



Pre Copom Survey

January 2021

 **xp** investimentos

Highlights

All 79 institutional investors surveyed on Jan 18th and 19th expect the Copom to maintain the Selic rate in 2% in the meeting that ends January 20th. The average probability attributed by market agents to a stable outcome was 93%, very close to where options are trading.

For 70% the BCB will abandon the forward guidance in the current meeting, while 25% expect it to happen in March and 5% in May or later.

For the first hike, 13% expect it to happen in March, 37% in May (most frequent), 16% in Jun, 19% in August and 15% in October or later. The median expectation of those who answered our survey is that the Selic will be raised to 4.50% at the end of the next cycle.

In XP, we expect the Copom to rise rates to 3% by the end of 2021 and 4% in 2022, in the same cycle. The scenario is contingent on the maintenance of the spending cap.

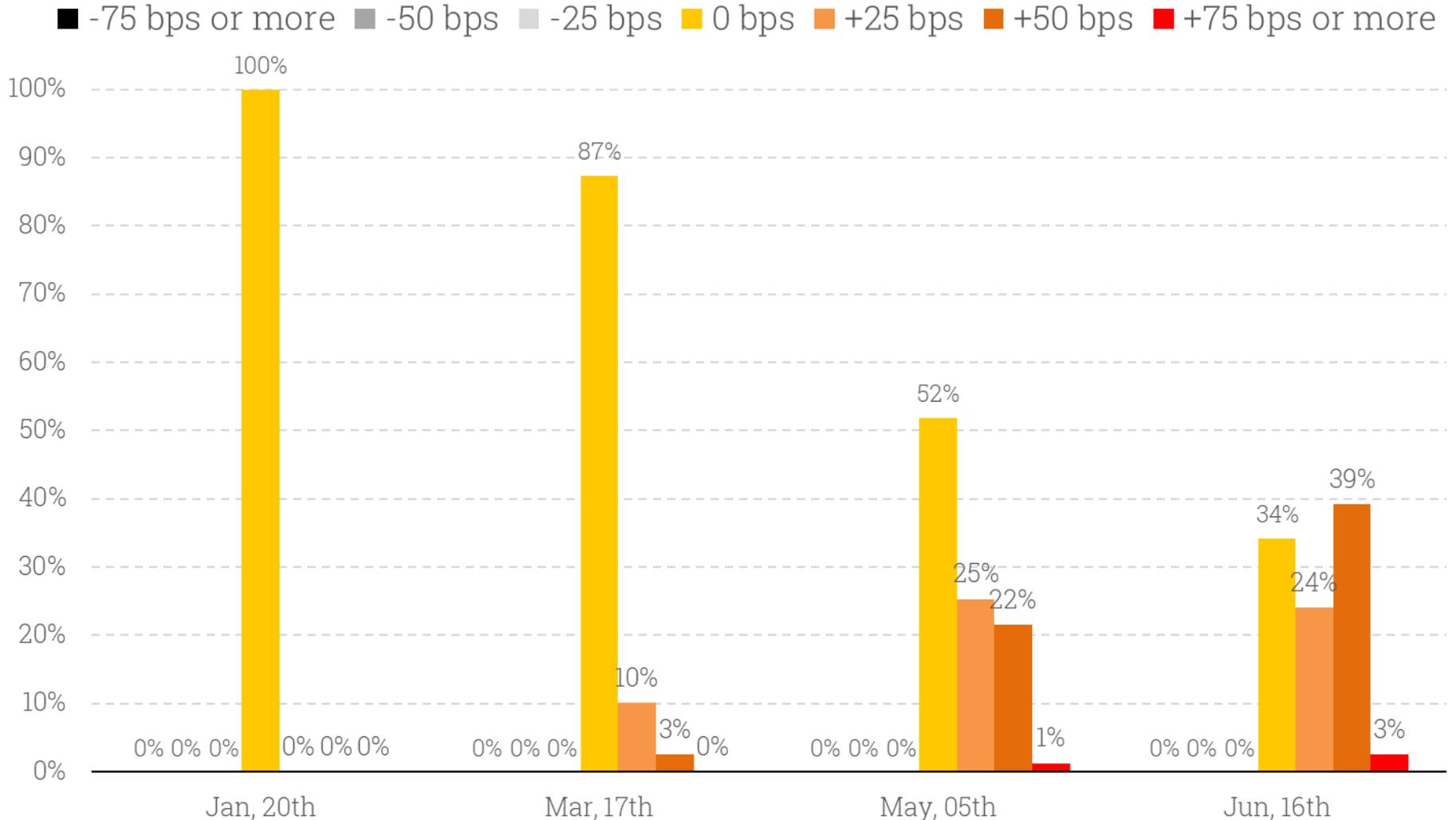
The median expectation for BRL at 2021YE was 5.00, same as in Dec, and for the IBOV was 135k (up from 130k in Dec).

Now 32% of respondents expect the spending cap to be breached somehow, close to the 30% from the last read, in December. Of those who expect a breach, the median is of BRL 33 billion in expenditures above the cap, up from 20 bn in Dec.

