

# Banco Central do Brasil: monetary policy implementation

XII Meeting of Heads of Central Banking Operations

Central Bank Operations in Latin America

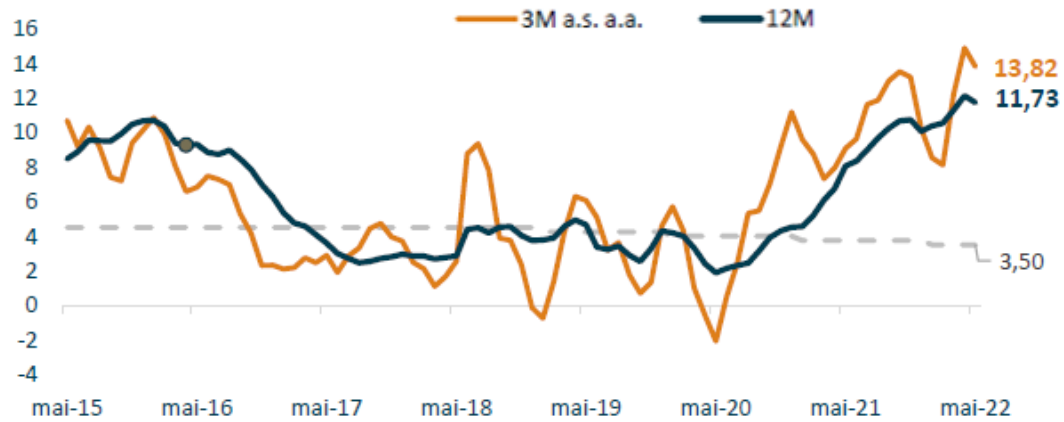
CEMLA

André Amante

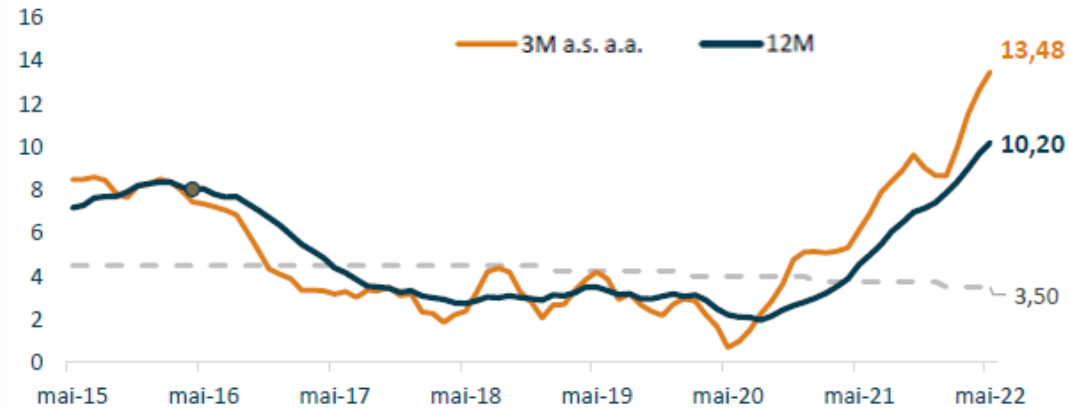
Head of the Open Market Operations Department

June 27th, 2022

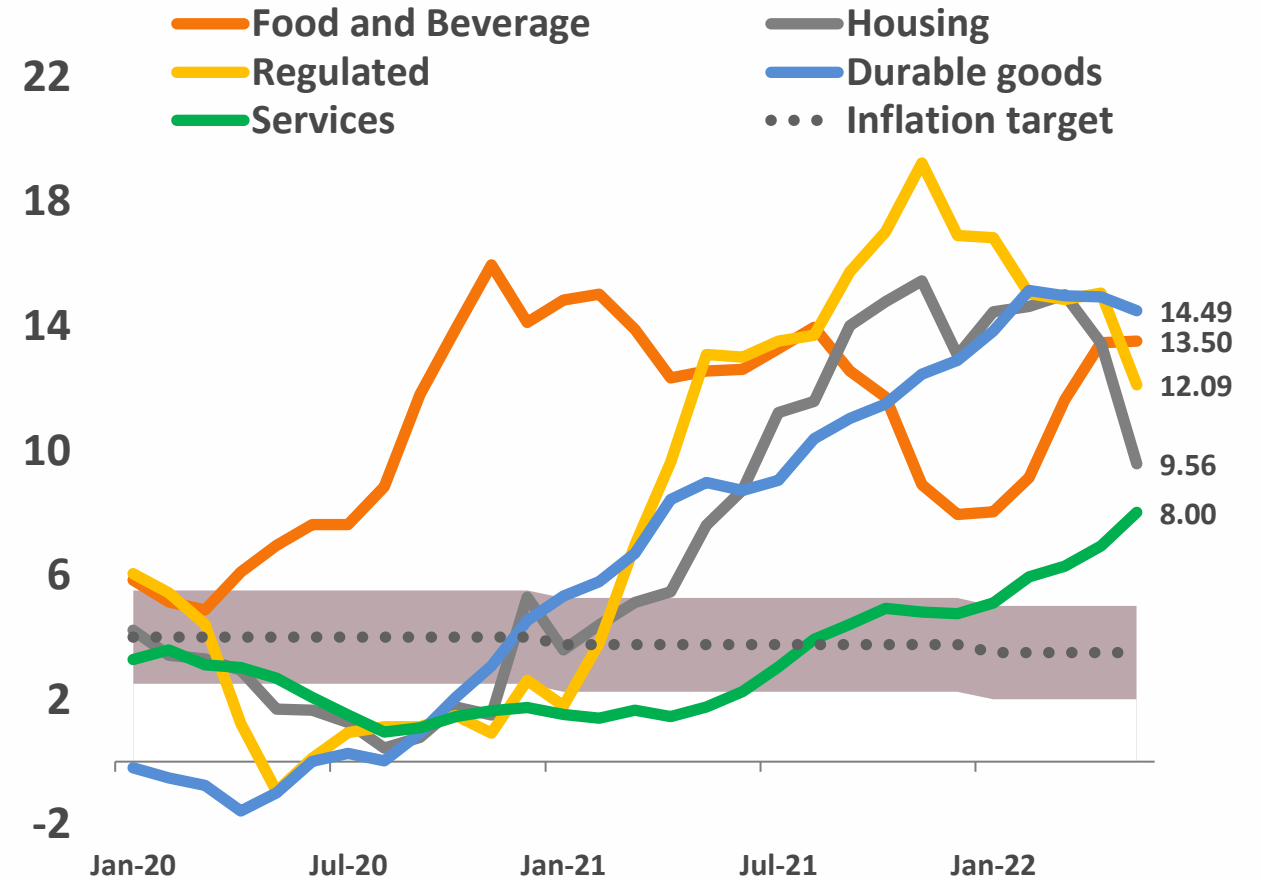
Consumer price inflation: IPCA (%)



Average core inflation measures (%)



Consumer price inflation: IPCA (%)

