

COPOM e FOMC: A Tale of Two Monetary Policies

Highlights

In the United States, the FOMC cut the interest rate by 25 basis points, as widely expected by the market. More important than the move itself were the signals regarding the next steps of monetary policy. Despite the more dovish tone of the statement, with softer concerns about inflation and greater emphasis on labor market deceleration, indications of a pause in early 2026 cannot be disregarded. The change in the second paragraph of the statement, with the insertion of the phrase "In considering the extent and timing of additional adjustments...", introduces more cautious language and was last used in December 2024, when the committee also temporarily paused the monetary adjustment cycle. There were three dissents in the decision, with one vote for a rate hike and two for keeping rates. In the individual forecasts of officials for the interest rate path, whose median points to an additional 25 basis points of cuts, the distribution of dots revealed significant division within the committee, with four additional officials, beyond the two who explicitly voted to hold, signaling a preference to maintain rates at the current level. This division deserves special attention given growing concerns about the changing composition of the board, which raises fears of a more dovish orientation aligned with Trump's preferences, in line with Stephen Miran's stance, who was the dissenting vote for a larger magnitude cut.

The monetary authority also signaled an increase in T-bill purchases by \$40 billion over the next 30 days, with a concrete possibility of extension until April, aiming to circumvent the typical liquidity reduction during the tax collection period. Although not formally classified as Quantitative Easing, whose main purpose is to push long-term rates down through direct purchases of longer-duration securities, the measure has the practical intention of maintaining bank reserves at healthy levels. By absorbing a significant portion of the market's short-term issuances, the Fed could induce investors to migrate to longer maturities, generating an effect similar to traditional QE, albeit in a milder and more indirect way. It is worth noting, however, that the \$40 billion amount is still modest to produce a substantial impact on this demand shift. This strategy gains particular relevance in the short term, even considering that Kevin Hassett, seen as the favorite to assume the Fed chair, is a known critic of balance sheet expansion.

In Brazil, the Copom unanimously decided to maintain the Selic rate at 15.0%, in line with market expectations. The tone of the statement was assessed as hawkish relative to market pricing, as it did not signal the possibility of an interest rate cut in January, even if conditional on an improvement in the scenario. Although the Committee made few changes to the text, members maintained the excerpt stating they will not hesitate to resume the adjustment cycle if deemed appropriate, which represents a significant barrier to monetary easing at the next meeting. Easing at the next meeting would require additional communication in the interval between the December and January meetings, which could be interpreted by market participants as inconsistency in the Committee's signaling. Considering the credibility consolidation effort undertaken by Chairman Galípulo in recent months, an abrupt shift in guidance without support from substantial additional data would be counterproductive for anchoring expectations.

Still regarding the statement, on the external scenario, the Committee removed the term "particular" when referring to the necessary caution, signaling a more comprehensive concern less concentrated on specific factors. On the domestic front, there were no major changes in the assessment of economic growth, but the description of the labor market was modified, changing from "still showing dynamism" to "shows resilience," suggesting a market that remains strong but with some accommodation underway. Regarding inflation, the Copom acknowledged that in the most recent releases, headline inflation and underlying measures continued to show some cooling, but remained above target. In the model, the Copom revised the inflation projection from 3.3% to 3.2% for the second quarter of 2027, with it being important to highlight that this revision was concentrated in administered prices, without significant new adjustments to free prices. Finally, the Committee assessed that the current strategy of maintaining the interest rate at its current level for a very prolonged period is adequate to ensure inflation convergence to the target, keeping the balance of risks symmetric.

Given this scenario, we have revised our expectation for the start of the interest rate cutting cycle from January to March 2026, postponing the outlook for monetary easing. This additional waiting period should establish the necessary conditions for the first cut to be 50 basis points, instead of the previously expected 25 basis points, enabled by the greater safety margin regarding inflation convergence to the target.

Economic Calendar

In Brazil, the domestic agenda will have as main highlights the release of the **Copom Minutes** on Tuesday and the **Monetary Policy Report** on Thursday. Both documents may provide additional clues about the next steps of the monetary authority, with it being particularly relevant to verify whether the Central Bank's inflation forecast for the third quarter of 2027 will be revised to 3.1%, as expected by the market. Additionally, we will learn the results of the IGP-10 and IBC-Br for November, as well as sectoral economic activity surveys and the GDP Monitor for October.

