

Monetary easing in several countries should support global economy

Overview

- **Economic activity indicators must still be closely monitored, despite some signs of stabilization by the end of the second quarter.** China's GDP dropped from 6.4% to 6.2% between the first and second quarters, but industry and retail have showed some stability in June. The gap between industrial and trade performance persists in the U.S. Amidst uncertainties surrounding a potential trade agreement between the U.S. and China, expectations regarding interest rate cuts in several countries should support the deceleration of the global economy.
- **The U.S. interest rate cut is expected later this month.** The Fed President, Jerome Powell, shared his view on global risks during a speech made this week. He and other Fed representatives reinforce the need to adopt a looser monetary policy in the U.S. We expect two 25 bp cuts in the U.S. interest rate this year, starting on July 31st. The central banks of South Korea and Indonesia announced a 25 bp cut in their benchmark interest rates this week. Negative surprises with local activity and inflation below the targets in both countries supported these decisions. Canada and Thailand (and perhaps even Mexico and Turkey) are expected to follow in these same footsteps. The currencies of emerging nations continued to appreciate amidst this scenario.
- **The Brazilian Monetary Policy Committee (Copom) should also reduce the Selic rate in July.** There are no major inflationary pressures in play. Brazil's GDP should reveal a growth of 0.2% in the second quarter. Confidence among industrial executives is at a low level, despite the slight improvement seen this month. The adoption of stimuli such as the release of FGTS and PIS/PASEP funds – to be announced over the next few days, according to authorities – does not change our view regarding the monetary loosening cycle. The reason is that these measures will have a temporary effect, mainly in the third quarter, in line with the GDP growth forecast of 0.8% for 2019..

The week ahead

- **All eyes are now turned to the upcoming release of the IPCA-15 indicator and business/consumer surveys next week.** The IPCA-15 should reveal a 0.11% increase in July. Once again, the indicator should reflect controlled inflation, with core below 3.0%. The surveys may show some improvement in confidence, albeit still at a low level, with varying performance results regarding current situation perceptions and expectations (improving).
- **Highlights in the global scenario include preliminary activity indicators for July.** This data will help paint a better picture of the global scenario, which could be entering a period of stability. In the U.S., second-quarter GDP results should point a slowdown, driven by consumption outpacing investments.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
Monday 07/22				
08:00	Brazil	FGV: Industrial Confidence (Jul - P)		
08:25	Brazil	BCB: Focus Survey		
10:00	Brazil	CNI: Industrial Confidence (Jun)		
15:00	Brazil	MDIC: Trade Balance (weekly)		
Tuesday 07/23				
09:00	Brazil	IBGE: Consumer Price Index (IPCA-15) (Jul)		0.11% (MoM)
10:00	Brazil	CNI: Construction Confidence (Jun)		
Wednesday 07/24				
08:00	Brazil	FGV: Consumer Confidence (Jul)		
12:30	Brazil	BCB: Currency Flows (weekly)		
04:30	Germany	Markit: Composite PMI (Jul - P)	52.2	
05:00	Eurozone	Markit: Composite PMI (Jul - P)		
Thursday 07/25				
05:00	Brazil	FIPE: Consumer Price Index (weekly)		
08:00	Brazil	FGV: Retail Confidence (Jul)		
10:30	Brazil	BCB: Current Account Balance (Jun)		
10:30	Brazil	BCB: Foreign Direct Investment (Jun)		
-	Brazil	Federal Debt Total (Jun)	R\$ 118.1 b	
05:00	Germany	Ifo Business Climate (Jul)	97.5	
08:45	Eurozone	Central bank meeting	0%	0%
09:30	USA	Initial Jobless Claims - Weekly		
Friday 07/26				
08:00	Brazil	FGV: Construction Confidence (Jul)		
08:00	Brazil	FGV: Construction Costs (Jul)		
10:30	Brazil	BCB: Press Release - Monetary Policy (Jun)		
14:30	Brazil	Central Govt Budget Balance (Jun)		- R\$ 10.4 b
09:30	USA	GDP (2Q - P)	1.7% (QoQ)	
-	Colombia	Central bank meeting	4.25%	
During the week				
-	Brazil	Caged: Formal Job Creation Total (Jun)	24.8k	60k
-	Brazil	Tax Collections (Jun)	R\$ 117.7 b	R\$ 115 b

	2017	2018	2019
Consumer inflation - IPCA (%)	2.95	3.75	3.80
GDP growth (%)	1.1	1.1	0.8
Industrial Production (%)	2.5	1.1	0.6
Retail Sales (%)	4.0	5.0	4.5
Job Creation (in thousands)	264	1316	368
Unemployment Rate (% of labor force, avg)	12.7	12.3	12.9
Outstanding Credit Growth (%)	-0.5	5.0	7.5
Trade Balance (USD bn)	64.0	53.6	54.5
Current Account (USD bn)	-7.2	-14.5	-16.0
Exchange Rate (BRL/USD, eop)	3.31	3.87	3.80
Selic Rate (% eop)	7.00	6.50	5.50
Primary Balance (BRL bn)	-111	-108.3	-130
Gross Debt (% of GDP)	74.1	76.7	77.8

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