Regarding the pandemic 51% expect Covid cases to decelerate in March-April, while only 14% expect it to improve in January or February.

Copom Jan/Mar/May/Jun

Expected Copom decision on _____

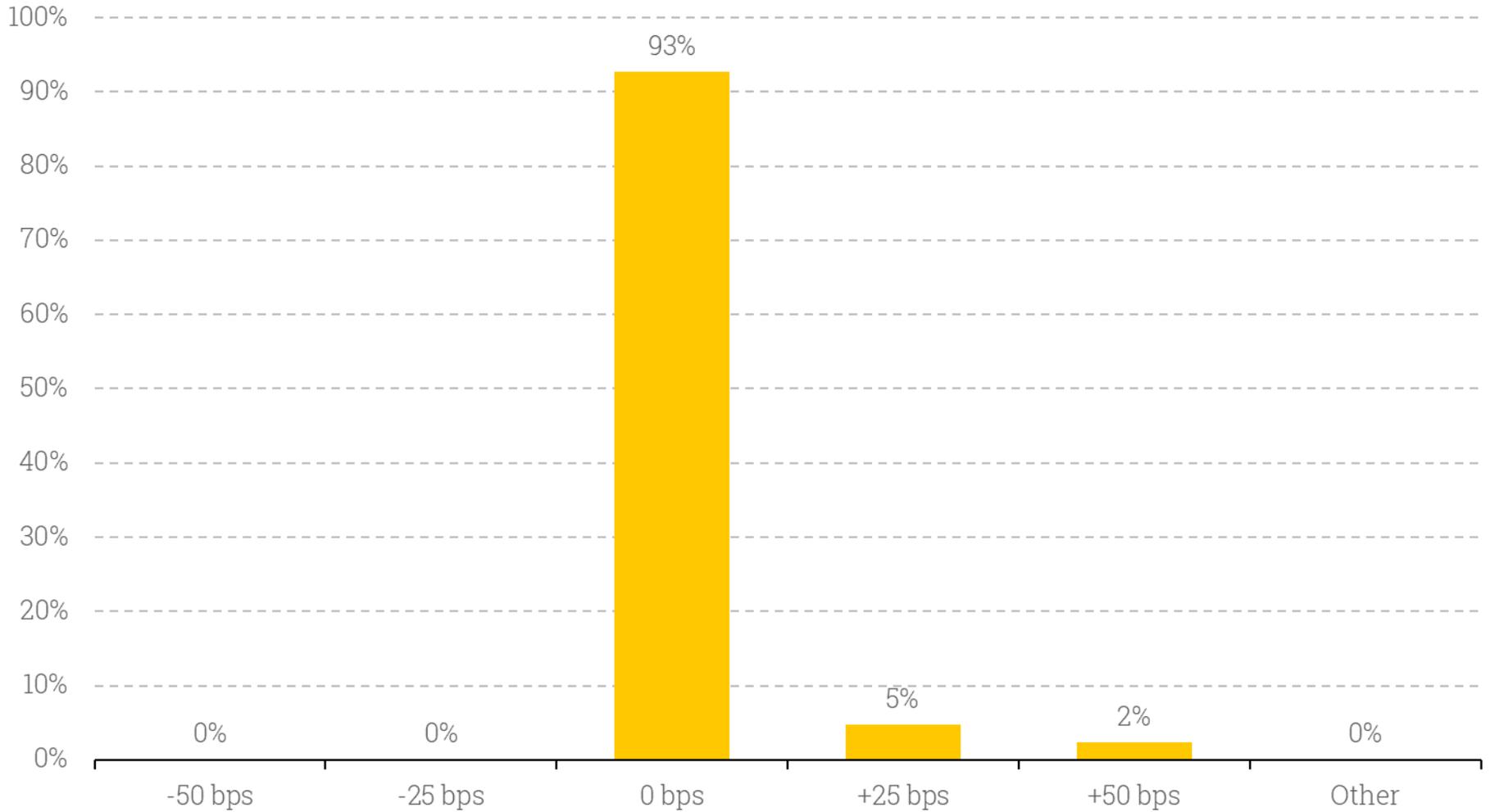


Source: XP Investimentos. May not add to 100% due to rounding of decimals.