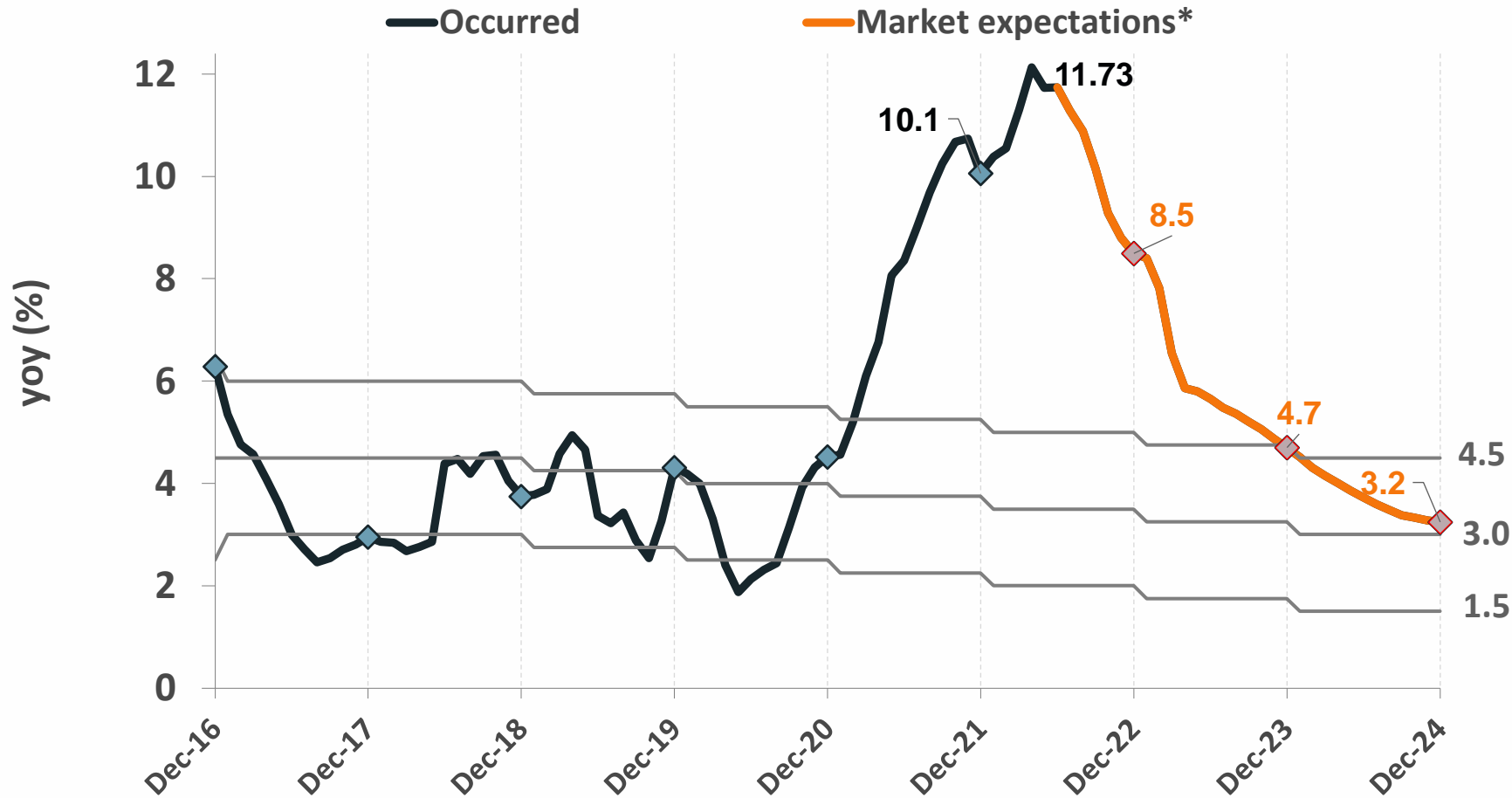


Source: Bloomberg e BCB

# Monetary Policy

# Brazil: CP inflation and mkt expectations(%)

Consumer price inflation and market expectations (%)



