buysidebrazil

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We revised our Fed Funds outlook and brought forward our rate hike call to September

Highlights

On the international front, inflation in the United States returned to the spotlight. July's PCE showed a slight reacceleration, with the headline index rising 0.16% MoM and the core advancing 0.25% MoM, both above expectations. The underlying details were less favorable, with the surprise concentrated in underlying inflation and broadly spread across goods and services, while more volatile components, such as energy and food, helped contain the headline index. Within services, some pressures remained relevant, reinforcing the view that the disinflation process remains gradual and has yet to show sufficiently consistent improvement. Against this backdrop, Kevin Warsh's speech at Jackson Hole reinforced a firmer stance on inflation. Warsh reiterated the Fed's commitment to the 2% target and highlighted that, despite the improvement from post-pandemic peaks, inflationary pressures remain broad, with the PCE diffusion index still above historical standards and a significant share of its components running above 3%. At the same time, he assessed that economic activity remains resilient and the labor market continues to be consistent with full employment, leaving inflation as the main concern for monetary policy. The combination of still-elevated inflationary pressures and firmer Fed communication led us to revise our monetary policy outlook. With Warsh indicating that the Fed needs to see inflation converging clearly and sufficiently quickly toward the target, and given the prospect of limited improvement in the near term, we brought forward our expectation for a 25 bps rate hike from January 2027 to September 2026.

In Brazil, this week's data provided a more favorable reading of current inflation, while labor market indicators sent divergent signals between the PNAD household survey and Caged data. The August IPCA-15 posted a 0.40% MoM decline, below consensus. In addition to the downside surprise in the headline index, the average of core inflation measures resumed its deceleration following the deterioration seen in July's full-month IPCA. A significant part of the downside surprise was concentrated in more volatile components, particularly fresh food and airfares, while a smaller-than-expected increase in cigarette prices following the recent adjustment also contributed to a softer reading for market-determined prices.Among underlying components, the average of core inflation measures slowed to 0.23% MoM, reversing part of the acceleration observed in July's full-month IPCA. Underlying services, on the other hand, remained relatively pressured, still influenced by automobile-related components. Overall, the reading therefore resumed a more favorable direction, although some heterogeneity remains across underlying components. In the labor market, July's PNAD continued to point to considerable resilience, with the unemployment rate declining to 5.3% in the unadjusted series and remaining broadly stable at around 5.5% after seasonal adjustment. Employment continued to expand despite some increase in the labor force, while real earnings resumed growth at the margin and the real wage bill maintained a positive trajectory.

Caged, on the other hand, provided a clearer sign of moderation in formal job creation. Net job creation came in at 58.6k, well below the median expectation, in a significantly weaker reading than suggested by the PNAD. The loss of momentum was concentrated mainly in services and commerce, while wages posted a slight increase at the margin. Despite the divergence between the two surveys, the Caged result adds evidence that the slowdown in economic activity is beginning to reach labor demand, although this movement is not yet broadly visible across other labor market indicators. Taken together, the improvement in current inflation and the early signs of labor market moderation support our scenario of one additional 25 bps cut in the Selic rate.

Economic Calendar

In Brazil, the main highlight of the week will be the release of second-quarter GDP, for which we expect growth of 0.3% QoQ, as well as July industrial production.

Abroad, attention will be focused on U.S. labor market data, particularly JOLTS, ADP, and Payrolls, which should provide further signals on the evolution of labor demand.

