

Reopening of some countries and more favorable economic indicators sustain market improvement

Overview

- **Some countries are beginning to reopen on a larger scale throughout the world.** Following in Asia's footsteps, Europe and regions of the US have begun to adopt a gradual relaxation of social distancing measures. The combination of successful experiences, for the time being, measured by the drop in the virus reproduction rate, as well as better-than-expected data from the Chinese economy in early 2Q20 and positive surprises with the May PMI indexes contribute to strengthening asset prices. A stronger outlook for some degree of recovery in the world economy also supported an upswing in commodity prices leading to the appreciation of most emerging markets' currencies. The signaling of strong fiscal stimuli from China reinforces this expectation.
- **However, several risks still remain. A possible second wave of contagion cannot be ruled out.** The next 2 to 3 weeks will be crucial to assess the success of the reopening process as well as to calibrate any measures that require some adjustment. The magnitude of the impact on the financial health of companies as well as on the job market is not yet fully known and will remain a concern. While acknowledging the challenging moment, Fed Chairman Jerome Powell reiterated his commitment to using all available tools to support recovery of the U.S. economy. The intensification of tensions related to the pandemic between the United States and China also reappears as an economic risk.
- **In line with observations throughout the world, there are early signs of some accommodation of the impact on domestic economic activity.** High frequency retail indicators, evidence from some industries resuming production and the first May surveys point to a small improvement compared to April. In any case, the data available thus far suggest a significant drop in the GDP for this quarter.
- **The curve of cases in Brazil has not yet stabilized, which should happen throughout June.** In line with the late onset of the contagion when compared to the northern hemisphere, the country is at an earlier stage in the evolution of the disease and is still registering an increase in cases.

The week ahead

- **The highlight of the domestic agenda is the 1Q20 GDP report.** Already reflecting the impact of the pandemic on the economy in March, we expect a 2% drop compared to 4Q19. Credit data for April and the May inflation preview will help measure the pulse of the economy in the second quarter.
- **New surveys abroad remain in the spotlight.** China's PMI indices will indicate whether the improvement rate recorded in April persists in May. A new reading of the U.S. GDP will portray to what extent the U.S. economy worsened in 1Q20.

Time	Country	Event	Forecast (Bloomberg)	Forecast (Depec)
Monday 05/25				
08:00	Brazil	FGV: Consumer Confidence (May)		
08:00	Brazil	FGV: Retail Confidence (May)		
08:25	Brazil	BCB: Focus Survey		
15:00	Brazil	MDIC: Trade Balance (weekly)		
-	USA	National Holiday - Closed markets		
03:00	Germany	GDP (1Q - F)	-2.2% (QoQ)	
05:00	Germany	IFO Business Climate (May)	79	
Terça-Feira 26/05				
05:00	Brazil	FIPE: Consumer Price Index (weekly)		
08:00	Brazil	FGV: Construction Costs (May)		
08:00	Brazil	FGV: Construction Confidence		
09:00	Brazil	IBGE: Consumer Price Index (IPCA-15) (May)	-0.37% (MoM)	-0.51% (MoM)
09:30	Brazil	BCB: Current Account Balance (Apr)		US\$ 3.3 b
08:00	Mexico	GDP (1Q - F)	-1.6% (QoQ)	-1.6% (QoQ)
11:00	USA	Consumer Confidence (May)	87	
Wednesday 05/27				
08:00	Brazil	FGV: Industrial Confidence (May)		
14:30	Brazil	BCB: Currency Flows (weekly)		
--	Brazil	Federal Debt Total (Apr)		
15:00	USA	Fed: Beige Book		
Thursday 05/28				
08:00	Brazil	FGV: IGP-M (May)		0.27% (MoM)
08:00	Brazil	FGV: Services Confidence (May)		
09:00	Brazil	IBGE: Unemployment Change (Apr)		12.9%
09:30	Brazil	BCB: Press Release - Monetary Policy (Apr)		
14:30	Brazil	Central Govt Budget Balance (Apr)		-R\$ 120 b
09:00	Germany	CPI (May - P)		
09:30	USA	Initial Jobless Claims - Weekly		
09:30	USA	GDP (1Q - P)	-4.8% (QoQ)	-4.8% (QoQ)
Friday 05/29				
09:00	Brazil	IBGE: GDP (1Q)		-2.0% (QoQ)
09:00	Brazil	IBGE: PPI Manufacturing (Apr)		
09:30	Brazil	BCB: Press Release - Fiscal Policy (Apr)		
--	Brazil	Aneel: Tariff range (Jun)		
06:00	Eurozone	CPI (May - P)		
09:30	USA	Personal Spending (Apr)	-12.6% (MoM)	
09:30	USA	Personal Income (Apr)	-6.8% (MoM)	
11:00	USA	University of Michigan Sentiment (May - F)		
--	Colombia	Central bank meeting	2.75%	2.75%

	2017	2018	2019	2020
GDP growth (%)	1.3	1.3	1.1	-4.0
Consumer inflation - IPCA (%)	2.95	3.75	4.3	2.2
Wholesale inflation - IGP-M (%)	-0.5	7.5	7.3	4.6
Selic Rate (% eop)	7.00	6.50	4.50	2.25
Exchange Rate (BRL/USD, eop)	3.31	3.87	4.03	4.90
Industrial Production (%)	2.5	1.0	-1.1	-3.0
Retail Sales (%)	4.0	5.0	3.9	-6.5
Job Creation (in thousands)	1899	966	1816	-1418
Unemployment Rate (% of labor force, avg)	12.7	12.3	12.1	13.7
Outstanding Credit Growth (%)	-0.5	5.1	6.5	1.0
Trade Balance (USD bn)	64.0	53.0	39.4	43.4
Current Account (USD bn)	-15.0	-41.5	-50.8	-27.6
Primary Balance (BRL bn)	-111	-108.3	-62	-645
Gross Debt (% of GDP)	74.1	76.5	75.8	89.9

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