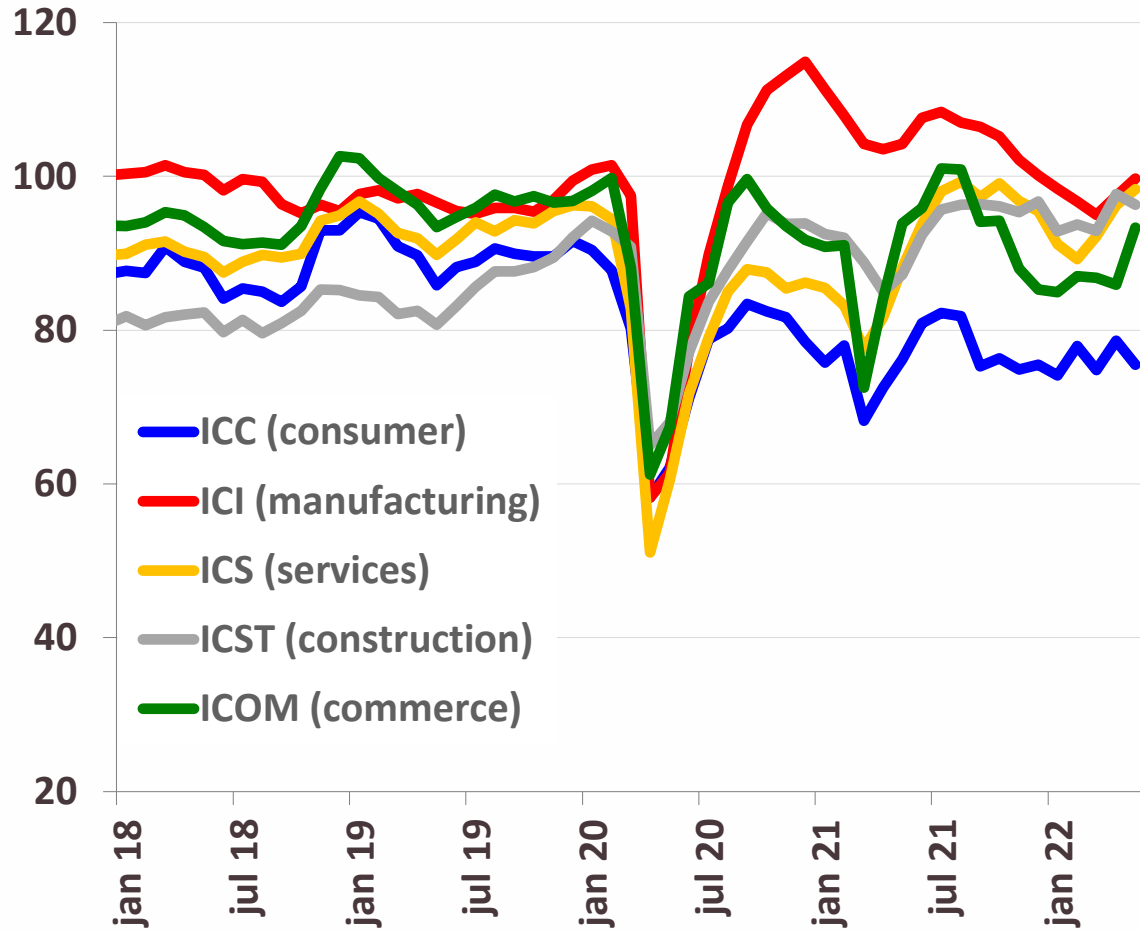
Source: BCB

\*as of June 10<sup>th</sup>

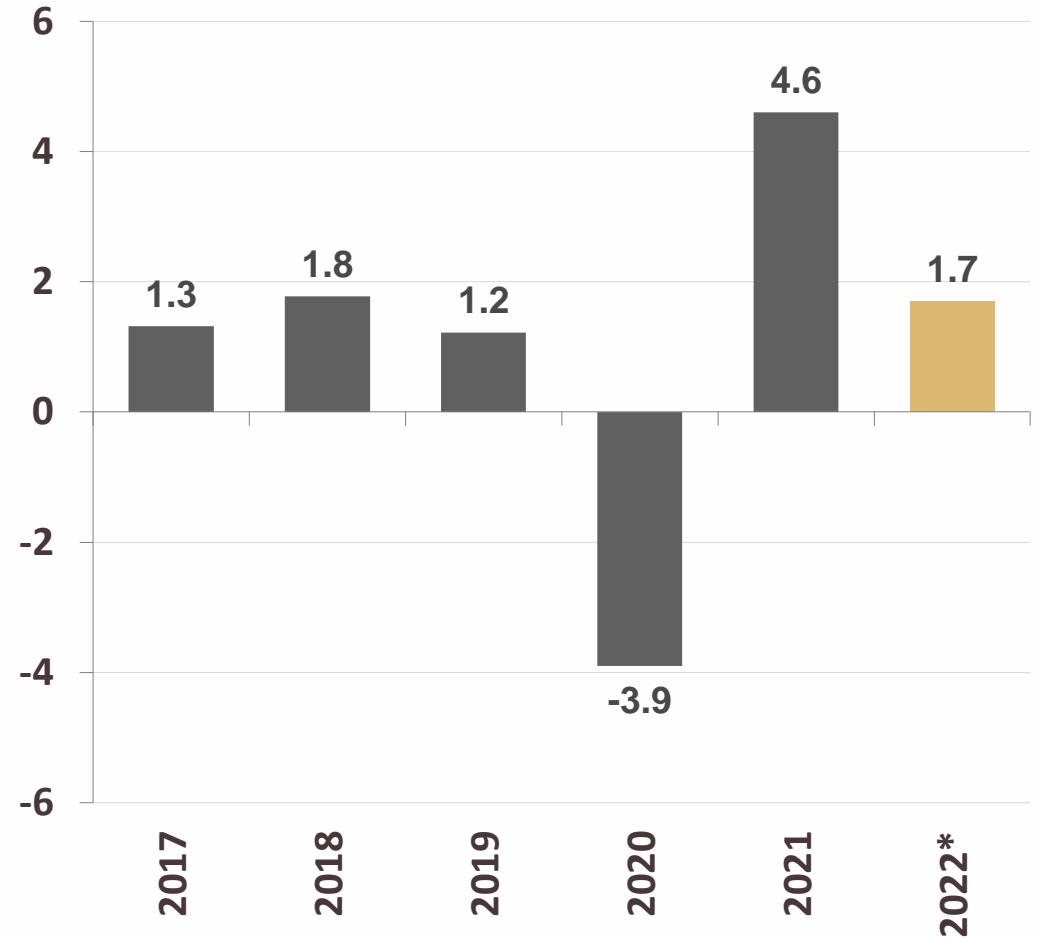
# Monetary Policy

## Brazil: confidence indexes and GDP growth

### Confidence indexes (FGV)

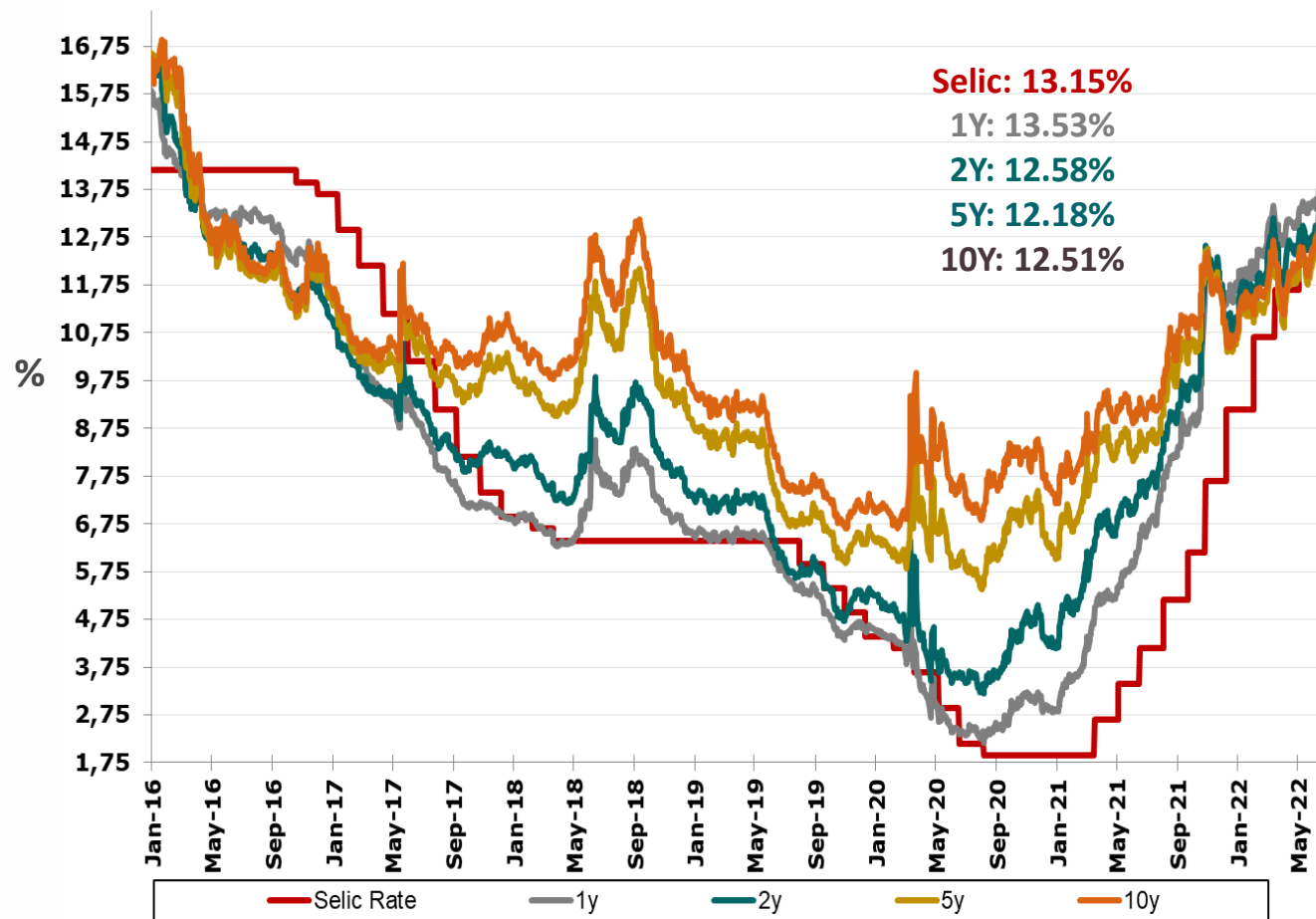


### GDP growth (%)



Source: IBRE/FGV, BCB (\*) Expected

MPC Selic rate and domestic yield curve (%)



Source: BCB, B3 Exchange

The BCB has decided to increase the Selic rate by 50 basis points to 13.25% at its June MPC meeting.

The Committee emphasizes that it will persist in its strategy until the disinflation process and the expectation anchoring around its targets consolidate.

For its next meeting, the Committee foresees a new adjustment, of the same or lower magnitude.

The Committee emphasizes that its future policy steps could be adjusted to ensure the convergence of inflation towards its targets and will depend on the evolution of economic activity, on the balance of risks, and on inflation expectations and projections for the relevant horizon for monetary policy.

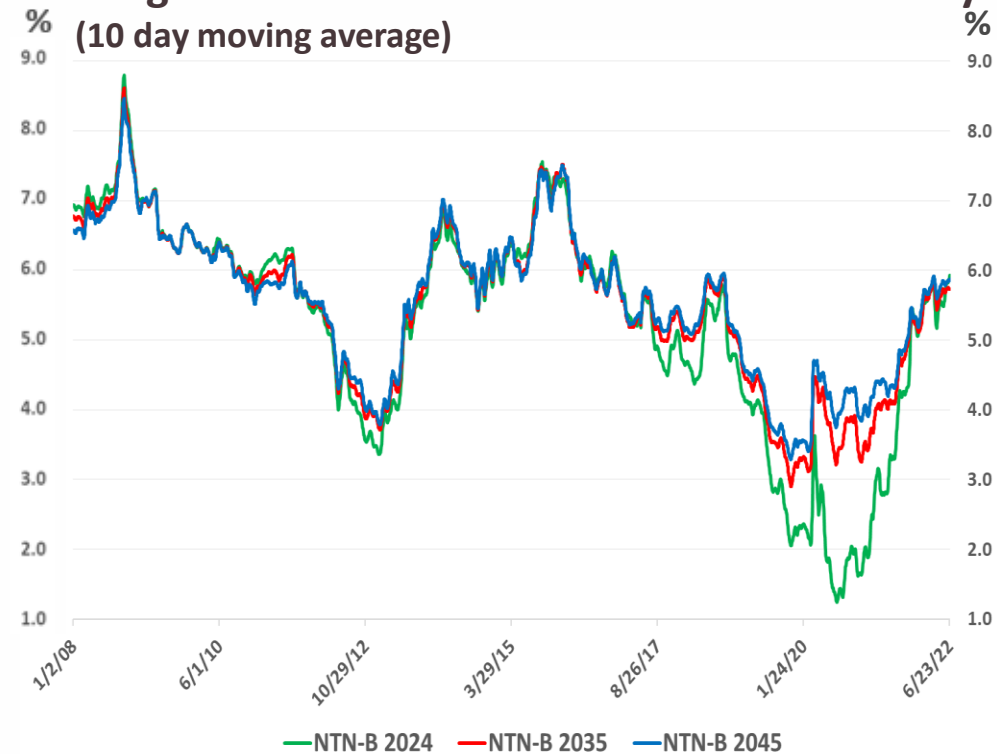
# Monetary Policy

## Brazil: real interest rates

Long-term real rates: inflation linked Treasury bonds



Long-term real rates: inflation linked Treasury bonds (10 day moving average)



