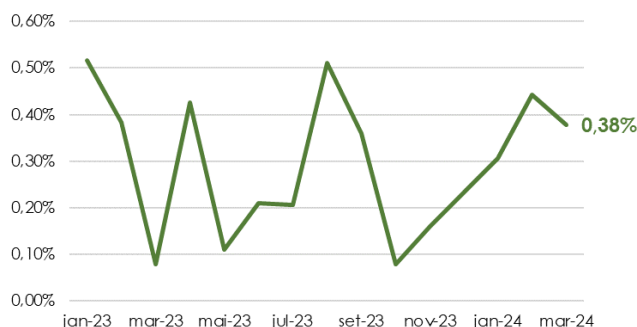


Scenario review: with adverse external conditions, the exchange rate will be more depreciated and the Selic rate higher in 2024

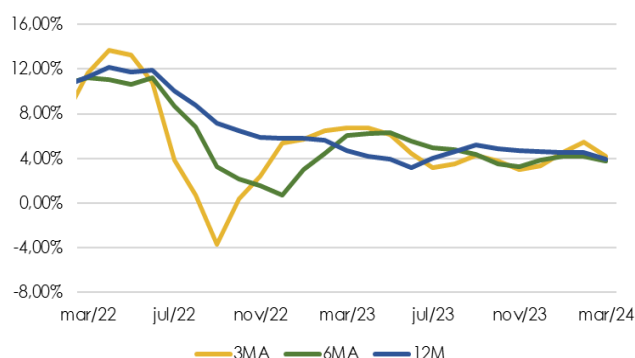
Highlights

- With worse consumer inflation data in the United States, the Fed should be even more cautious.** March CPI registered a 0.4% MoM increase, above market expectations (0.3%), with the core remaining stable at 0.4% MoM, against an expected cooling to 0.3%. Breakdowns showed a more negative composition, with significant pressure on Services, especially healthcare and transportation, along with the acceleration of the Supercore from 0.47% in February to 0.56% in March. Combined with stronger labor market data released last week, the reading is that the American economy remains heated, with a slowdown occurring at a slower pace than expected, directly impacting the Fed's monetary policy stance.
- Given this scenario, we revised our expectation of Fed Funds cuts from three to two decreases this year, with the cycle starting in September and another cut in December.** Considering the cautious speeches of Committee members, we understand that recent uncertainties regarding the pace of economic slowdown indicate maintenance of the rate at the current level until inflation data converge to more accommodative levels. In the last FOMC minutes, the more hawkish tone of the members brought with it the indication of a decrease in the pace of monthly Fed balance sheet reduction, with Treasuries halving (from \$60 billion to \$30 billion) while MBS remained at \$35 billion. Thus, with the decrease in reserve levels, it is expected that the pace of Quantitative Tightening reduction will occur soon.
- For the domestic environment, the implications of this conjuncture should occur through the exchange rate channel.** With the cut happening only in September, the tendency is for the US dollar to strengthen against emerging market currencies. In the analysis of the DXY, the index is expected to remain under pressure, especially with the European Central Bank signaling that it does not depend on the Fed to conduct its monetary policy. Thus, incorporating a more negative external scenario for the Real, we revised our exchange rate scenario from R\$4.90 to R\$5.10. On the monetary policy side, despite Central Bank President Roberto Campos Neto explicitly stating that there is no mechanical relationship between Fed Funds and Selic, the worsening outlook for the BC occurs via inflation model variables, indicating a slowdown in the pace of Selic cuts. Therefore, we expect a reduction in the pace to 0.25 pp already in June, with the rate ending the year at 9.25% (compared to the previously projected 8.75%).
- For domestic inflation, we maintain our scenario of 3.6% for 2024 and 3.4% for 2025.** March IPCA below expectations (0.16% MoM against our projection of 0.27%) reinforced our view that the worsening of services, especially underlying ones, should be limited to the first months of the year, due to annual adjustments. With the revision of Selic and exchange rates, we incorporate a more positive scenario for Services (from 4.8% to 4.6% in 2024), while Industrial Goods should reflect the currency depreciation (2.0% compared to 1.1%).

