Weekly

PEZCO
economic & financial analysis

July 13, 2026

Lower Inflation Opens the Door to a Selic Rate Cut

- **The slowdown in the IPCA, from 0.58% in May26 to 0.16% in Jun26, was stronger than expected. A significant part of the decline reflected the reversal in food inflation, which moved from 1.33% in May26 to -0.24% in Jun26.**

- **However, other measures that track price changes among less volatile items also surprised to the downside. For example, the average of core inflation measures declined from 0.45% to 0.21%, compared with expectations of 0.31%. On a 12-month basis, core inflation slowed from 4.52% to 4.44% and is now within the inflation target range.**

- **The benign Jun26 inflation reading does not change the fact that inflation remains above the target. Moreover, the continuation of the disinflation process also depends on economic agents' expectations, which have begun to move lower for 2026 after reaching a peak a few weeks ago, but continue to rise for 2027, the Brazilian Central Bank's current policy horizon.**

- **In the short term, the probability of a Selic rate cut to 14.00% in Aug26 remains high. Beyond that, the path of monetary policy will depend on other factors, possibly more closely related to inflation expectations than to current economic data. The international environment will also be important, particularly the trajectory of U.S. interest rates. The Iran war has had different effects on current and expected inflation in Brazil and the United States (see *Pezco Analysis: Oil Price Shock and Inflation — Brazil vs. U.S.*).**

- **On the economic calendar, the main highlight will be U.S. inflation, as measured by the CPI. According to Bloomberg, headline inflation is expected to slow from 4.2% in May26 to 3.8% in Jun26, while core inflation is expected to remain unchanged at 2.9%.**

- **In Brazil, attention will focus on May26 retail sales, services activity, and the IBC-Br economic activity index.**

HIGHLIGHTS (WORLD/BRAZIL): July 6–10, 2026

GEOPOLITICS

- **The International Chamber of Commerce estimates that heightened uncertainty reduced global corporate investment by approximately US$200 billion in 2025. In 2026, an additional US$380 billion decline is estimated.**

- **China temporarily suspended helium exports, an input used in semiconductor production, to safeguard its domestic inventories. China imports 85% of the helium it consumes, with approximately 50% coming from Qatar.**

- **Russia halted navigation between the Don River and the Sea of Azov, a route through which approximately 25% of the country's wheat exports are shipped. Russia is the world's largest wheat exporter. Wheat prices rose 7.03% during the week.**

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INTERNATIONAL ECONOMY

- **The Federal Reserve kept interest rates unchanged at 3.50%–3.75% on June 17, but some FOMC members acknowledged that there were arguments in favor of raising interest rates, according to the meeting minutes.**

- **Markets are pricing in a probability of more than 70% of one or two 25-basis-point increases in U.S. interest rates by Dec26.**

- **The IMF revised its 2026 global GDP growth forecast from 3.1% to 3.0%. The Artificial Intelligence boom is supporting gross fixed capital formation and mitigating part of the supply shock caused by the war in Iran.**

POLITICS

BRAZIL

- **Among the bills expected to be addressed by Congress after the mid-year parliamentary recess are the 6x1 workweek constitutional amendment proposal, the Central Bank autonomy amendment, the increase in the MEI revenue ceiling, and special retirement rules for community health workers.**

- **There are currently 3,902 bills in Congress that have been approved by one chamber and are under consideration by the other, according to Ranking dos Políticos. Of these, 2,065 bills were approved by the Chamber of Deputies and are awaiting a Senate vote, while 1,837 were approved by the Senate and are awaiting consideration in the Chamber of Deputies.**

BRAZILIAN ECONOMY

- **The 0.16% increase in the IPCA in Jun26 came in below expectations of 0.31% and reflected a 0.24% decline in food prices. The average of core inflation measures slowed from 0.45% to 0.21%. On a 12-month basis, the IPCA moved from 4.72% to 4.64%, while the average of core inflation measures declined from 4.52% to 4.44%.**

- **A 1.36% decline in wholesale prices—comprising a 0.41% decrease in agricultural prices and a 1.66% decline in industrial prices—explains the 0.79% deflation recorded by the IGP-DI in Jun26. Part of this deflation is expected to be passed through to consumer prices over the coming months.**

EQUITIES AND COMMODITIES: July 6–10, 2026

MARKETS I: EQUITIES AND COMMODITIES

- **The S&P 500 gained 1.23% during the week, despite renewed tensions in the Middle East.** The **Nasdaq rose 1.69% during the week**, approaching the **30,000-point mark**.

- **Equity indices in Europe, the United Kingdom, and Japan, on the other hand, declined during the week by 2.23%, 1.70%, and 1.70%, respectively.**

- **The Ibovespa rose 2.18% during the week to 177,866 points**, marking its **third consecutive weekly gain**, a sequence not seen since Apr26.

- **Net foreign capital inflows into B3 were positive at BRL 33.4 billion over the first 128 trading days of the year**, compared with **BRL 27.5 billion** during the same period of 2025.

- **Between April 15 and July 8, a period of 58 trading days, foreign investors withdrew BRL 35.6 billion from B3.**

- **More recently, between July 2 and July 8, a five-trading-day period, net foreign flows were positive at BRL 0.17 billion.** This marked the **sixth consecutive day with a positive balance under this measure**, the best performance since April 17.