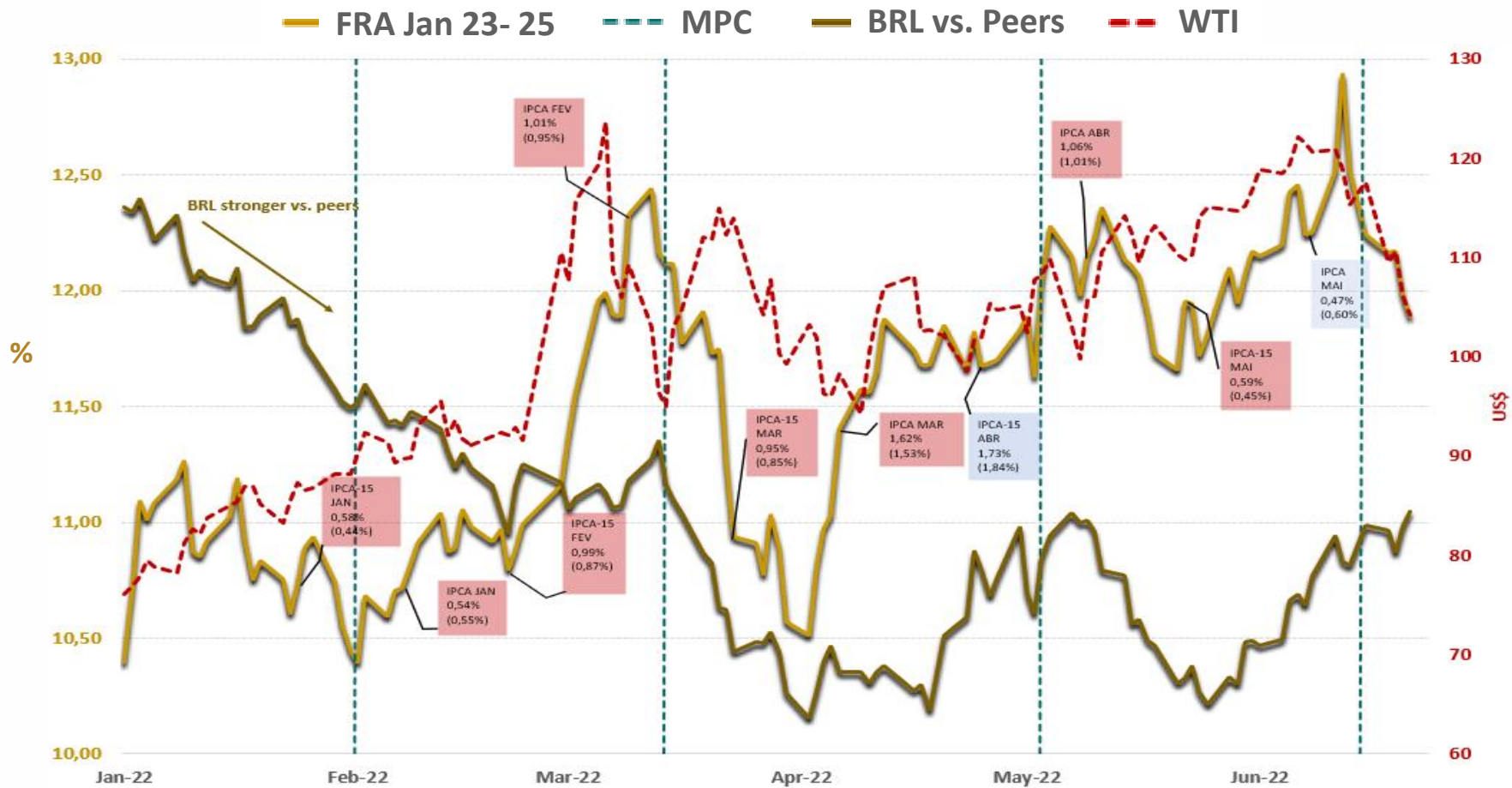
	Year - forward rate (per year)										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Average (2022-2031)
Copom JUN-23	4,11%	5,71%	4,95%	4,92%	5,27%	5,35%	5,43%	5,81%	5,96%	6,03%	5,35%
Copom MAY-4	2,60%	5,83%	5,48%	5,45%	5,59%	5,60%	5,47%	5,78%	5,85%	5,81%	5,34%
Copom MAR-16	4,77%	6,32%	5,44%	5,50%	5,83%	5,89%	5,82%	6,06%	6,07%	6,01%	5,77%

Source: Anbima, BCB

# Monetary Policy

# Brazil: forward rates and Oil prices (WTI)

Forward rates (%) and Oil prices (WTI).



Source: BCB, Bloomberg, B3 Exchange

# Monetary Policy Policy and market implied rates (6m and 12m)

MONETARY POLICY PRICING							
Region/Country	Rate (%)	05/04/2022		06/23/2022		Range Monetary Policy Rate since 2008 vs. Current Rate	
		Rate (%)	Princing next 6 months basis points	Rate (%)	Princing next 6 months basis points		Princing next 12 months basis points
<b>America</b>							
United States	0,88		+209	1,63↑	+180	+182	
Canada	1,00		+169	1,50↑	+188	+197	
Mexico	6,50		+187	7,75↑	+250	+287	
Chile	7,00		+169	9,00↑	+55	-143	
Brazil	11,75		+143	13,25↑	+53	-43	
Colombia	6,00		+308	6,00↑	+402	+413	
<b>EMEA</b>							
Eurozone	-0,50		+62	-0,50	+138	+214	
United Kingdom	0,75		+138	1,25↑	+153	+185	
Russia	14,00		-186	9,50↓	-90	-145	
South Africa	4,25		+96	4,75↑	+146	+248	
Turkey	14,00		+905	14,00	+2.297	+2.595	
<b>Asia</b>							
Australia	0,35		+221	0,85↑	+242	+294	
New Zealand	1,50		+186	2,00↑	+209	+198	
Japan	-0,10		-2	-0,10	+5	+12	
China	2,10		+19	2,10	+56	+65	
India	4,40		+272	4,90↑	+146	+227	
Korea	1,50		+52	1,75↑	+127	+202	