CPI (%) - MoM



IPCA



Source: BLS, IBGE, Buysidebrazil.



Economic Calendar

» In **Brazil**, the week with the least economic data highlights the release of the **IBC-BR (Economic Activity)** for **February** and the **IGP-10** for **April**.

» **Internationally**, attention will be focused

on the release of the March CPI for the Eurozone, retail data, and the release of the **Beige Book** from the **United States**, as well as the release of **China's 1st quarter GDP**.

Date	Country	Event	Period	Survey	Prior
4/15/2024 Monday					
3:30 AM	USA	L. Logan Speech	-	-	-
6:00 AM	Eurozone	Industrial Production (MoM)	Fev	0.8%	-3.2%
9:30 AM	USA	Empire Manufacturing	Abr	-7.0	-20.9
9:30 AM	USA	Retail Sales MoM	Mar	0.4%	0.6%
11:00 AM	USA	NAHB Housing Market Index	Abr	52	51
3:00 PM	Brazil	Trade Balance Weekly	-	-	\$2877m
9:00 PM	USA	M. Daly Speech	-	-	-
10:30 PM	China	New Home Prices (MoM)	Mar	-	-0.36%
11:00 PM	China	GDP (QoQ)	1Q	1.5%	1.0%
11:00 PM	China	GDP (YoY)	1Q	4.8%	5.2%
11:00 PM	China	Industrial Production (YoY)	Mar	6.0%	-
11:00 PM	China	Retail Sales (YoY)	Mar	5.0%	-
11:00 PM	China	Property Investment (YoY)	Mar	-9.2%	-9.0%
11:00 PM	China	Residential Property Sales (YoY)	Mar	-	-32.7%
11:00 PM	China	Unemployment Rate	Mar	5.2%	5.3%
4/16/2024 Tuesday					
8:00 AM	Brazil	IGP-10 (PPI MoM)	Abr	-	-0.17%
8:25 AM	Brazil	Focus (Central Bank Weekly Economist Survey)	-	-	-
9:30 AM	USA	Building Permits	Mar	1520k	1518k
9:30 AM	USA	Housing Starts	Mar	1480k	1521k
10:00 AM	USA	P. Jefferson Speech	-	-	-
10:15 AM	USA	Industrial Production (MoM)	Mar	0.4%	0.1%
10:15 AM	Brazil	GDP Monitor (FGV)	Fev	-	0.1%
4/17/2024 Wednesday					
5:00 AM	Brazil	FIPE CPI MoM	-	-	0.26%
6:00 AM	Eurozone	CPI MoM	Mar (F)	0.8%	0.8%
9:00 AM	Brazil	Economic Activity (MoM)	Fev	0.70%	0.60%
3:00 PM	USA	Federal Reserve Releases Beige Book	-	-	-
6:30 PM	USA	Speech L. Mester (Fed Cleveland)	-	-	-
7:30 PM	USA	M. Bowman Speech	-	-	-
4/18/2024 Thursday					
8:00 AM	Brazil	IGP-M (MoM)	Abr	-	-
9:30 AM	USA	Initial Jobless Claims	-	215k	211k
10:15 AM	USA	M. Bowman Speech	-	-	-
10:15 AM	USA	Speech J. Williams (Fed New York)	-	-	-
11:00 AM	USA	Leading Index	Mar	-0.1%	0.1%
11:00 AM	USA	Existing Home Sales	Mar	4.11m	4.38m
12:00 PM	USA	R. Bostic Speech	-	-	-
2:30 PM	Brazil	Foreign Exchange Flow Weekly	-	-	-
6:45 PM	USA	R. Bostic Speech	-	-	-
4/19/2024 Friday					
11:30 AM	USA	Speech A. Goolsbee	-	-	-



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	9,25
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,86	5,10
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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