- **Brent crude oil futures rose 5.39% during the week to US$76.01 per barrel on July 10, while WTI gained 3.96% to US$71.41 per barrel.** The increases reflected **the end of the ceasefire in Iran**. Nevertheless, oil prices remain **below US$80 per barrel and below their average levels for the year**.

- **Year-to-date gains through July 10 stood at 24.9% for Brent and 24.4% for WTI**, compared with gains of **43.5% and 47.8%, respectively, through June 12**.

- **Dutch TTF natural gas prices rose 7.88% during the week**, after increasing by more than 10% in the previous week, bringing the **year-to-date gain to 72.8%**, compared with **66.1% through June 12**.

- **Gold prices declined 1.36% during the week to US$4,119 per troy ounce. Silver fell 4.08% to US$59.87 per troy ounce.**

- **Prices of the three main industrial commodities increased during the week: aluminum (+1.59%)**, **nickel (+1.93%)**, and **copper (+0.88%)**.

MARKETS II: EQUITIES AND COMMODITIES

- **Yields on 10-year U.S. Treasury securities increased from 4.48% to 4.56% between July 3 and July 10, following the end of the ceasefire in Iran and amid concerns that U.S. inflation will remain under pressure in the short term.**

- **Yields on 2-year U.S. Treasuries also increased, from 4.14% to 4.22%.**

- **In Brazil, the yield curve declined at the short end for the third consecutive week, reflecting the lower-than-expected IPCA inflation reading for Jun26.**

- **The Jan29 DI contract yield declined from 14.26% on July 3 to 14.01% on July 10, its lowest level since late May26.**

- **According to the July 3 Focus Survey, expectations for IPCA inflation at the end of 2026 declined from 5.33% to 5.30%, marking the first decline after 15 consecutive weeks of increases. At the end of Feb26, expectations stood at 3.91%.**

- **By contrast, expectations for IPCA inflation in Dec27 increased to 4.17%, marking the sixth consecutive weekly increase, compared with 3.79% expected at the end of Feb26.**

- **The DXY edged up 0.09% during the week, while the three major currencies posted mixed performances against the U.S. dollar: EUR (-0.18%), GBP (+0.40%), and JPY (-0.21%).**

- **The Brazilian real appreciated during the week to BRL 5.11 per U.S. dollar, supported by optimism following the lower-than-expected inflation reading.**

- **The 21-day moving average of Brazil's foreign exchange flow declined to positive US$1.5 billion as of July 3. Between June 26 and July 3, the 21-day moving average of commercial FX flows declined from positive US$9.2 billion to positive US$9.0 billion, while the corresponding measure for financial FX flows moved from negative US$0.5 billion to negative US$7.5 billion.**

HIGHLIGHTS (SECTORS/REGIONS): July 6–10, 2026

U.S. TARIFFS ON BRAZIL

- **The United States held hearings to discuss the imposition of additional tariffs of 25% and 12.5% on U.S. imports from Brazil.**

- **Current tariffs stand at 10%. If the additional tariffs are implemented, the total tariff rate would reach 37.5%. A decision is expected to be announced by July 15.**

- **The additional tariffs would affect 4,187 products and approximately 39% of Brazil's exports to the United States in 2025, according to estimates by the National Confederation of Industry (CNI).**

OIL & GAS

- **Brazil's National Agency of Petroleum, Natural Gas and Biofuels (ANP) will launch a public consultation on a resolution allowing third-party access to natural gas pipelines, gas facilities, and LNG terminals.**

- **According to the ANP Statistical Yearbook, Petrobras controlled 90% of Brazil's natural gas processing capacity in 2024.**

- **The measure was considered necessary to effectively open the sector to competition under the New Gas Law introduced in 2021. Logistics and transportation account for approximately 46% of the final price of natural gas paid by consumers.**

AUTOMOTIVE INDUSTRY

- **Brazil's automobile trade balance recorded a US$5.3 billion deficit in the first half of 2026, according to data from Secex.**

- **The deficit reflects the sharp increase in imports, which totaled US$7.8 billion in 1H26, exceeding the US$7.4 billion imported during the whole of 2025.**

- **Approximately 72% of automobile imports in 1H26 came from China, followed by Argentina (9%) and Mexico (7%). In 2025, China accounted for 50% of total automobile imports, followed by Argentina at 20%.**

CREDIT AND DELINQUENCY

- **The stock of loans more than 90 days past due totaled BRL 247.6 billion in the first four months of 2026, according to FecomércioSP, based on Central Bank data.**
- **In 1H25, the corresponding stock stood at BRL 164.3 billion.**
- **Factors contributing to the increase in delinquency include high interest rates, inflation, and the growing share of sports betting in household budgets.**

CONSTRUCTION

- **Brazil's national construction cost index increased 1.19% in Jun26, marking the sector's second-highest monthly inflation rate since Aug22. The increase was driven by labor costs (+1.55%) and materials (+0.92%).**
- **Construction costs increased 4.48% in 1H26, with labor costs rising 5.96% and materials increasing 3.39%.**
- **Over the trailing 12-month period, total construction costs increased 7.26%, labor costs rose 9.59%, and materials prices advanced 5.54%.**

RETAIL

- **Retail companies are increasingly using Artificial Intelligence models to forecast demand and plan inventory allocation across distribution centers and delivery routes.**
- **According to the companies, these initiatives have reduced order processing times by up to 20% and increased warehouse space utilization by up to 15%.**

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