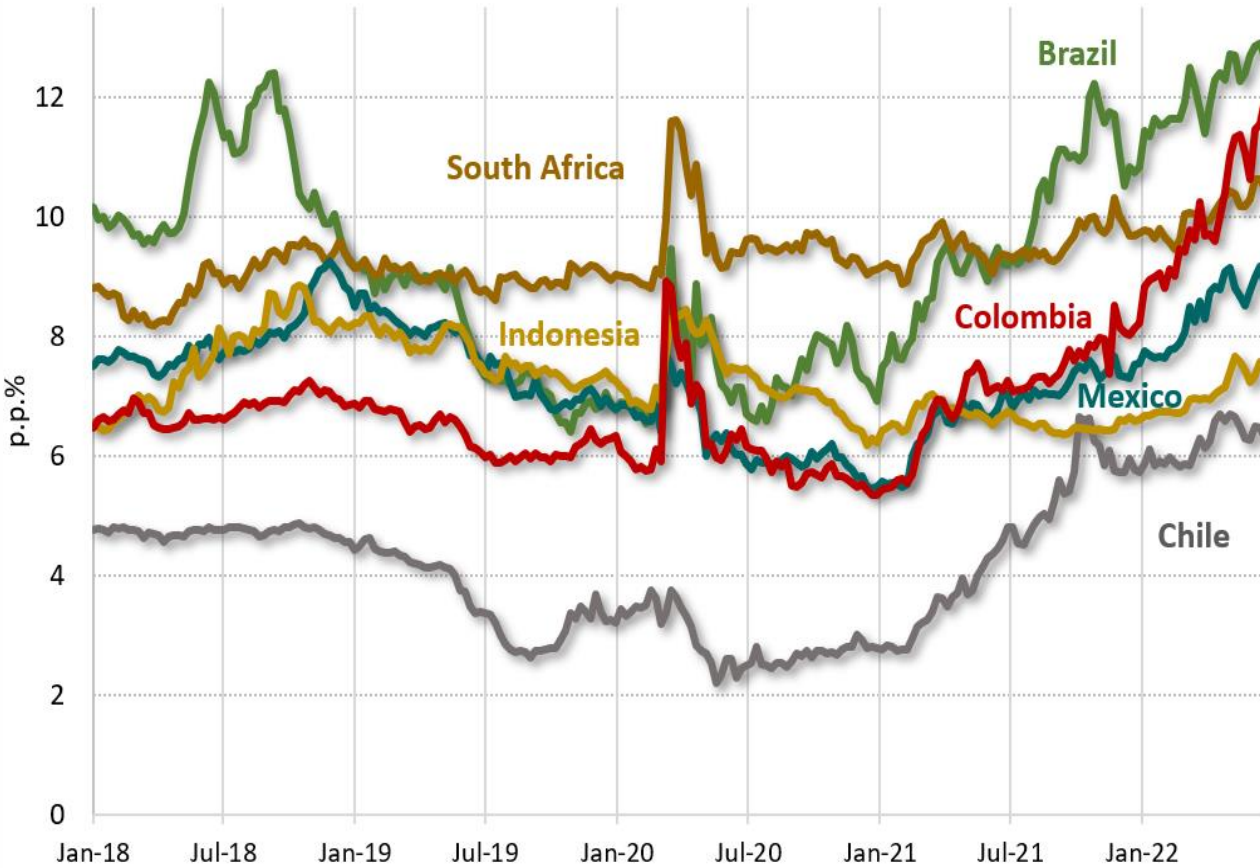
Source: Bloomberg, BCB



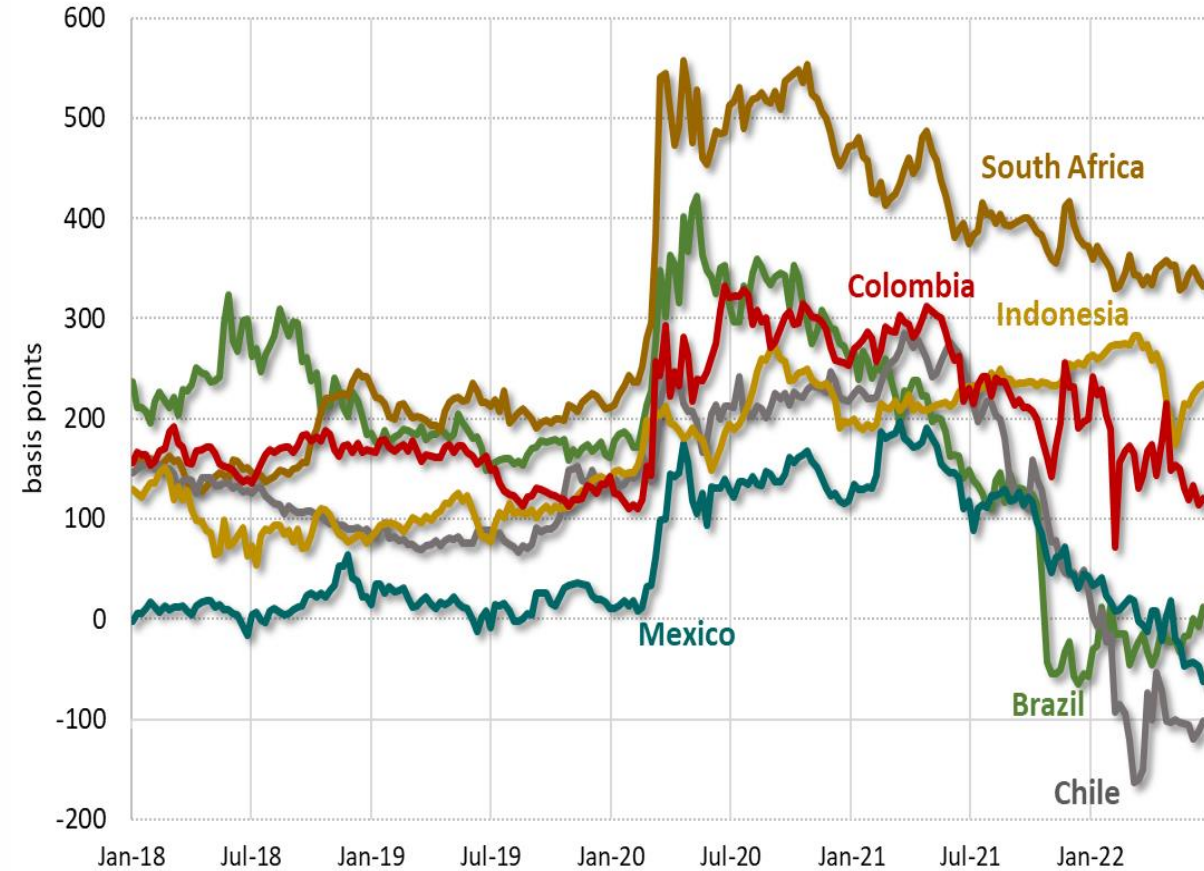
# Monetary Policy

## 10y yields for selected countries

10y yields(%)



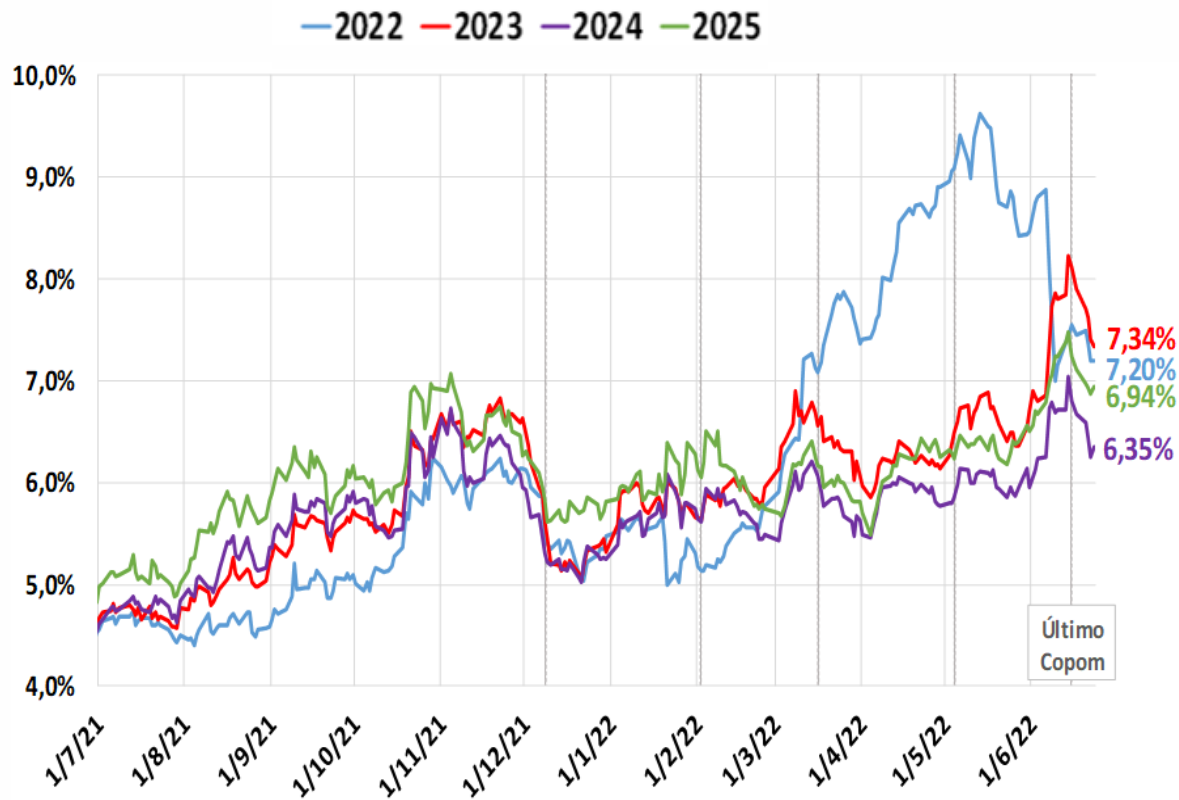
Spread between 10y and 2y yields (basis points)



