

On “Super Wednesday,” both the Fed and Copom are expected to opt for keeping interest rates unchanged

Highlights

Regarding monetary policy in the United States, our assessment is that the Fed is likely to keep interest rates unchanged at the January meeting, following three consecutive cuts since September.

Recent decisions have been marked by a high degree of dissent, with two policymakers arguing for keeping rates unchanged (Jeffrey Schmid of the Kansas City Fed and Austan Goolsbee of the Chicago Fed), and one member voting for a more aggressive 50-basis-point cut (Stephen Miran).

After the shift in tone in the latest statement, which signaled a pause to monitor the evolution of the macroeconomic environment, several officials emphasized that monetary policy is well positioned, operating at a moderately restrictive level, closer to the neutral rate. In addition, part of the committee indicated the need to observe further data before taking additional decisions, especially given that some recent releases were affected by the government shutdown.

The latest labor-market data point to a moderate cooling in December, partially reversing the sharper slowdown seen in October and November. The unemployment rate returned to 4.5%, while net job creation remained positive, albeit below market expectations.

On the inflation front, December CPI showed a slight acceleration, driven by pressures in seasonal items such as food, airfares, and lodging. On a year-to-date basis, headline inflation rose 2.7%, suggesting a more moderate impact from tariffs than initially expected. Still, the disinflation process in services remains slow, with growth still above 3%, keeping pressure on core inflation.

Regarding economic activity, third-quarter GDP surprised to the upside, mainly supported by stronger household consumption. However, the dynamics remain uneven: higher-income households continue to benefit from asset-price appreciation, while lower-income households adjust spending in response to higher prices, especially for essential items such as food. The quarterly result was also influenced by a sharp increase in exports, largely reflecting normalization after weakness in the previous quarter and one-off shipments of aircraft and energy (LNG), whose volumes are tied to previously established contracts and capacity, with no direct link yet to recent changes in trade policy or newly announced agreements.

Thus, this outlook of solid activity and gradual disinflation also supports the Fed's decision to keep rates unchanged.

Regarding monetary policy in Brazil, we expect Copom to keep the Selic rate unchanged at 15.0% at the next meeting, while nevertheless signaling a possible start of an easing cycle from March 2026 onward.

The Copom meeting scheduled for next Wednesday (January 28) will take place in an atypical environment, marked by institutional pressure on the Central Bank due to the scandals involving Banco Master. This heightened sense of uncertainty has led monetary authorities to devote more time and effort to discussions on banking regulation, and there have been no statements this month by Central Bank directors specifically addressing monetary policy. On an exceptional basis, the January meeting will have only seven members: Paulo Picchetti, Director of International Affairs and Corporate Risk Management, will also take on the Economic Policy Directorate following the departure of Diogo Guillen, while Gilneu Francisco, Director of Regulation, will also assume the Financial System Organization and Resolution Directorate, previously held by Renato Dias.

With respect to monetary policy, inflation expectations for the relevant horizons have not eased and have remained stable since the November meeting. On the inflation front, the most recent data have been mixed: December IPCA came in line with expectations, showing a clear deceleration trend, while the average of core measures reinforces a disinflationary scenario, albeit at a slower pace. On the other hand, underlying services inflation remains under pressure and closed 2025 above 6.0%, with expectations of moderation throughout the year, though still far from the target.

Economic activity continues to be the main challenge for the Central Bank. November data showed mixed signals: the initial activity releases, such as PIM and PMS, reinforced signs of a slowdown, albeit without an abrupt contraction, with slightly negative results below market expectations. In contrast, PMC and IBC-Br surprised to the upside, posting stronger-than-expected figures and pointing to still-resilient activity. It is worth noting, however, that retail sales were boosted by the exceptional performance of Black Friday, which calls for caution in interpreting these data and does not change the assessment of an ongoing slowdown.

Central Bank projections are unlikely to undergo significant changes, given the stable exchange-rate environment and anchored expectations. Still, a softening of the previously more restrictive tone is justified by the need to begin signaling a future interest-rate cutting cycle, even while taking into account reassessments related to a still-adverse external environment, particularly in the United States. In this context, Copom should acknowledge progress in the disinflation process and adopt more flexible communication, paving the way for the start of easing. In this sense, we believe that a data-dependent communication regarding the next steps of monetary policy would be appropriate. Accordingly, we maintain our expectation that the monetary easing cycle will begin only in March 2026.