Copom

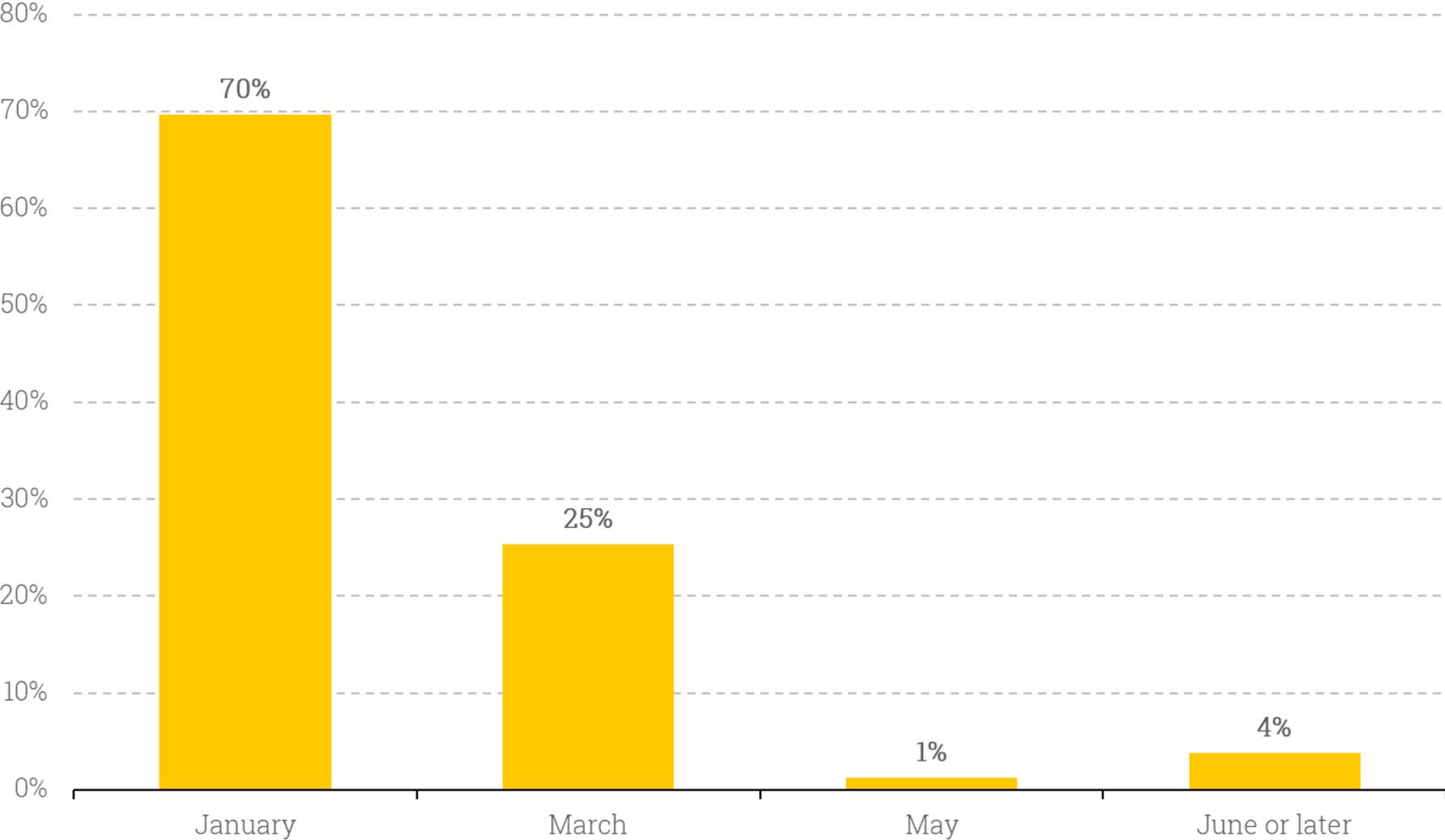
Odds for each scenario at the next meeting (Jan, 20th)