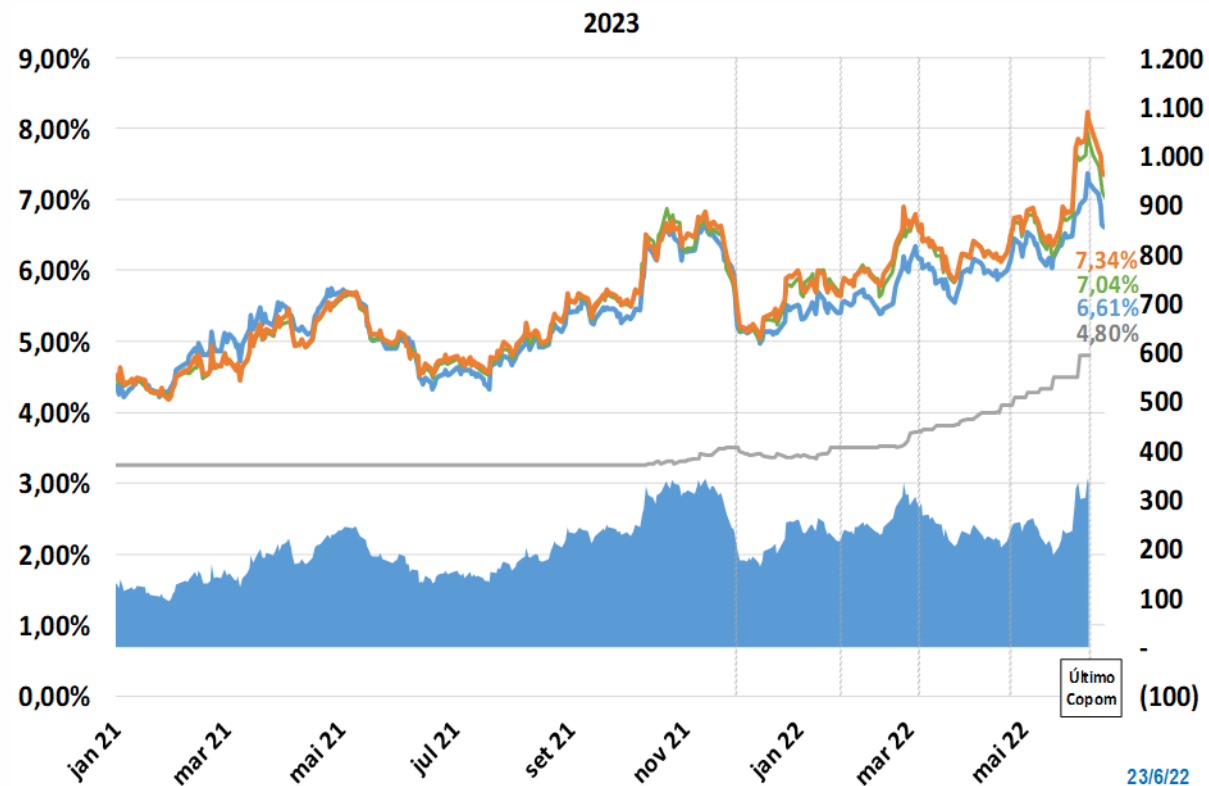
Source: Bloomberg

Last Data: 23/06/2022

Breakeven inflation (calendar year)

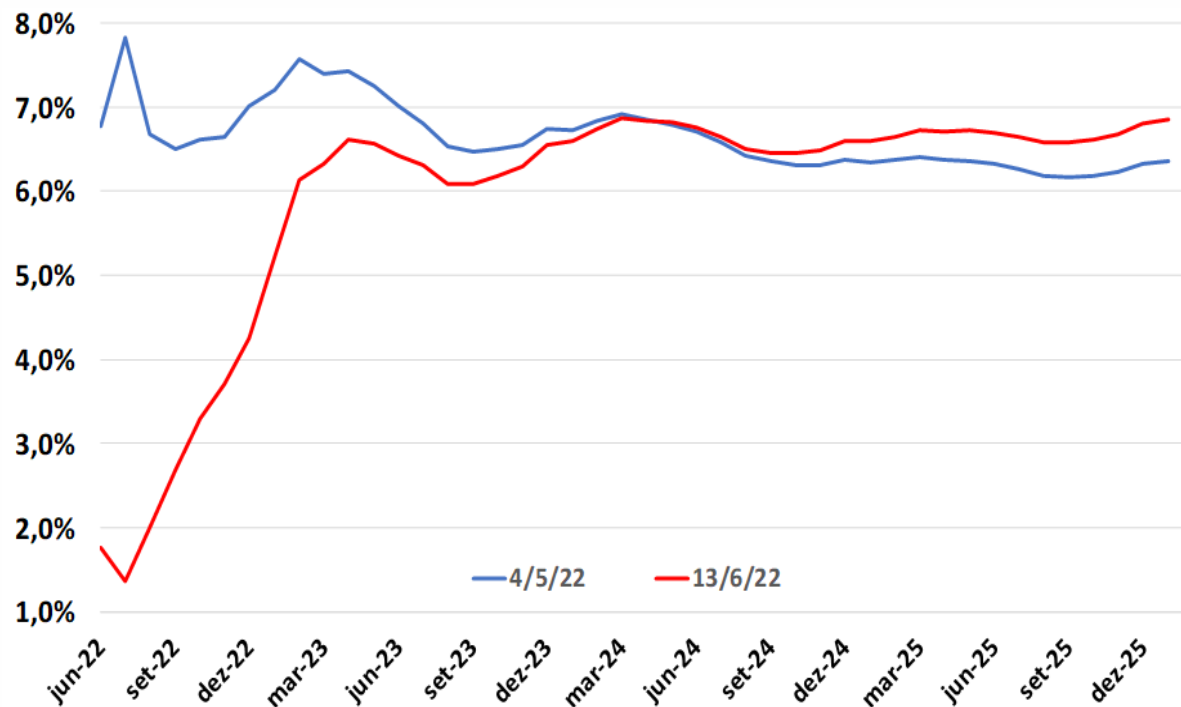


Breakeven inflation (2023)

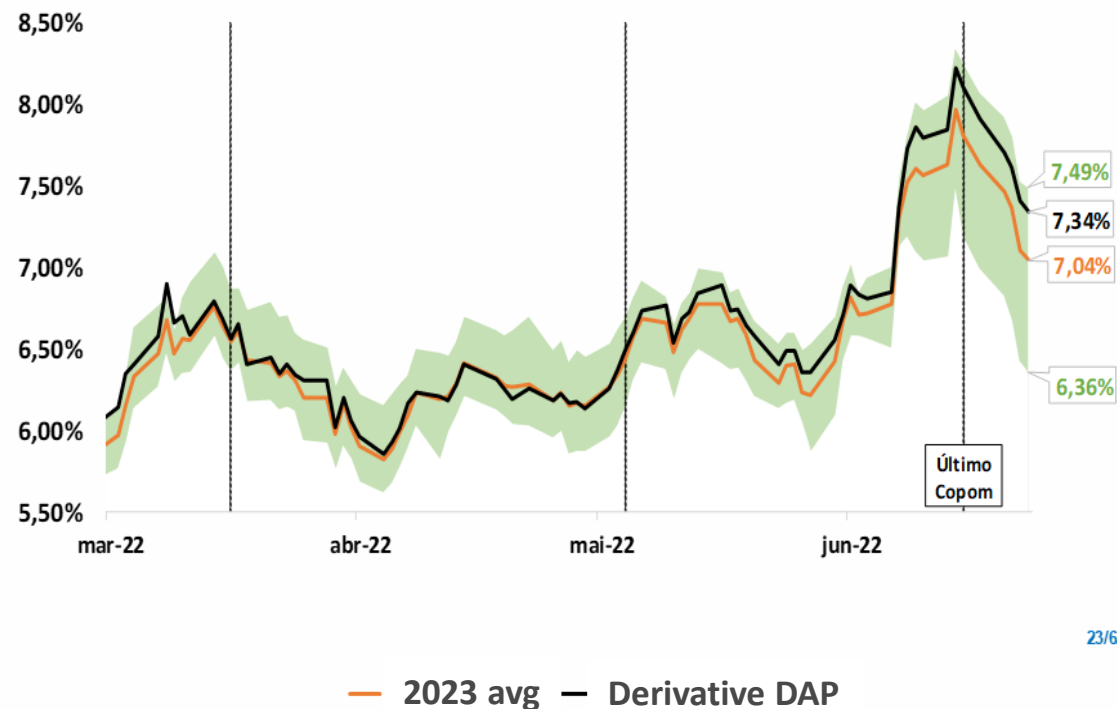


Source: BCB, Anbima e B3.

