

# Fixed Income & Economics Daily

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## FX & RATES STRATEGY RESEARCH

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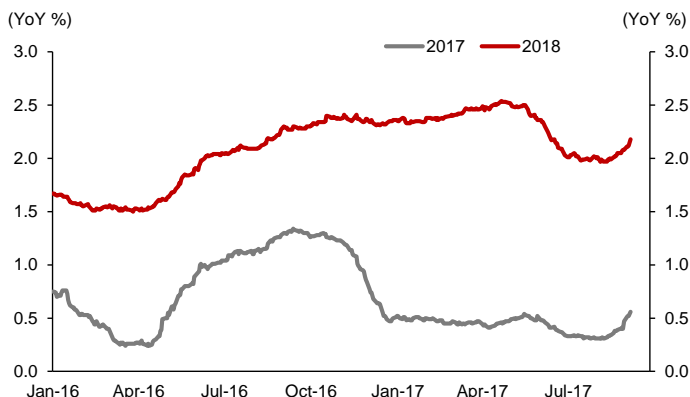
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### • BRAZIL: Market's inflation and growth expectations improve

#### BRAZIL: Market's inflation and growth expectations improve

- Following August's lower-than-expected inflation reading, in the latest Focus Survey, end-2017 inflation expectations improved to 3.14% yoy from 3.38% yoy a week ago. The 2018 forecast was also revised down to 4.15% yoy from 4.18% yoy, below the 4.5% inflation target.
- GDP forecasts also improved in the latest Focus Survey. The median GDP forecasts for 2017 increased to 0.60% yoy from 0.5% a week ago, while forecasts for 2018 also improved to 2.1% yoy from 2.0% yoy.
- Selic forecasts for end-2017 and end-2018 were revised down by 25bps. Market participants now expect the Selic rate to end at 7.00% and 7.25%, in 2017 and 2018, respectively.
- Finally, FX remained almost unchanged and the *real* is seen trading at USDBRL 3.2 and 3.4 in December 2017 and 2018, respectively.
- Our Economists expect GDP growth at 0.5% yoy and 2.5% yoy for 2017 and 2018, respectively, and they expect the Selic rate to end at 7.50% this year.

#### Real GDP Growth Average Forecasts



Source: BCB, Bloomberg.

#### IMPORTANT DISCLOSURES/CERTIFICATIONS ARE ATTACHED.

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