

## Copom Minutes: ready to pull the trigger

- ▶ The Copom minutes delivered the message that the statement failed to: it made it clear that the whole committee, not just some members, stands ready to hike the Selic rate in case recent trends in inflation expectations and exchange rate dynamics persist. The committee notes the clear deterioration of the inflation outlook, captured by its forecasts and by a balance of risks that, according to several Copom members, is tilted up. All in all, the minutes shows a committee that stands ready to hike, provided the currency stays where it is. Since we reckon the BRL shall strengthen in the coming weeks, as global markets calm down, we keep, for now, the call that the Selic will remain at 10.50% pa for the time being. If the BRL fails to react, then a hiking cycle, starting in September, will become inevitable.

### Main changes in inflation forecasts and balance of risks

In the tables below, we repeat the projections and balance of risks already presented in our report on the Copom decision last week. The inflation and Selic rate forecasts extracted from the Focus survey also refer to those published in the week of the decision.

Inflation forecasts presented in the latest meetings by the Copom						
Period	March	May	June**		July**	
	Reference	Reference	Reference	Alternative (constant Selic rate)	Reference	Alternative (constant Selic rate)
IPCA 2024	3.5%	3.8%	4.0%	4.0%	4.2%	4.2%
IPCA 2025	3.2%	3.3%	3.4%	3.1%	3.6%	3.4%
IPCA 1Q26***	-	-	-	-	3.4%	3.2%
Regulated prices 2024	4.4%	4.8%	4.4%	-	5.0%	-
Regulated prices 2025	3.9%	4.0%	4.0%	-	4.0%	-
Exogenous variables						
Exchange rate* (BRL/USD)	4.95	5.15	5.30		5.55	
Selic rate (Focus) 2024	9.00%	9.63%	10.50%	10.50%	10.50%	10.50%
Selic rate (Focus) 2025	8.50%	9.00%	9.50%	10.50%	9.50%	10.50%
Selic rate (Focus) 2026	8.50%	8.75%	9.00%	10.50%	9.00%	10.50%
Inflation expectations (Focus) 2024	3.79%	3.72%	3.96%		4.10%	
Inflation expectations (Focus) 2025	3.52%	3.64%	3.80%		3.96%	
Inflation expectations (Focus) 2026	3.50%	3.50%	3.60%		3.60%	

\*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.

\*\*The Copom presented an alternative scenario (in addition to the reference scenario) for its inflation projections, considering the Selic rate constant at the current level.

\*\*\*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 = new inclusion compared to the previous meeting)

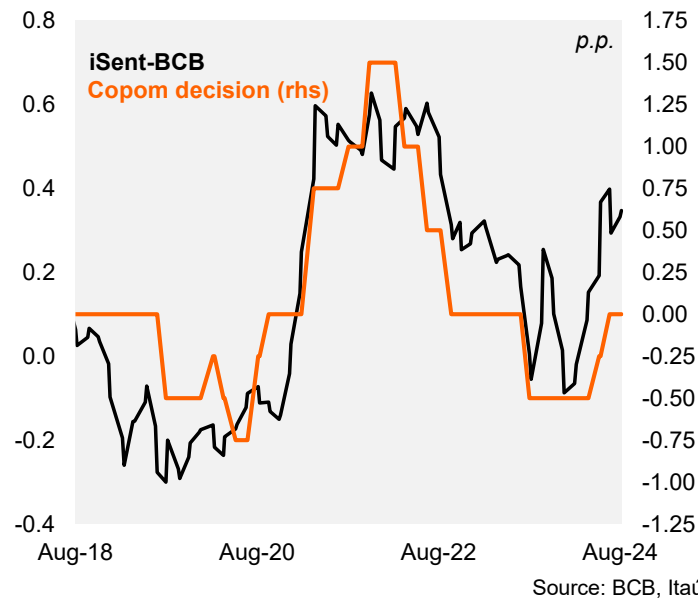
May*		June		July	
Upside risks	Downside risks	Upside risks	Downside risks	Upside risks	Downside risks
(i) persistence of global inflationary pressures (ii) stronger than expected resiliency on services inflation due to a tighter output gap	(i) greater deceleration of the global economic activity (ii) an impact on global inflation larger than expected from synchronized monetary policy tightening	(i) persistence of global inflationary pressures (ii) stronger than expected resiliency on services inflation due to a tighter output gap	(i) greater deceleration of the global economic activity (ii) an impact on global inflation larger than expected from synchronized monetary policy tightening	(i) a more prolonged period of unanchoring of inflation expectations (ii) a stronger-than-expected resilience of services inflation due to a tighter output gap (iii) a conjunction of internal and external economic policies with an inflationary impact, for example, through a persistently more depreciated currency	(i) greater deceleration of the global economic activity (ii) an impact on global inflation larger than expected from synchronized monetary policy tightening

\*Despite keeping the balance of risks unchanged at the May meeting, the Copom mentioned that the domestic and external scenario will remain more uncertain, requiring greater caution in the conduct of monetary policy.  
 Source: Central Bank, Itaú.

**iSent, Itaú's Central Bank Sentiment Classifier**

Our [iSent Central Bank Classifier](#)<sup>1</sup> remains in positive territory, posting a small increase at the margin (0.35).

Classifier in positive territory



<sup>1</sup> Based on GPT-4, developed by our data science team using sentences published in central bank's official documents labeled by our economists. Our labeled dataset consists of approximately 1,000 sentences extracted from official documents published by the Brazilian Central Bank. Each sentence was classified as dovish, neutral, hawkish, or out of context. The index is constructed on the relative presence of each class. The index ranges from -1 to 1, getting higher as the tone is perceived as more hawkish. iSent-BCB shows good adherence to current and future moves in interest rates in Brazil (correlation around 0.8).

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