Breakeven inflation (%): zero coupon implied curve

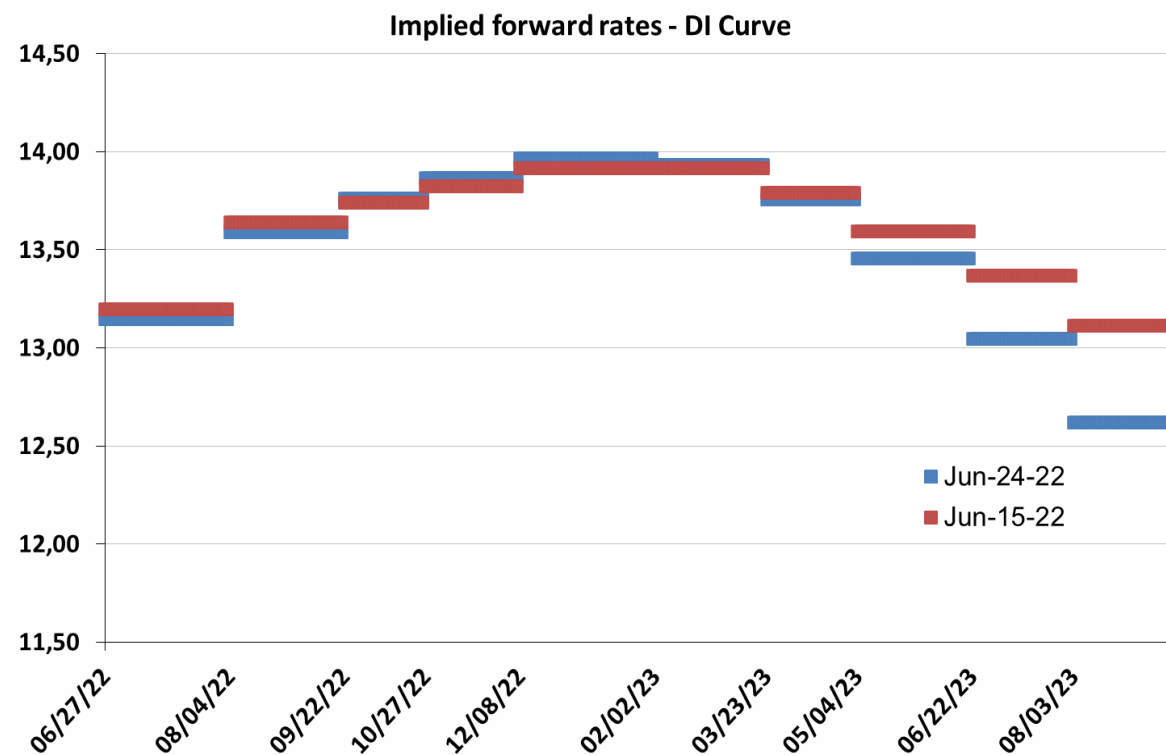


Breakeven inflation (%): market institutions survey

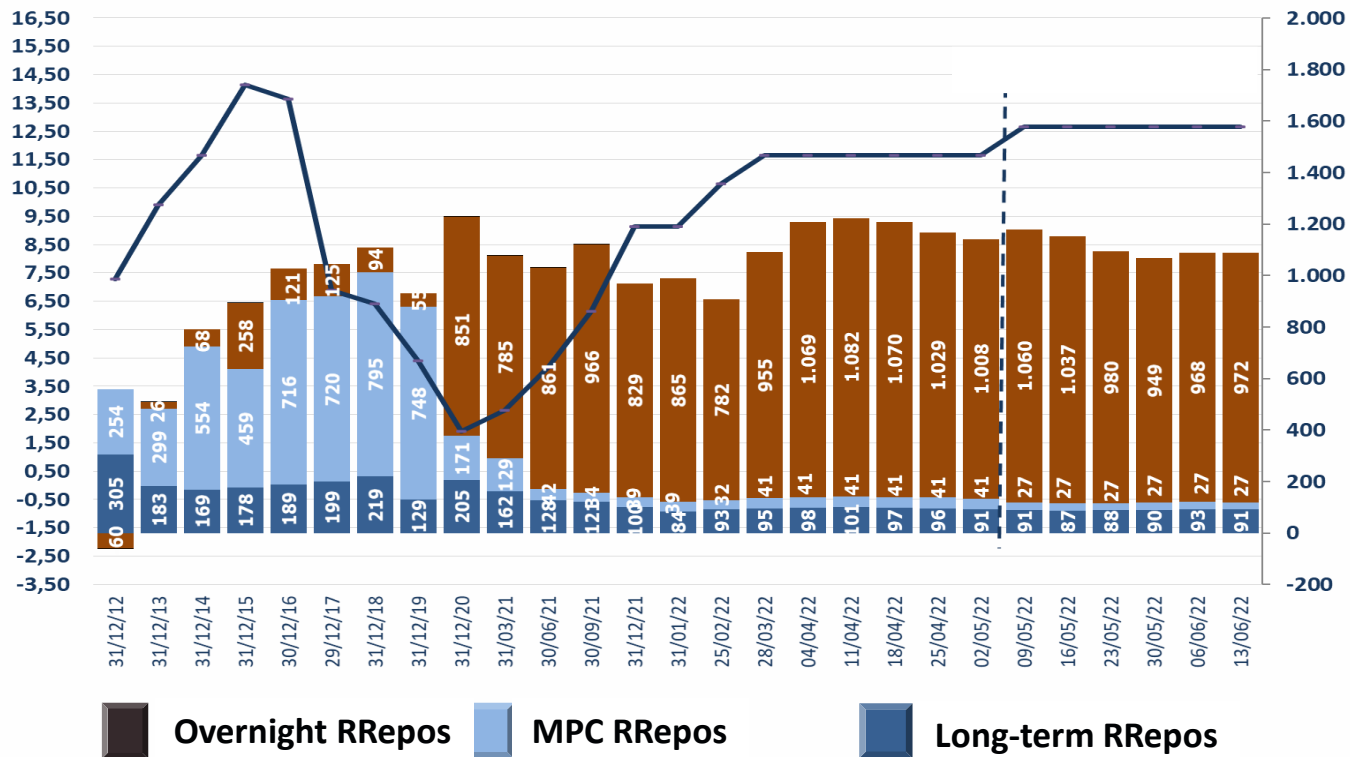


Source: BCB, Anbima e B3.