- Average -



Forward guidance

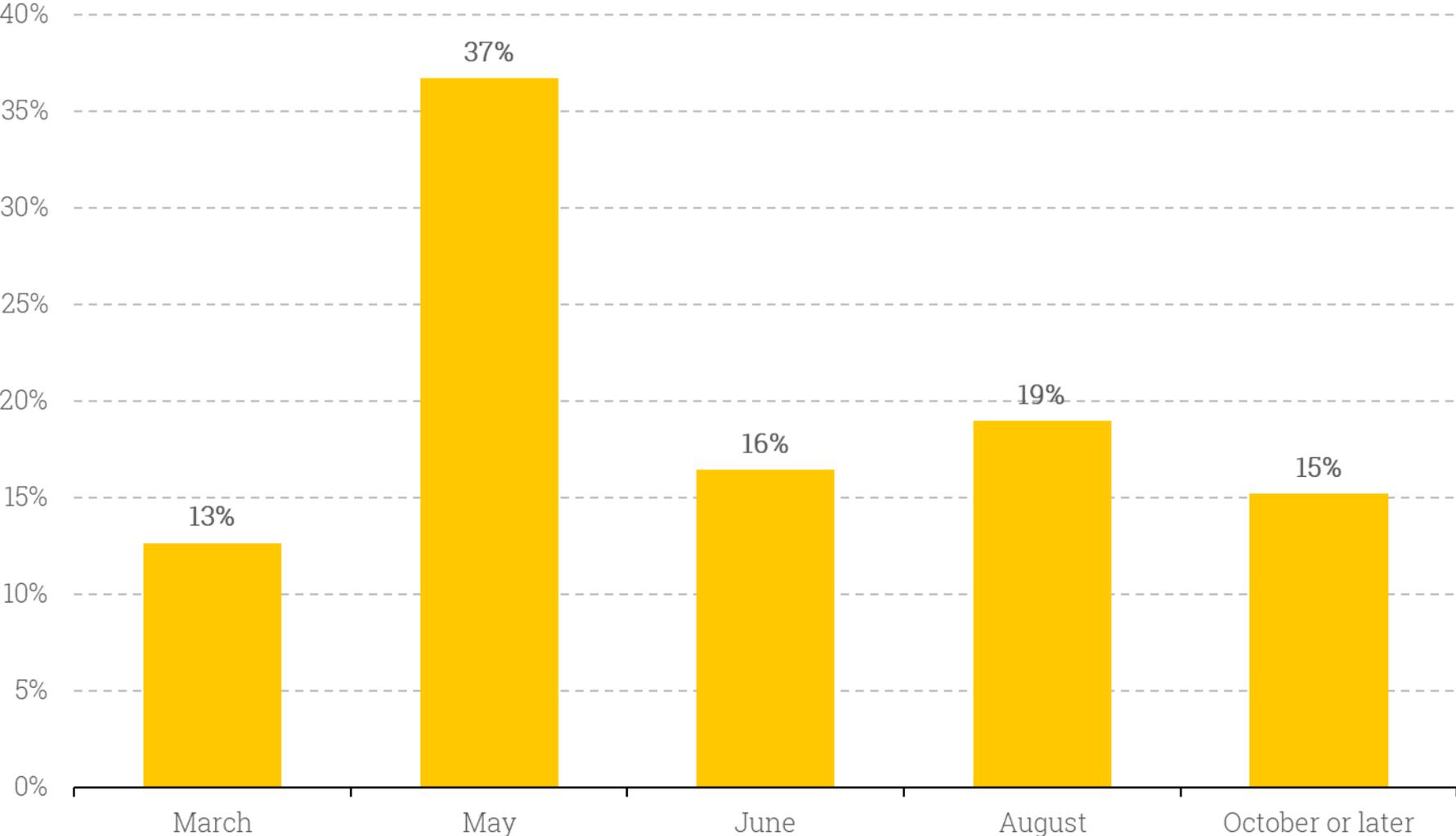
When will the BCB abandon the forward guidance:



