

Brazil Flash

Monetary policy minutes suggest the adoption of a “wait-and-see” position and reiterate the use of parsimony in next moves

The minutes of the [last monetary policy meeting](#) brought no big news: the tone and the wording of previous minutes were kept practically unchanged. In particular, the references to a disinflationary external environment and to a parsimonious conduction of future monetary policy were included once more. In our view, today's minutes shows that i) the CB will adopt a wait-and-see position and ii) that the chances of a 50bps cut in July are now higher than before.

- **No important changes in CB's inflation forecasts**

Not only the tone and the wording of the minutes were kept practically unchanged, also CB's inflation forecasts. The monetary authority continues expecting inflation to be close to the target by the end of the year and above 4.5% by the end of 2013. The forecasts for 2012, actually, declined (exact figures were not provided) in spite of a sharp depreciation of the exchange rate and lower interest rates, which is probably related to positive inflationary surprises in the last few months and to a more negative external environment.

- **We expect a final SELIC cut in July, but additional easing should not be ruled out**

We continue expecting a final SELIC cut to be delivered in July. Although our call is for a 25bps cut, by keeping the minutes practically unchanged the CB could be suggesting the adjustment pace will be also kept unchanged at 50bps. Anyway, the government will have some time to assess forthcoming inflation data and, especially, to see how global risks will evolve before deciding the future SELIC path. Even though we continue seeing a pause after July as the most likely scenario, global risks are too omnipresent and this CB is too dovish for us to discard additional monetary easing.

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