MACRO INSIGHT

August 21, 2026

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BRAZIL

Indicators reinforce expectations of GDP deceleration in Q2

WORLD

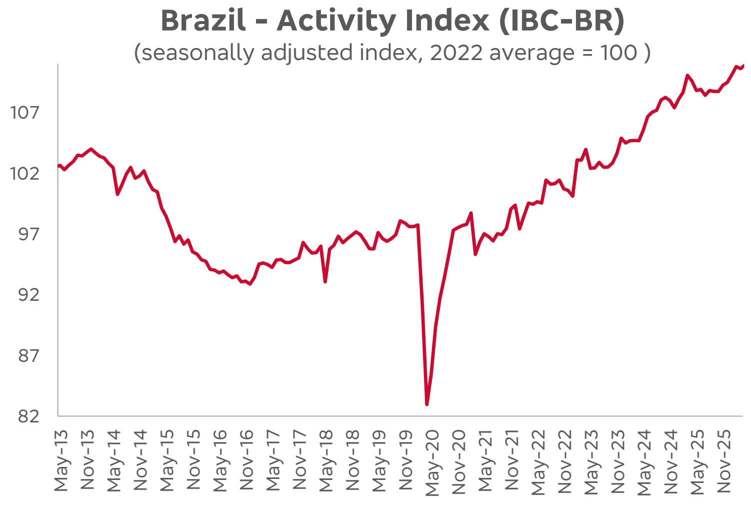
Fed Minutes reveal divided committee over next steps for monetary policy

WEEKLY EVENTS

On the international front, markets remained focused on the outlook for U.S. monetary policy and energy price developments. The minutes from the Fed's July meeting reinforced the view of a divided and still cautious committee, with some members assessing that a rate hike could be warranted should inflation fail to decelerate. Concurrently, uncertainties surrounding oil flows in the Middle East kept Brent crude at elevated levels, approaching US$95 per barrel at the week's close. On the activity front, signals diverged across major economies: in Europe, the preliminary August PMIs remained consistent with third-quarter GDP expansion, while July data underscored the continued loss of momentum in the Chinese economy. In Brazil, the decline in the IBC-Br for June corroborated expectations of a GDP slowdown in the second quarter. In domestic markets, the real posted a modest appreciation over the week, tracking the weakening of the U.S. dollar abroad.

ECONOMIC ACTIVITY DECELERATES IN JUNE

Brazilian economic activity contracted 0.6% in June. The IBC-Br, the Central Bank's economic activity index, registered a decline below the market consensus median for the month. This outcome reflects broad-based decreases across industry (-1.4%), services (-0.5%), and taxes (-1.0%). Excluding agriculture, the only sector to expand during the month (1.0%), the index would have declined 0.9% on a seasonally adjusted basis. Nonetheless, the 2Q average shows a 0.2% increase relative to the average observed in the January-March period. In sum, the data reinforce signs of moderating activity and corroborate our expectation of slower GDP growth in the second quarter of this year.



Source: BCB

FOMC MINUTES SIGNAL CAUTION

The July FOMC minutes reinforced a divided committee that remains cautious regarding next steps. While the majority supported holding the policy rate at 3.50%-3.75%, some participants advocated for a 25 bps hike, with three dissenting votes favoring tightening. Many members assessed that a rate hike would likely be necessary should inflation fail to decelerate, while some questioned whether financial conditions are sufficiently restrictive to bring inflation back to the 2% target. Nonetheless, the majority of the committee reinforced its data-dependent stance and indicated an expectation for inflation moderation in the second half of the year, as tariff- and energy-related price effects fade. On economic activity and the labor market, the consensus view points to resilience, reinforcing the focus on the inflation mandate. In our assessment, the minutes offered few surprises, merely echoing the hawkish tone of the decision. More importantly, data dependency was emphasized, and in this regard, we believe disinflation over the coming months will be sufficient to support rates on hold at upcoming meetings.

EUROPEAN GDP EXPANDS IN THE THIRD QUARTER

European economic activity maintained a more positive trend, consistent with GDP growth of 0.3% in the third quarter. The preliminary PMI reading surprised slightly to the upside, with the manufacturing index rising from 51.9 to 52.8 between July and August, while the services index held steady at 51.7 over the period. The industrial sector was supported by robust global demand for technology-related goods and increased defense spending, particularly in Germany. The services sector, in turn, was buoyed by the tourism segment. Price components declined for another month but remain above levels observed prior to the Middle East conflict. We assess that recent surprises largely reflect a correction of the deterioration seen during the conflict, and going forward, the recovery dynamic should moderate, consistent with European GDP growth of approximately 1.0% this year.

CHINESE ECONOMY SLOWING

The Chinese economy continued to decelerate in July. Industrial production rose 4.5% year-over-year last month, moderating from the 5.3% increase recorded in June, supported largely by exports. On the other hand, domestic demand indicators remained weak: retail sales increased by only 0.6% (below both consensus expectations and the prior month's reading), while fixed asset investment posted a cumulative decline of 6.7% year-to-date. This loss of economic momentum, observed since mid-second quarter, reflects cyclical factors. Among these, we highlight the reduction in oil and derivatives processing (a consequence of conflicts in the Middle East) and, more significantly, a more cautious fiscal stance, which has kept local government spending constrained. Nevertheless, structural headwinds persist, including declining household confidence and the ongoing adjustment in the real estate sector. Looking ahead, we expect some fiscal relief and consumption-oriented measures — though insufficient to offset the risk that the GDP growth target of 4.5% to 5.0% will not be met.

