

Brazil Flash

CB to continue cutting the SELIC at a 50bps pace in the months ahead

By leaving the monetary policy minutes practically unchanged, the CB signalled that it is not currently planning to change its recent monetary easing strategy. This, therefore, reinforces our view that the SELIC rate will reach 7% in the last quarter of the year, following the two additional 50bps cuts we expect to be announced in August and October.

- **CB refrained from signalling the end of the current easing cycle**

Differently from what some were expecting and from what some local rumours suggested, the CB refrained from showing a more optimistic tone and from suggesting the end of the current monetary cycle is near. The monetary authority insisted on its previous messages: “disinflationary” external environment, “parsimony”, focus on the external sector, favourable balance of risks for inflation... Among the few non-insignificant changes introduced in today’s monetary policy minutes were a downward revision of CB’s inflation forecasts (which continue showing convergence to the 4.5% target by the end of this year and prices over the official target in 2013), one comment about domestic activity (“a more intense rhythm of activity this semester”) and another one about the external environment (“The Committee identifies a reduction in the probability of an extreme event in international financial markets” although “recent evolution indicates a postponement of a final answer for the financial crises in Europe. All in all, we see support in the today’s minutes to our view on interest rates: SELIC at 7.0% after two additional 50bps in August and October.

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El BC debe continuar recortando el SELIC a un ritmo de 50 puntos básicos en los próximos meses

EL BC sugirió que no está, al menos en este momento, planeando alterar su estrategia de flexibilización monetaria al dejar el acta de la última reunión de política monetaria prácticamente intacta. Esto refuerza nuestra previsión de que el SELIC alcanzará el 7,0% en el último trimestre del año tras los dos recortes adicionales de 50 puntos básicos que esperamos para agosto y octubre.

Para ver más acerca de Brasil, [haga clic aquí](#)

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