

## The LatAm Feedbaker

## Views after two weeks on the road in Europe: low risk appetite

Investment Strategy

## Global concerns dominate

We spent the last two weeks visiting fixed income, FX and equity clients in Europe and participated in the IMF meetings in Marrakesh (see details in our [GEMs Viewpoint](#)). Market participants remain concerned about global rates staying high for longer, geopolitics and global fiscal risks. Risk appetite is low and technical picture improved as investors cut their risk exposure.

## Cruise speed on Brazil rate cuts

We got several questions about neutral rates and terminal rate in Brazil. We faced no pushbacks to our view that the Brazilian Central Bank (BCB) could cut rates to 9.5% next year. In general, the perception is that neutral nominal rates should be around 9-9.5%. Clients tend to agree that the bar is high for the BCB to reduce the easing pace and for now expect the pace of 50bp cuts to continue until the end of the year. Discussions about the possibility of an acceleration in the monetary easing pace were muted.

## Inflation risks: fiscal, BRL, oil prices &amp; El Niño

Clients believe that movements in longer term inflation expectations could eventually be a driver for reigniting the discussion about rate cuts ahead. In our view, those could be affected by fiscal developments, BRL, oil prices and inflation surprises. We got a few questions about el Niño impacts ([see our piece on El Niño for further details](#)).

## Fiscal: questions on risk for changes in the target

Regarding fiscal, the key discussion was about the potential for changes in the primary surplus target (we do not expect changes for now) and the potential for Congress to approve the needed tax measures. Fin. Min Haddad is seen as a strong person in the administration and the expectation is for him to keep searching for revenues in order to meet the fiscal target. One key discussion was the ongoing debate on the Precatórios ([see our piece on Precatórios for more details](#)).

## Assets: rates are attractive. Taxation doubts for equities

A lot of questions on positioning and whether the series of stops in receivers was finally over. The consensus seemed to be that while DI positioning is never truly 'clean', it has improved considerably over the past couple of weeks. Most agree that receivers are attractive at current levels but are concerned with the current market volatility. Mixed views on BRL. On the equity front, key questions were about the impacts of potential tax changes in Brazil. Investors remain underweight retail & material names.

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Investment Strategy  
Latin America

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DI: Interbank deposits

DI:

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