Source: XP Investimentos

First Hike

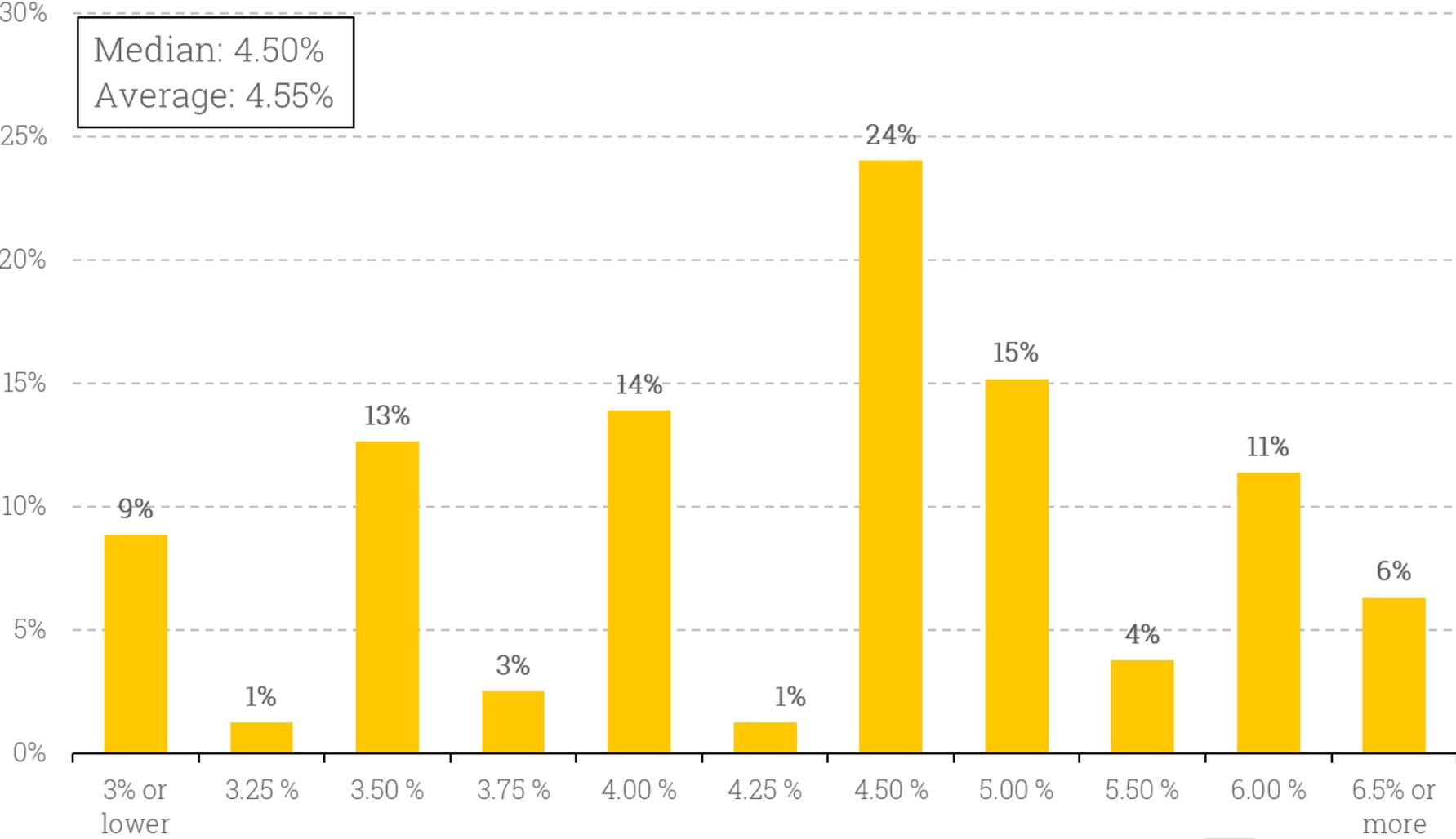
When will the BCB start raising rates



Source: XP Investimentos

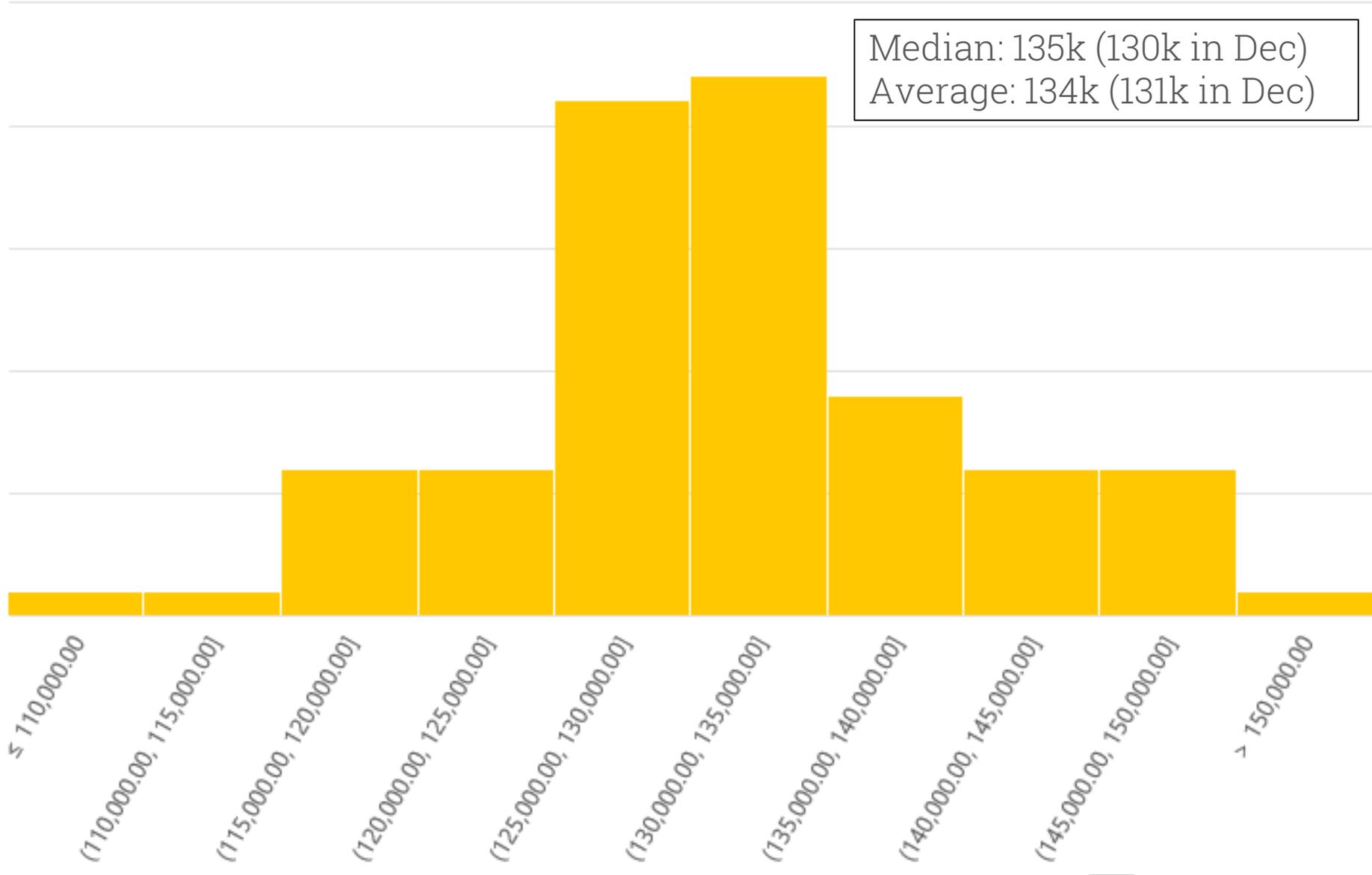
Selic end of cycle (Frequency)