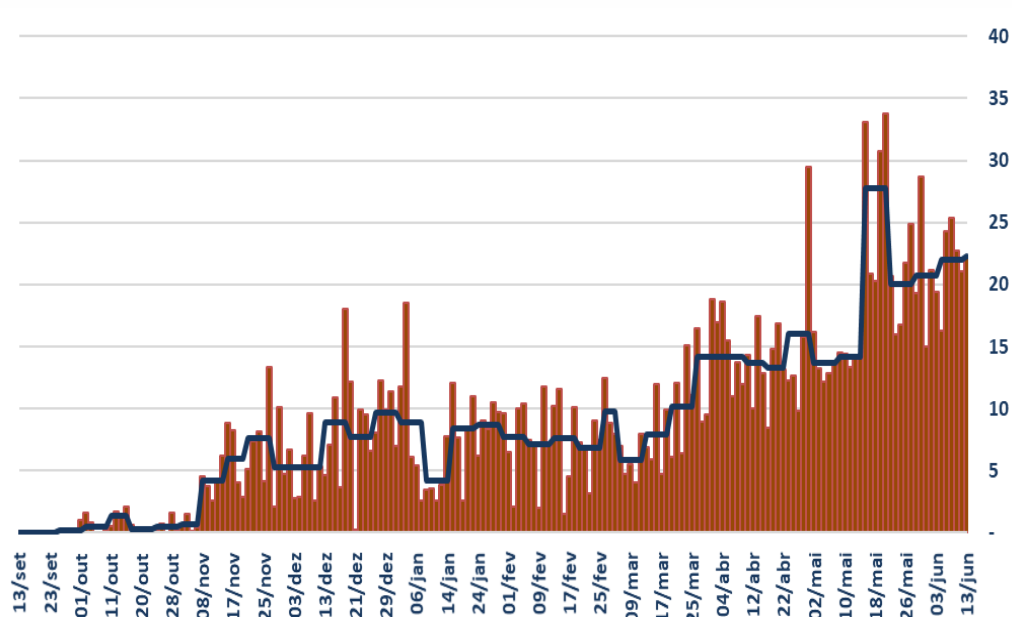
Rates after Copom:	Implied rate - DI Curve (% p.y.)	Variation between meetings (bps)		Market Survey for Selic Rate (%p.y.)	Market Survey for Selic Rate (%p.y.)
		June-24	June-15	June-13	May-2
	13,15				
Aug-3-2022	13,59	44	44	13,15	13,15
Sep-21-2022	13,76	17	10	13,15	13,15
Oct-26-2022	13,87	10	8	13,15	13,15
Dec-7-2022	13,97	10	9	13,15	13,15
Feb-1-2023	13,93	-3	0	13,15	12,90
Mar-22-2023	13,76	-17	-13	12,15	12,65
May-3-2023	13,46	-30	-20	11,65	12,15
Jun-21-2023	13,05	-41	-22	11,15	11,40
Aug-2-2023	12,62	-42	-26	10,40	10,65
Sep-20-2023	12,27	-36	-23	10,05	10,15
Nov-3-2023	11,99	-27	-21	9,65	9,90
Dec-13-2023	11,74	-25	24	9,15	9,90
<b>Variation (bps)</b>					
	2022	82	72	0	0
	2023	-222	-149	-310	-375
	2024	-18	-68	-265	-200
	2025	82	82	0	-13



### Central Bank's OMO: reverse repos (R\$ billion)



### Central Bank's Voluntary Deposits (R\$ billion)



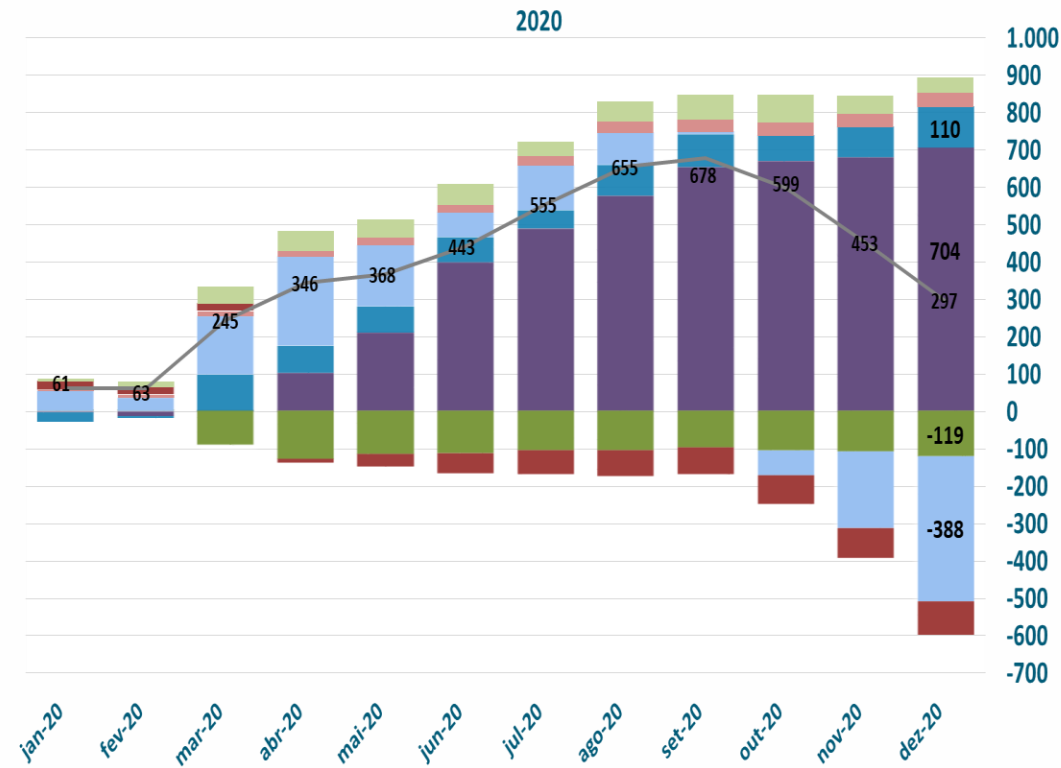
Source: BCB

Up to 6/13/2022

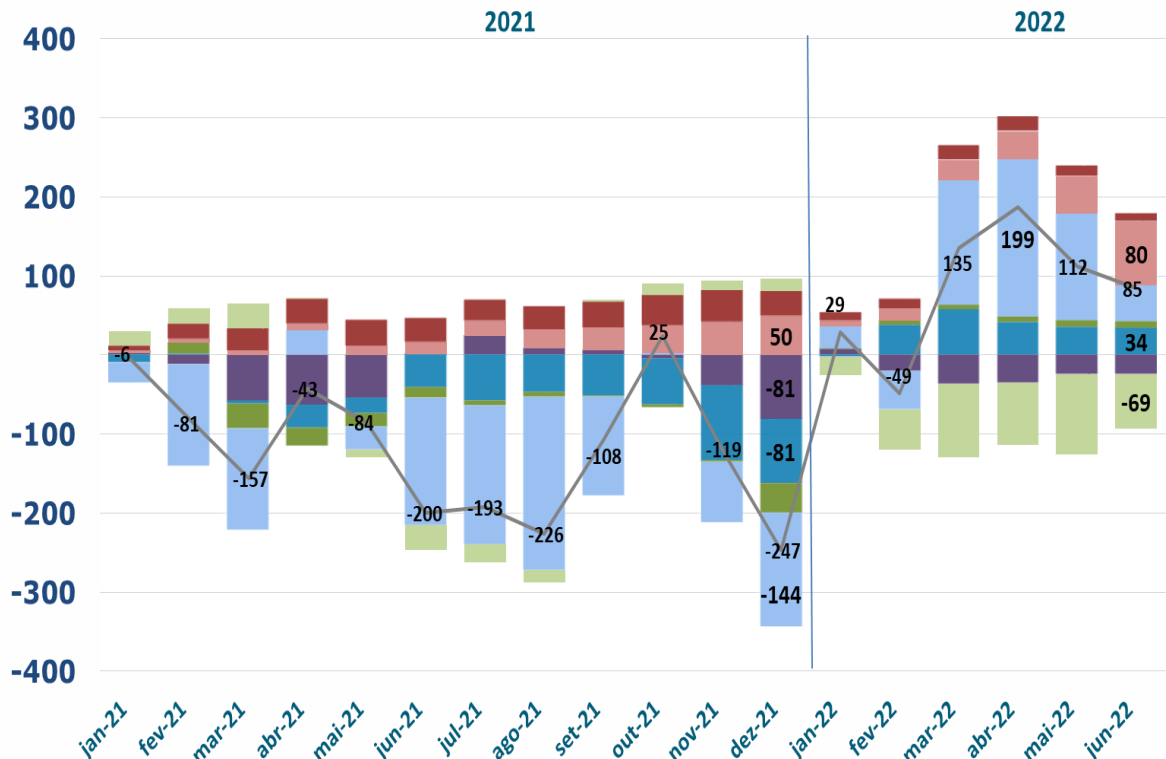
# Op. Framework

# Brazil: Factors affecting Banks' Reserves

Factors affecting Banks' Reserves (YTD, R\$ billion)



Factors affecting Banks Reserves (YTD, R\$ billion)



- Net Treasury expenses
- CB RR & ELA
- CB FX Operations
- Net Treasury bond issuances
- CB OMO interest
- Currency in Circulation
- CB FX Swaps
- Net impact on Banks' reserves

Source: BCB

Up to 6/13/2022

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