Economic Calendar

In **Brazil**, the domestic agenda will be highlighted by the January IPCA-15, for which we expect 0.21%, along with unemployment data, Caged, and PNAD figures, as well as the Copom meeting, at which we expect interest rates to be kept unchanged.

On the **international** front, the key event is the FOMC meeting, where we also expect interest rates to remain unchanged. Another highlight is the release of the U.S. December PPI.

Date	Country	Event	Period	Survey	Buysidebrazil	Prior
01/26/26	Monday					
6:00	Germany	IFO Business Climate	jan/26	88,1	-	87,6
8:00	Brazil	Consumer Confidence	jan/26	-	-	90,2
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	jan/26	-	-	-
8:30	Brazil	Current Account (USD bn)	dez/25	-5,6 bi	-5,3 bi	-4,9 bi
		FDI (USD bn)		1,6 bi	1,0 bi	9,8 bi
10:30	US	Durable Goods Order (MoM)	nov/25	0,50%	-	-2,2%
12:30	US	Dallas Fed Manufacturing Index	jan/26	-	-	-10,9
15:00	Brazil	Weekly Trade Balance	jan/26	-	-	-
01/27/26	Tuesday					
5:00	Brazil	IPC-FIPE (MoM) - 3rd Week	jan/26	-	-	0,35%
8:00	Brazil	Homebuilder Confidence	jan/26	-	-	91,4
9:00	Brazil	IPCA-15 (MoM)	jan/26	0,22%	0,21%	0,25%
12:00	US	Richmond Fed Manufacturing Index	jan/26	-8	-	-7
12:00	US	Consumer Confidence	jan/26	90,1	-	89,1
12:30	US	Dallas Fed Services Index	jan/26	-	-	-3,3
01/28/26	Wednesday					
8:00	Brazil	Industry Confidence	jan/26	-	-	92,9
10:30	US	Trade Balance	dez/25	-	-	-85,5
14:30	Brazil	Foreign Exchange Transactions	jan/26	-	-	-
16:00	US	Monetary Policy Decision	jan/26	3,75%	3,75%	3,75%
16:30	US	Speech by Jerome Powell	-	-	-	-
18:30	Brazil	Monetary Policy Decision	jan/26	15,0%	15,0%	15,0%
01/29/26	Thursday					
5:55	Germany	Unemployment Rate	jan/26	6,30%	-	6,30%
7:00	Eurozone	Economic Confidence Indicator	jan/26	97,1	-	96,7
8:00	Brazil	IGP-M (MoM)	jan/26	-	-	-0,01%
8:00	Brazil	Commerce Confidence	jan/26	-	-	90,1
8:00	Brazil	Services Confidence	jan/26	-	-	-
8:30	Brazil	Credit Statistics	dez/25	-	-	10%
10:30	US	Nonfarm Productivity (QoQ)	set/25	4,90%	-	5%
10:30	US	Unit Labour Costs (QoQ)	set/25	-1,90%	-	-2%
10:30	US	Initial Jobless Claims	-	205k	-	-
01/30/26	Friday					
8:30	Brazil	Fiscal Policy Statistics	dez/25	-	-	-14,4 bi
9:00	Brazil	Unemployment Rate	dez/25	-	5,20%	5,20%
10:00	Germany	Harmonized CPI (MoM)	jan/26	-	-	0,2%
7:00	Eurozone	PIB (QoQ)	dez/25	0,30%	-	0,30%
7:00	Eurozone	Unemployment Rate	dez/25	6,30%	-	6,3%
10:30	US	PPI (MoM)	dez/25	0,20%	-	0,20%
10:30	US	Core (MoM)	dez/25	0,20%	-	-
22:30	China	PMI Composite	jan/26	-	-	50,70
-	Brazil	Definição da bandeira tarifária de energia elétrica	fev/26	-	Green	Green
In the week						
	Brazil	Central Government Primary Balance	dez/25	-	-	-20,2 bi
	Brazil	Monthly Public Debt Report	dez/25	-	-	-
	Brazil	Formal Job Creation	dez/25	-	-481k	85,9k

Macroeconomic projections

	2019	2020	2021	2022	2023	2024	2025	2026
Brazil GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	2,2	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	4,3	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	68,3	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	3,75	3,00

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