Expected Selic rate in the end of the cycle
- Frequency -



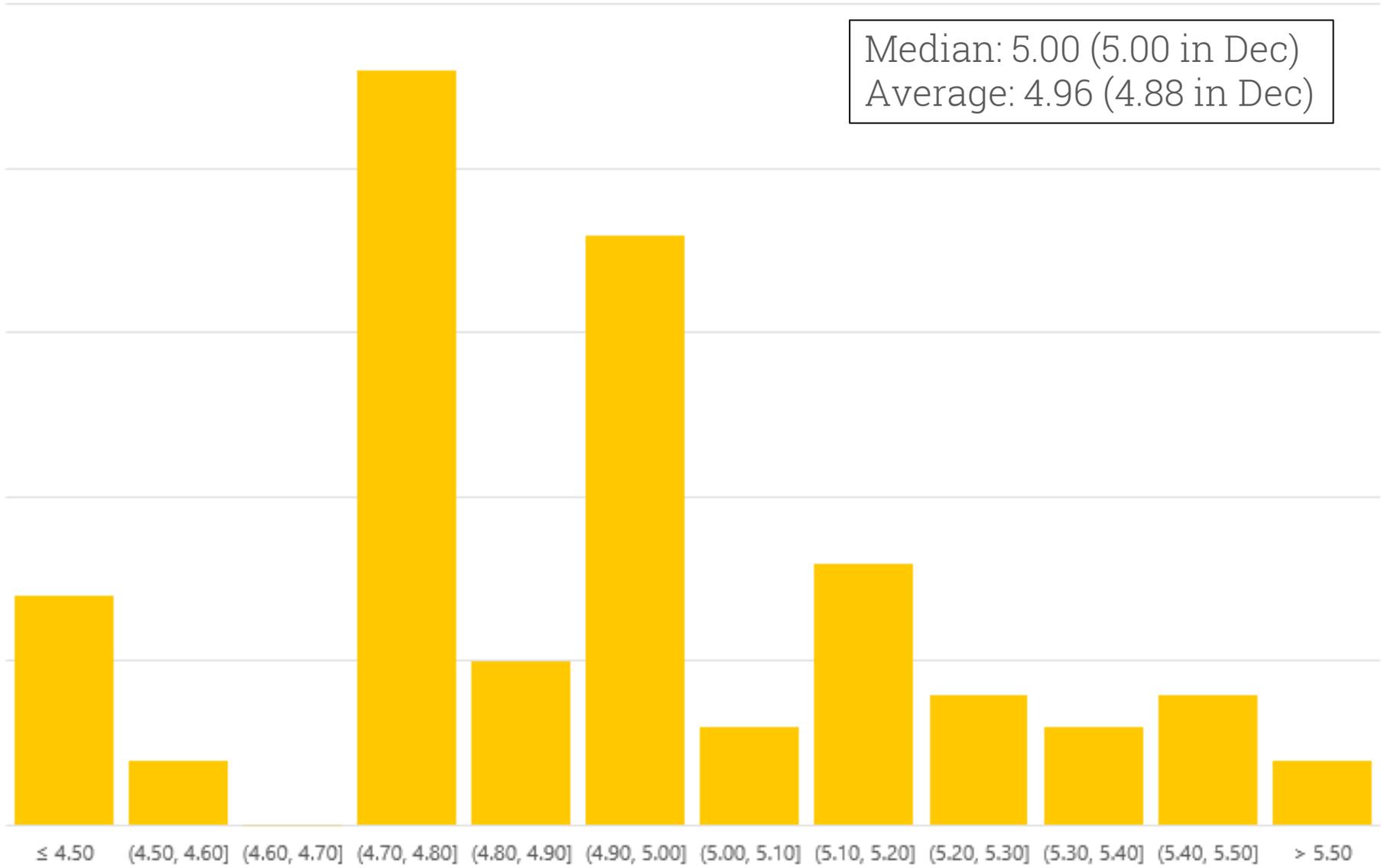
Source: XP Investimentos

IBOV 2021 YE - Histogram



