb	-	0.7%
11:00 AM	USA	Conf. Board Consumer Confidence	Apr (P)	78.7	79.4
4:30 PM	USA	M. Daly Speech	-	-	-



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	4,90
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-29,8
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-1,5
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	78,0
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	72,0
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,7
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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