Time	Country	Event	Reference	Median	Buysidebrazil	Previous
31/08/26	**Monday**					
8:25	Brazil	Focus Survey	ago-26	-		-
8:30	Brazil	**Fiscal Policy Report**	jul-26	-	-55	-55,3
9:00	Germany	Harmonized CPI (YoY)	ago-26	-		2,8
11:30	US	Dallas Fed Manufacturing Survey	ago-26	-		1,3
22:45	China	Manufacturing PMI	ago-26	-		50,9
01/09/26	**Tuesday**					
4:55	Germany	Manufacturing PMI	ago-26	-		54,1
5:00	Euro Area	Manufacturing PMI	ago-26	-		52,8
6:00	Euro Area	CPI (YoY)	ago-26	-		2,9
6:00	Euro Area	Unemployment Rate	jul-26	-		6,3
9:00	Brazil	**GDP (QoQ)**	jun-26	0,4	0,3	1,1
9:00	Brazil	**GDP (YoY)**	jun-26	1,8	1,7	1,8
10:45	US	Manufacturing PMI	ago-26	-		53,2
11:00	US	**ISM Manufacturing**	ago-26	55,4		55,6
11:00	US	**JOLTS**	jul-26	7300		7359
11:00	US	Construction Spending (MoM)	jul-26	-0,1		-0,1
11:30	Brazil	LFT and NTN-B Auction	-	-		-
11:30	US	Dallas Fed Services Activity Index	ago-26	-		6,6
02/09/26	**Wednesday**					
9:00	Brazil	**Industrial Production (MoM)**	jul-26	0,2	0,0	-1,8
9:15	US	**ADP Employment**	ago-26	39		44
11:00	US	Factory Orders (MoM)	jul-26	0,1		-0,3
11:30	US	Crude Oil Inventories	ago-26	-		-
14:30	Brazil	Weekly FX Flow	ago-26	-		-
15:00	US	Beige Book	set-26	-		-
22:45	China	Composite PMI	ago-26	-		50,8
03/09/26	**Thursday**					
5:00	Euro Area	Composite PMI	ago-26	-		52,1
9:30	US	Speech by C. Waller (Federal Reserve Board)	-	-		-
9:30	US	Trade Balance	jul-26	-71,6		-73,3
9:30	US	Initial Jobless Claims	ago-26	-		-
10:45	US	Composite PMI	ago-26	-		56
11:00	US	**ISM Services**	ago-26	54,3		54,1
11:30	Brazil	NTN-F and LTN Auction	-	-		-
04/09/26	**Friday**					
3:00	Germany	Factory Orders (MoM)	jul-26	-		3,1
6:00	Euro Area	Retail Sales (MoM)	jul-26	-		-0,3
9:30	US	**Nonfarm Payrolls**	ago-26	55		-23
9:30	US	Average Hourly Earnings (MoM)	ago-26	0,2		0,1
9:30	US	Unemployment Rate	ago-26	4,2		4,1
15:00	Brazil	Monthly Trade Balance	ago-26	-		7,067

Macroeconomic projections	2020	2021	2022	2023	2024	2025	2026	2027
Brazil GDP (%)	-3,3	4,8	3,0	2,9	3,4	2,3	**1,9**	**1,6**
Unemployment Rate (average, %)	13,8	13,2	9,3	8,0	6,6	5,6	**5,5**	**6,0**
IPCA (Consumer Price Index) (%)	4,5	10,1	5,8	4,6	4,8	4,3	**5,0**	**5,0**
Selic Rate (end of period, %)	2,00	9,25	13,75	11,75	12,25	15,00	**13,8**	**12,0**
Exchange Rate (end of period, R$/US$)	5,20	5,58	5,22	4,84	6,19	5,50	**5,20**	**5,30**
Current Account Transactions (US$ billion)	-28,2	-46,4	-53,6	-28,6	-66,2	-68,8	**-53,3**	**-52,0**
Current Account Transactions (% of GDP)	-1,7	-2,9	-2,8	-1,4	-3,0	-3,0	**-2,0**	**-1,9**
Trade Balance - BCB (US$ billion)	32,4	36,4	44,2	80,5	66,2	60,0	**83,8**	**85,0**
Foreign Direct Investment (US$ billion)	37,8	46,4	87,2	62,0	71,1	77,7	**85,0**	**80,0**
Foreign Direct Investment (% of GDP)	2,6	2,8	4,5	2,8	3,2	3,4	**3,2**	**3,0**
Primary Result of the Central Government (% of GDP)	-9,8	-0,4	0,5	-2,3	-0,4	-0,4	**-0,4**	**-0,4**
Gross Public Debt (% of GDP)	86,9	77,3	71,7	74,3	76,1	78,7	**83,7**	**87,3**
United States - GDP (%)	-2,2	6,1	2,5	2,9	2,8	2,2	**2,2**	**2,1**
United States - PCE (%)	1,1	4,1	6,6	3,8	2,5	2,9	**3,6**	**2,6**
United States - Fed Funds Rate (end of period, %)	0,3	0,3	4,0	5,5	4,5	3,75	**4,0**	**4,3**

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