Source: XP Investimentos

BRL 2021 YE - Histogram

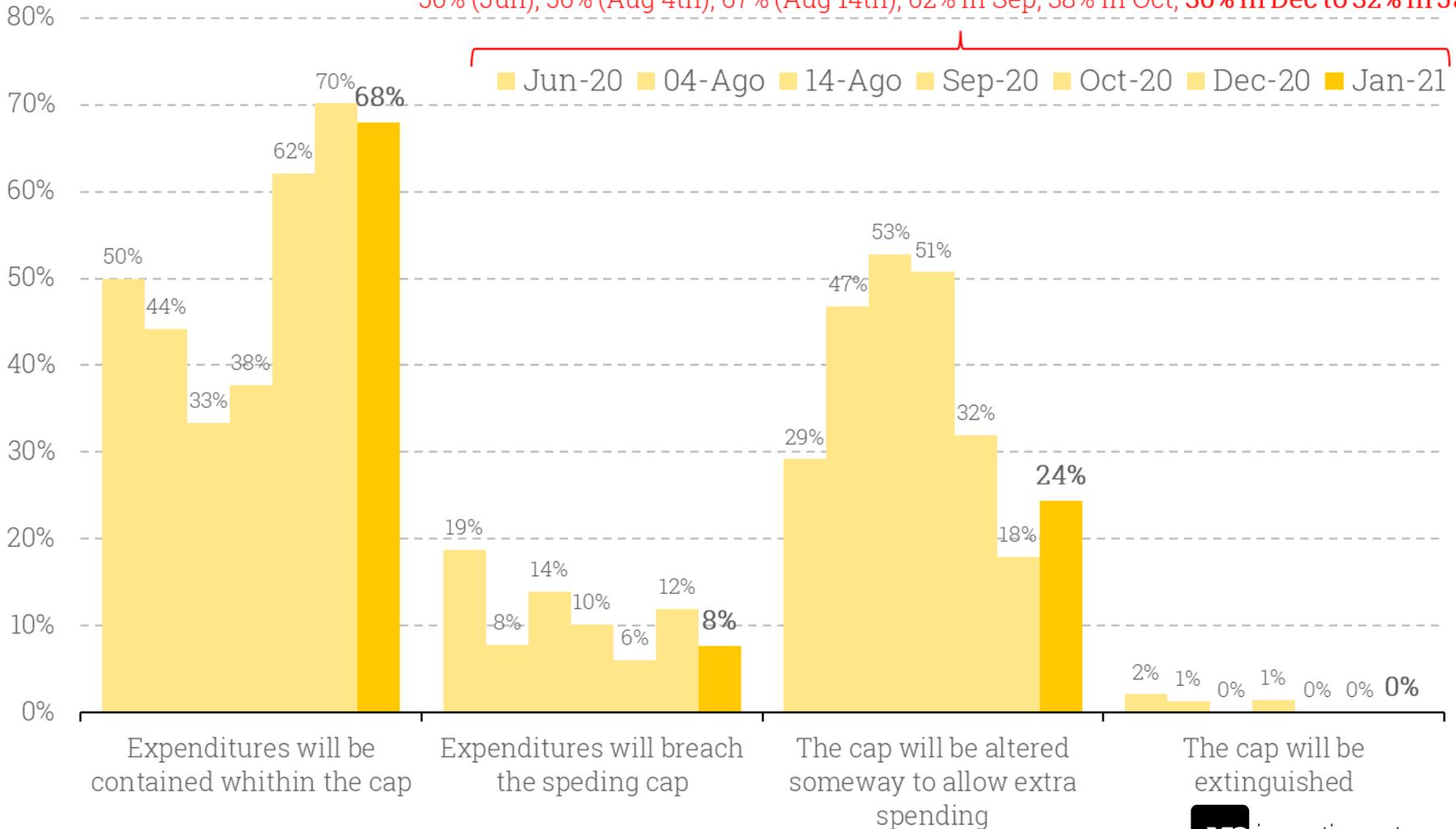


Spending cap in 2021

Regarding the spending cap in 2021, it will be:

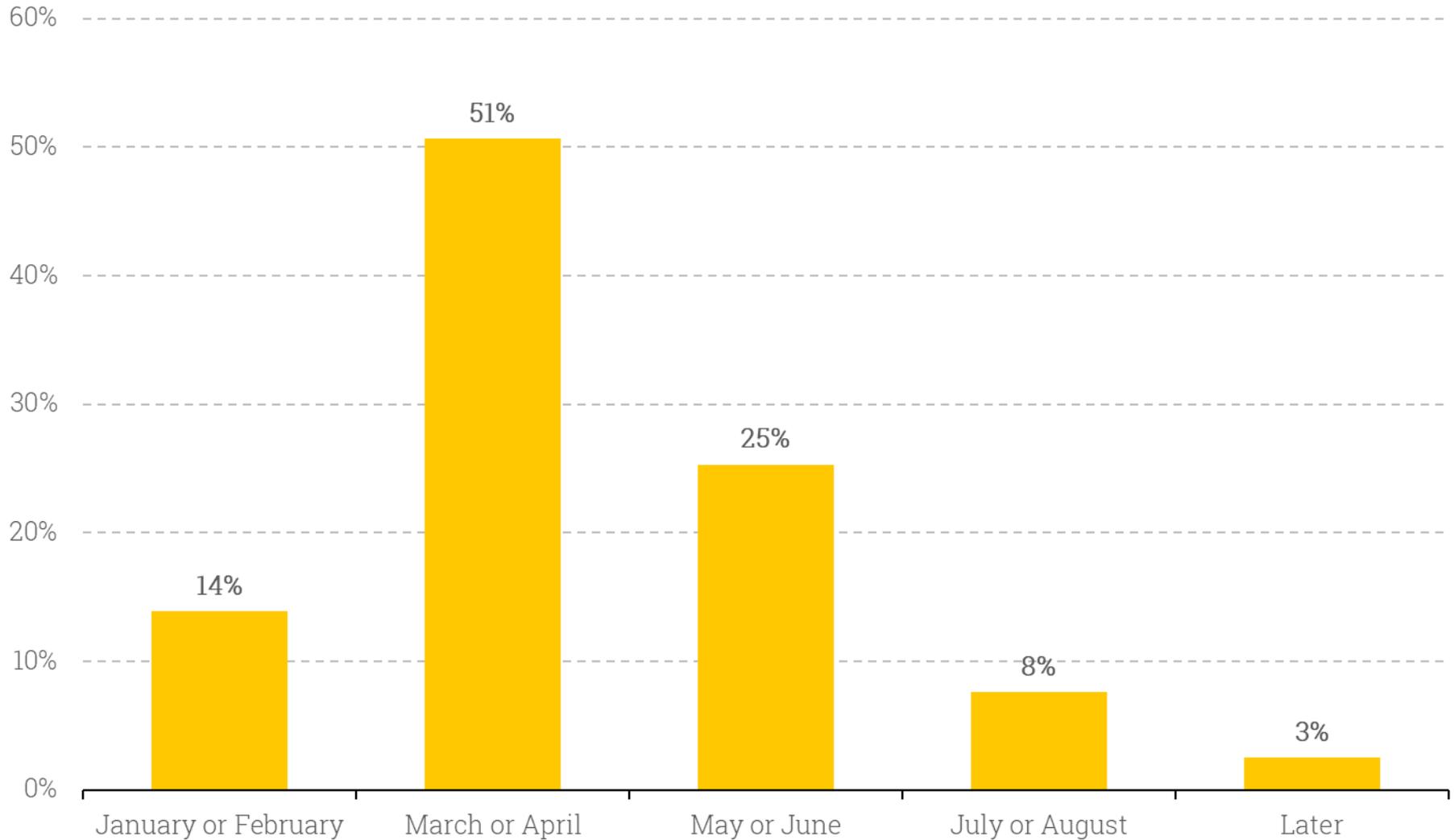
For those 33%, the median expectation is of expenditures BRL 33 bn above the cap (20 bn in Dec)

50% (Jun), 56% (Aug 4th), 67% (Aug 14th), 62% in Sep, 38% in Oct, **30% in Dec to 32% in Jan**



Covid in Brazil

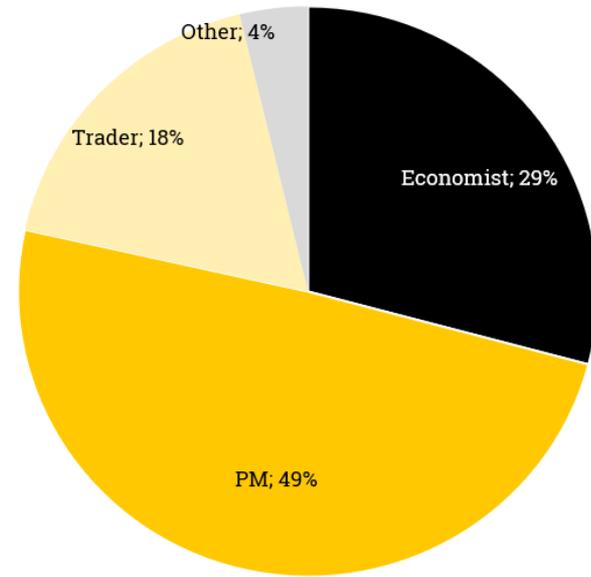
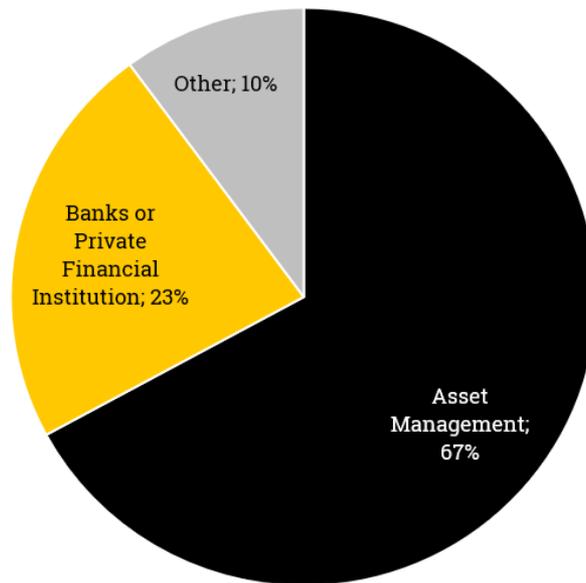
When do you expect Covid cases in Brazil to start decelerating?



Methodology

The survey was conducted between Jan 18 and 19 with 79 institutional investors regarding economics, markets, and politics. The respondents are portfolio managers, economists, and consultants. The form was sent electronically, and the results are made public in an aggregate manner.

**The results do not reflect on any way the views and opinions of XP Investmentos.
See full disclaimer at the last slide.**



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