In the international scenario, the main highlights will be the release of the November **Payroll** on Tuesday and the November **CPI** on Thursday. The employment data gained additional relevance after the last FOMC statement emphasized the committee's attention to labor market deceleration, while the CPI will be fundamental to assess the American inflationary trajectory. Other relevant data include monetary policy decisions from the United Kingdom, Eurozone, and Japan.

Date	Country	Event	Period	Survey	Prior
12/15/25 Monday					
7:00	Eurozone	Industrial Production (MoM)	Oct	0,70%	0,20%
8:00	Brazil	IGP-10 (MoM)	Dec	-	0,18%
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	-	-	-
9:00	Brazil	Economic Activity Index (MoM)	Oct	-	0%
10:30	US	Empire Manufacturing	Dec	9,7	18,7
12:00	US	Construction Confidence	Dec	38	38
15:00	Brazil	Weekly Trade Balance	-	-	1923
-	Brazil	Fiscal Projections Report	-	-	-
16/12/25 Tuesday					
5:30	Germany	PMI Composite	Dec	52,4	52,4
6:00	Eurozone	PMI Composite	Dec	52,6	52,8
7:00	Germany	ZEW Survey Expectations	Dec	39,0	38,5
8:00	Brazil	Copom Minutes	-	-	-
10:15	Brazil	GDP Monitor (MoM)	Oct	-	-
10:30	US	Payroll	Nov	50k	-
10:30	US	Average Hourly Earnings (MoM)	Nov	0,3%	-
10:30	US	Unemployment Rate	Nov	4,4%	-
10:30	US	Retail Sales (MoM)	Oct	0,2%	0,2%
10:30	US	Core (MoM)	Oct	0,4%	-0,1%
11:45	US	PMI Composite	Dec	-	54,2
17/12/25 Wednesday					
5:00	Brazil	IPC-FIPE (MoM)	2º q - Dec	-	0,21%
6:00	Germany	IFO Business Climate	Dec	88,2	88,1
7:00	Eurozone	CPI (MoM)	Nov	-0,30%	-0,30%
7:00	Eurozone	Core (YoY)	Nov	2,40%	2,40%
8:00	Brazil	IGP-M - 2º Preview (MoM)	Dec	-	-
14:30	Brazil	Foreign Exchange Transactions	-	-	-
18/12/25 Thursday					
8:00	Brazil	Monetary Policy Report	4T25	-	-
9:00	UK	Monetary Policy Decision	Dec	3,75%	4,00%
10:15	Eurozone	Monetary Policy Decision	Dec	2,00%	2,00%
10:30	US	Initial Jobless Claims	-	-	-
10:30	US	CPI (MoM)	Nov	3,1%	-
10:30	US	Core (MoM)	Nov	3,0%	-
10:30	US	Philadelphia Fed Business Outlook	Dec	2,20%	-1,70%
11:00	Brazil	Central Bank Press Conference	-	-	-
-	Brazil	National Monetary Council	-	-	-
-	Japan	Monetary Policy Decision	-	0,75%	0,50%
19/12/25 Friday					
8:30	Brazil	External Sector Statistics: Current Account (USD bi)	Nov	-	-5,12
8:30	Brazil	IDP (USD bi)	Nov	-	10,94
12:00	Eurozone	Consumer Confidence	Dec	-14,0	-14,2
12:00	US	Consumer Confidence	Dec	-	53,3
12:00	US	One-Year Inflation Expectations	Dec	-	4,1
12:00	US	Five-to-Ten-Year Inflation Expectations	Dec	-	3,2
13:00	US	Kansas Services Activity Index	Dec	-	-7

Macroeconomic projections

	2019	2020	2021	2022	2023	2024	2025	2026
Brazil GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	2,1	1,8
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	6,1	6,4
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	4,4	4,0
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	15,00	12,25
Exchange Rate (end of period, R\$/US\$)	4,03	5,20	5,58	5,22	4,84	6,19	5,50	5,50
Current Account Transactions (US\$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-56,0	-76,3	-74,9
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-2,6	-3,5	-3,3
Trade Balance - BCB (US\$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	52,6	53,6
Foreign Direct Investment (US\$ billion)	69,2	37,8	46,4	87,2	62,0	71,1	66,8	75,0
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,2	3,1	3,3
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	-0,5	-0,5
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	76,1	79,4	83,7
United States - GDP (%)	2,5	-2,2	6,1	2,5	2,9	2,8	1,7	2,0
United States - PCE (%)	1,4	1,1	4,1	6,6	3,8	2,5	3,5	2,8
United States - Fed Funds Rate (end of period, %)	1,8	0,3	0,3	4,0	5,5	4,5	4,00	3,00

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