

## Brazil | No changes in sight for interest rates

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The Monetary Policy Committee (Copom) decided to leave the Selic rate at 14.25%. The fact that two members of the Committee favored a 50bp hike and the lack of changes in the communique suggest that an eventual easing of monetary conditions is not imminent.

### Stable interest rates, as expected

In line with expectations, the Monetary Policy Committee (Copom) decided to leave the Selic rate unchanged at 14.25%, the level at which it has been since July 2015. This is already the longest spell with stable interest rates since 2009, and therefore the longest since president Alexandre Tombini assumed the command of the monetary authority at the beginning of 2011. We expect the stability of the Selic interest rate to last until the beginning of 2017, when a lower inflation should allow it to be cut. The view that interest rates will be left unchanged for a while was reinforced by the accompanying statement released with the monetary policy decision yesterday. The document was left practically unchanged in comparison to the previous communique (“Considering the macroeconomic outlook and the perspectives for inflation and the actual balance of risks, and considering the domestic and, primarily, external uncertainties, the Copom decided to hold the Selic rate at 14.25%”). Hence, it refrained from signaling any changes in monetary policy moving forward. Moreover, as in the previous decision, two of the eight Copom members voted for a 50 bp hike, which in our view also suggests that an eventual easing of monetary conditions is not imminent. We expect the monetary policy minutes to be released next Thursday to reinforce this view.

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