China: Retail sales, Industrial production (annual variation)

Source: CEIC

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NEXT WEEK In Brazil, the calendar will be led by mid-August IPCA-15 inflation reading, labor market data, and fiscal, external, and credit results. Internationally, market focus will center on the US PCE deflator, the Fed's primary inflation gauge, initial jobless claims, and the ECB minutes, which could provide further signals on the next steps for European monetary policy.

WEEKLY CALENDAR

			Market	Previous
MON	**Aug 24**		**Market**	**Previous**
8:25 AM	(BRA)	BCB Focus Survey	--	--
TUE	**Aug 25**			
11:00 AM	(USA)	New Home Sales (Jul)	620k	628k
WED	**Aug 26**			
9:00 AM	(BRA)	IPCA-15 (MoM) (Aug)	--	0.06%
9:30 AM	(USA)	Personal Income (MoM) (Jul)	0.20%	0.20%
9:30 AM	(USA)	PCE Price Index (MoM) (Jul)	0.10%	-0.10%
9:30 AM	(USA)	Core PCE Price Index (MoM) (Jul)	0.20%	0.10%
THU	**Aug 27**			
8:30 AM	(BRA)	BCB External Sector Statistics: Current Account Balance (Jul)	--	US$ 2.3bi
-	(BRA)	Federal Tax Revenues (Jul)	--	R$ 264.4bi
9:00 AM	(USA)	Unemployment Rate (Jul)	--	5.4%
8:30 AM	(USA)	ECB Meeting Minutes (Jul 22–23 Meeting)	--	--
9:30 AM	(BRA)	Initial Jobless Claims (Aug)	208k	206k
FRI	**Aug 28**			
8:00 AM	(EUR)	IGP-M (MoM) (Aug)	--	-1.16%
8:30 AM	(BRA)	BCB Monetary and Credit Statistics (Jul)	--	--
-	(BRA)	Central Government Primary Balance (Jul)	--	R$ 48.2bi
-	(BRA)	Novo Caged: Net Formal Job Creation (Jul)	--	145.1k
6:00 AM	(EUR)	Consumer Confidence Index (Aug)	--	--

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ECONOMIC INDICATORS

	QUOTATION	CHANGE		
	21-Aug	Week	Month	Year
Real (BRL/USD)[1]	5.15	-1.48%	1.43%	-6.01%
CDS Brazil 5 years	124	-0.75	-0.33	-14.02
DI swap 2 years (%)	13.71	-0.07	-0.09	-0.10
DI swap 10 years (%)	14.575	-0.17	-0.07	1.00
NTN-B 10y + IPCA yield (%)	7.93	-0.15	-0.25	0.56
NTN-B 20y + IPCA yield (%)	7.64	-0.15	-0.26	0.38
Ibovespa[2]	171,247	2.58%	-3.79%	6.28%
Euro (USD/EUR)	1.17	-0.95%	-1.33%	0.56%
Renminbi (CNY/USD)	6.72	-0.32%	-0.47%	-3.82%
S&P 500 Index	7,681	-1.34%	2.56%	12.21%
German Govt Bond 10y	3.26	0.05	0.05	0.40
US Govt Bond 10y	4.73	0.04	0.00	0.56
CRB (BRL)	565	0.00%	0.00%	4.71%
Brent Oil (USD/bbl.)	94.2	6.39%	4.51%	54.77%
Iron Ore (USD/m.t.)	95.3	-0.18%	-2.72%	-11.06%
Soybean (USD/bu.)	12.2	0.04%	0.04%	0.18%

Data collected at 14:20 (1) Negative variations of currencies mean appreciation over the dollar (2) Stock indices are measured in local currencies

PROJECTIONS

	2023	2024	2025	2026E	2027E
GDP (annual %)	3.0%	3.0%	2.0%	**2.0%**	**1.5%**
Inflation - IPCA/IBGE (% YoY)	5.0%	5.0%	4.0%	**5.1%**	**4.5%**
Inflation - IGP-M (% YoY)	-3.0%	7.0%	-1.0%	**5.0%**	**4.7%**
Selic (end of period)	12.00%	12.00%	15.00%	**13.75%**	**11.75%**
BRL/USD average	5.00	5.00	6.00	**5.13**	**5.15**
BRL/USD end of period	5.00	6.00	6.00	**5.10**	**5.20**
Current Account Balance (USD billion)	-27.0	-65.0	-67.0	**-59.8**	**-68.0**
Current Account Balance (% of GDP)	-1.0%	-3.0%	-3.0%	**-2.5%**	**-2.7%**
Primary Budget Balance (% of GDP)	-2.0%	0.0%	-1.0%	**-0.4%**	**-0.5%**
Net Public Debt (% of GDP)	60.0%	61.0%	65.0%	**69.4%**	**74.1%**
Gross Public Debt (% of GDP)	74.0%	76.0%	79.0%	**82.9%**	**86.8%**
Fed Funds (lower limit, end of period)	5.00%	4.00%	4.00%	**3.50%**	**3.50%**
Global GDP	3.3%	3.2%	3.3%	**2.8%**	**2.9%**

Sources: IBGE, BCB, MDIC, FMI and Bradesco Asset Management

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Material prepared on 21/08/2026 at 3:00 PM