

Copom: serenity now

- ▶ The Copom delivered the almost unanimously expected decision, leaving the base rate unchanged at 15%pa. Committee members stated, as well, that they intend to start an easing cycle in the next meeting – a message that was also widely expected. While easing, the committee notes that, in order to ensure convergence to the target, policy will keep an adequate degree of restrictiveness. The statement indicates that the Copom's commitment to the target requires serenity regarding the pace and magnitude of the cycle, and will depend on the degree of confidence its members develop about convergence. For now, we expect a 25-bp cut in the next policy meeting. We will wait for the release of the meeting minutes next Tuesday, to reassess. Still, we do not envisage a cycle much larger than 225bps, taking the base rate to 12.75%pa this year.

Main changes in inflation forecasts and balance of risks

Inflation forecasts presented in the latest meetings by the Copom					
Period	July	September	November	December	January
IPCA 2026	3.6%	3.6%	3.6%	3.5%	3.4%
Relevant Horizon (RH)**	3.4% (1Q27)	3.4% (1Q27)	3.3% (2Q27)	3.2% (2Q27)	3.2% (3Q27)
Market-set prices 2026	3.5%	3.5%	3.6%	3.6%	3.5%
Market-set prices RH**	3.3% (1Q27)	3.3% (1Q27)	3.2% (2Q27)	3.2% (2Q27)	3.1% (3Q27)
Regulated prices 2026	4.0%	3.8%	3.4%	3.2%	3.0%
Regulated prices RH**	3.9% (1Q27)	3.8% (1Q27)	3.5% (2Q27)	3.4% (2Q27)	3.3% (3Q27)
Exogenous variables					
Exchange rate* (BRL/USD)	5.55	5.40	5.40	5.35	5.35
Selic rate (Focus) 2026	12.50%	12.38%	12.25%	12.25%	12.25%
Inflation expectations (Focus) 2026	4.4%	4.3%	4.2%	4.2%	4.0%

*Average observed on the ten business days ending on the last day of the week before the Copom meeting. Additionally, the exchange rate starts at the mentioned values and evolves according to the purchasing power parity (PPP) afterwards.

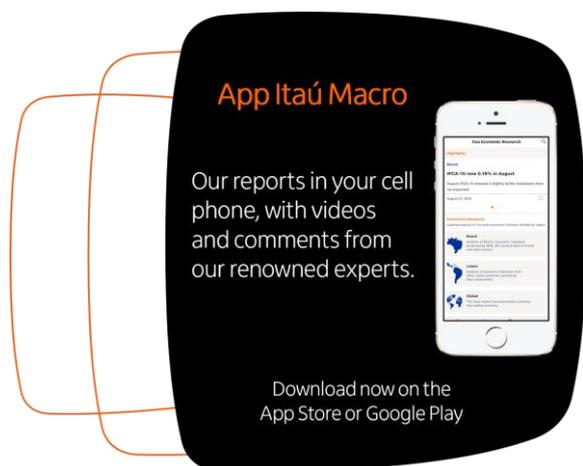
**Projection for six quarters ahead, the current relevant horizon for monetary policy, according to the new continuous inflation target system, effective from January 1, 2025 onwards.

Source: Central Bank, Itaú.

Factors mentioned in the balance of risks by the Copom in the latest meetings (orange = change compared to the previous meeting)					
November		December		January	
Upside risks	Downside risks	Upside risks	Downside risks	Upside risks	Downside risks
(i) a more prolonged period of deanchoring of inflation expectations; (ii) a stronger-than-expected resilience of services inflation due to a more positive output gap; (iii) a conjunction of internal and external economic policies with a stronger-than-expected inflationary impact, for example, through a persistently more depreciated currency	(i) a greater-than-projected deceleration of domestic economic activity, impacting the inflation scenario; (ii) a steeper global slowdown stemming from the trade shock and the scenario of heightened uncertainty; (iii) a reduction in commodity prices with disinflationary effects	(i) a more prolonged period of deanchoring of inflation expectations; (ii) a stronger-than-expected resilience of services inflation due to a more positive output gap; (iii) a conjunction of internal and external economic policies with a stronger-than-expected inflationary impact, for example, through a persistently more depreciated currency	(i) a greater-than-projected deceleration of domestic economic activity, impacting the inflation scenario; (ii) a steeper global slowdown stemming from the trade shock and the scenario of heightened uncertainty; (iii) a reduction in commodity prices with disinflationary effects	(i) a more prolonged period of deanchoring of inflation expectations; (ii) a stronger-than-expected resilience of services inflation due to a more positive output gap; (iii) a conjunction of internal and external economic policies with a stronger-than-expected inflationary impact, for example, through a persistently more depreciated currency	(i) a greater-than-projected deceleration of domestic economic activity, impacting the inflation scenario; (ii) a steeper global slowdown stemming from the trade shock and the scenario of heightened uncertainty; (iii) a reduction in commodity prices with disinflationary effects

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