07/31/2026

Copom expected to deliver a 25 bp rate cut while reinforcing a data-dependent approach

Highlights

We expect the Copom to deliver a unanimous 25 bp cut to the Selic rate at its August meeting, bringing the policy rate to 14.00% p.a. This week's main highlight was the release of the July IPCA-15, which once again surprised to the downside and reinforced the view that the disinflation process continues to evolve in a qualitatively favorable manner. The slowdown in inflation was broadly based across the main components of the index, driven by a sharp decline in food-at-home prices, a more pronounced drop in fuel prices, and benign core inflation dynamics. Core inflation measures continued to moderate, while services inflation remained relatively contained, suggesting that the improvement extends beyond the most volatile components and reinforcing the view that the gradual disinflation process remains on track. Over the past 45 days, the domestic data flow has also become more supportive. In addition to the qualitative improvement in inflation, the first activity indicators for the second quarter have pointed to a gradual loss of economic momentum. Data on consumption, services and industrial production suggest a moderation in domestic demand, consistent with the lagged effects of the still-restrictive monetary policy stance. In the labor market, although employment remains resilient, wage growth has continued to ease, contributing to a more balanced demand outlook. In our view, this combination of developments reinforces the assessment that monetary policy remains sufficiently restrictive and supports our expectation of a continuation of the easing cycle. That said, we expect the Central Bank to preserve a cautious tone. Although recent inflation dynamics have evolved more favorably, inflation remains above target and inflation expectations continue to be unanchored, warranting prudence in the conduct of monetary policy. In addition, the external environment remains highly uncertain, particularly regarding developments in the Middle East conflict and their potential implications for commodity prices and global financial conditions. Against this backdrop, we expect the statement to acknowledge the improvement in inflation dynamics and the gradual moderation in economic activity, while emphasizing that future policy decisions will remain conditional on incoming data, preserving flexibility amid elevated domestic and external uncertainty.

On the international front, the main highlights of the week were the FOMC meeting and Kevin Warsh's press conference. As widely expected, the Federal Reserve left interest rates unchanged, reaffirming its commitment to price stability while maintaining a data-dependent approach to future policy decisions. Even so, the meeting drew attention due to the presence of three dissenting votes, highlighting differing views within the Committee regarding the appropriate timing for any further policy adjustment. While some participants argued for a more restrictive stance, Warsh supported the decision to keep rates unchanged, maintaining the view that the current level of interest rates remains appropriate given the current stage of the cycle. During the press conference, Warsh sought to convey the image of a Committee that remains broadly aligned around its core objectives, arguing that the observed disagreements reflect differences in strategy and timing rather than in commitment to restoring price stability. He repeatedly emphasized that the Federal Reserve remains fully committed to returning inflation to its 2% target and stated that the decision to leave rates unchanged should not be interpreted as a pause in the fight against inflation. In addition, he highlighted that financial conditions have tightened since the previous meeting, downplayed the importance of individual data releases, and reiterated that policy decisions will continue to be guided by broader economic trends, preserving a strong data-dependent approach. For now, we maintain our baseline scenario of an unchanged policy rate in the United States, as we believe the Fed is likely to keep monetary policy at its current restrictive stance while assessing the evolution of inflation, economic activity, and risks to the global outlook.

Economic Calendar

IIn Brazil, a lighter economic calendar will be highlighted by Wednesday's Copom interest rate decision, as well as the release of the first June activity data, with Industrial Production (PIM) taking center stage.

On the international front, the focus will be on the U.S. labor market data, along with the secondary July activity indicators.

Date	Country	Event	Period	Buysidebrazil	Prior
08/03/26	**Monday**				
8:25	Brazil	Central Bank Weekly Economist Survey (Focus)	jul/26		52,2
4:55	Germany	PMI Manufacturing	jul/26		52
5:00	Euroarea	PMI Manufacturing	jul/26		53,8
10:45	USA	**PMI Manufacturing**	jul/26		53,3
11:00	USA	**ISM Manufacturing**	jul/26		0,1
11:00	USA	Construction Spending (MoM)	jun/26		
08/04/26	**Tuesday**				
9:00	Brazil	**Industrial Production (MoM)**	jun/26	-0,8	-0,2
9:30	USA	Trade Balance	jun/26		77,6
11:00	USA	**JOLTS**	jun/26		7594
22:45	China	PMI Composite	jul/26		53,6
22:45	China	PMI Services	jul/26		54,1
08/05/26	**Wednesday**				
4:55	Germany	PMI Composite	jul/26		51,2
5:00	Euroarea	PMI Composite	jul/26		51,9
6:00	Euroarea	PPI (MoM)	jun/26		0,2
9:15	USA	**ADP**	jul/26		98
10:45	USA	PMI Composite	jul/26		53,6
11:00	USA	**ISM Services**	jul/26		54
14:30	Brazil	Weekly FX Flow	jul/26		
18:30	Brazil	**Monetary Policy Decision**	ago/26	14,00	14,25
08/06/26	**Thursday**				
6:00	Euroarea	Retail Sales (YoY)	jun/26		1,6
9:30	USA	Initial Jobless Claims	ago/26		
15:00	Brazil	**Monthly Trade Balance**	jul/26		9,758
08/07/26	**Friday**				
8:00	Brazil	IGP-DI (MoM)	jul/26		-0,79
9:30	USA	**Payroll**	jul/26		57k
9:30	USA	Average Hourly Earnings (MoM)	jul/26		0,3
9:30	USA	Unemployment Rate	jul/26		4,2
11:00	USA	Speech by T. Barkin (Fed Richmond)	-		-

Macroeconomic projections	2019	2020	2021	2022	2023	2024	2025	2026
Brazil GDP (%)	1,2	-3,3	4,8	3,0	2,9	3,4	2,3	**1,9**
Unemployment Rate (average, %)	12,0	13,8	13,2	9,3	8,0	6,6	5,6	**5,5**
IPCA (Consumer Price Index) (%)	4,3	4,5	10,1	5,8	4,6	4,8	4,3	**5,0**
Selic Rate (end of period, %)	4,50	2,00	9,25	13,75	11,75	12,25	15,00	**14,0**
Exchange Rate (end of period, R$/US$)	4,03	5,20	5,58	5,22	4,84	6,19	5,50	**5,15**
Current Account Transactions (US$ billion)	-68,0	-28,2	-46,4	-53,6	-28,6	-66,2	-68,8	**-52,9**
Current Account Transactions (% of GDP)	-3,6	-1,7	-2,9	-2,8	-1,4	-3,0	-3,0	**-2,3**
Trade Balance - BCB (US$ billion)	26,5	32,4	36,4	44,2	80,5	66,2	60,0	**78,0**
Foreign Direct Investment (US$ billion)	69,2	37,8	46,4	87,2	62,0	71,1	77,7	**75,0**
Foreign Direct Investment (% of GDP)	3,7	2,6	2,8	4,5	2,8	3,2	3,4	**3,3**
Primary Result of the Central Government (% of GDP)	-1,3	-9,8	-0,4	0,5	-2,3	-0,4	-0,4	**-0,2**
Gross Public Debt (% of GDP)	74,4	86,9	77,3	71,7	74,3	76,1	78,7	**83,7**
United States - GDP (%)	2,5	-2,2	6,1	2,5	2,9	2,8	2,2	**2,3**
United States - PCE (%)	1,4	1,1	4,1	6,6	3,8	2,5	2,9	**3,1**
United States - Fed Funds Rate (end of period, %)	1,8	0,3	0,3	4,0	5,5	4,5	3,75	**3,8**

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