

Brazil Flash

SELIC reaches all-time low

After two consecutive 75bps cuts, Brazil's Monetary Policy Committee (COPOM) decided yesterday night to reduce the SELIC rate by 50bps to 8.50%, an all-time low. We expect a final cut, to be announced in July, to leave the SELIC at 8.25%, but there are still important domestic and external downside risks.

- **Smaller cut, same statement**

In line with expectations, the COPOM slowed down the pace of monetary easing from 75bps to 50bps. The cut announced by the monetary authority leaves the SELIC at 8.50%, 25bps less than the previous low recorded in the aftermath of the Lehman Brothers crisis. The accompanying statement was identical to the one released after the previous meeting: "The COPOM considers that at this moment there are limited risks for the inflation path. The Committee also notes that, up to now, the contribution of the external sector has been disinflationary, given the fragility of the global economy. Therefore, continuing the monetary adjustment process, the COPOM decided, by a unanimous vote, to reduce the SELIC to 9 percent per year, without bias."

- **More monetary easing ahead**

We expect the monetary authority to continue adjusting the SELIC rate down. More precisely, we expect a final 25bps cut to be announced in the next meeting in July. However, the repetition of the accompanying statement used in the previous meeting shows that keeping the 50bps adjustment pace in July is not unlikely. Moreover, the still important domestic and external risks hovering around the economy suggest that the announcement of more cuts after July and, therefore, the SELIC below 8.0% should not be seen with surprise.

For more on Brazil, [click here](#)

El SELIC alcanza su mínimo histórico

Tras dos recortes de 75bps consecutivos, el Comité de Política Monetaria (COPOM) del Banco Central decidió ayer por la noche reducir los tipos SELIC en 50 puntos básicos hasta el 8,50%, un mínimo histórico. Esperamos que en la próxima reunión, en julio, un recorte final deje los tipos de interés en 8,25%, pero hay importantes riesgos, internos y externos, a la baja.

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