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The main trend in September was the consolidation of the global growth slowdown in response to considerable and persistent uncertainty since the start of the year. The continuing US-China geopolitical tension and trade dispute kept the level of global economic uncertainty high, and this weighed on business climate. Central banks continued to provide accommodation through fresh rate cuts or even quantitative easing (in the case of the ECB), although the effectiveness of monetary policy in this context of uncertainty is debatable.

In the US, the congressional inquiry into President Donald Trump's relations with Ukraine may well lead to impeachment proceedings, potentially intensifying the uncertainty for several months. Although actual impeachment by the Senate is unlikely because of the Republican majority in the upper house, the process will produce a great deal of political noise and stall the legislative agenda. The labor market remained healthy despite a loss of momentum in manufacturing activity, with the unemployment rate at historical lows and a moderate growth in earnings. The Federal Reserve cut interest rates again by 25 bps to the 1.75%-2% range, while also addressing short term liquidity scarcity in the repo market. We expect one more cut by the Fed, whose communication shows scant willingness to pursue a longer easing cycle. However, leading indicators of recession in the 12 months ahead point to a historically high probability of economic contraction in 2020, which we believe is not the base case.

The other driver of the global slowdown, the Chinese economy, seems to have stabilized its growth rate at a slower pace below 6%. The main difference compared with the last mid-cycle slowdown in 2014-15 is that the countercyclical economic policies in place have focused more on boosting investment in infrastructure, increasing the supply of local government credit and lowering interest rates, without additional incentives to the real estate sector. The Chinese administration appears keen to avoid increasing the sector's imbalances following a decade of strong expansion, and to be aiming at more moderate and sustainable growth overall.

In Brazil the Central Bank proceeded with its monetary easing cycle, lowering the Selic rate to 5.5%. We believe the BCB will opt for two more rate cuts, one of 50 bps followed by a final 25 bps cut at the December meeting, taking the Selic to 4.75%. However, a certain discomfort with the historically low levels of the Selic rate can be observed not only on the BCB's part but also on that of investors, reflected in the response of financial flows, particularly in light of the adverse global outlook and the fiscal challenges ahead. Third-quarter economic activity data points to some improvement in the slow pace of growth seen in the first half, bolstering our confidence in our projection of 0.8% for 2019. Fiscal reforms continued to advance

in Congress, with the Social Security reform expected to be approved in the Senate by the end of October with a total amount of savings around US\$ 800 billion over the next ten years, despite some additional loss in savings during the voting process.

ECONOMIC FORECASTS	2013	2014	2015	2016	2017	2018	2019 F	2020F
GDP Growth (%)	3,0%	0,5%	-3,5%	-3,3%	1,1%	1,1%	0,8%	1,9%
Inflation (%)	5,9%	6,4%	10,7%	6,3%	2,9%	3,7%	3,5%	3,6%
Policy Rate (%)	10,00%	11,75%	14,25%	13,75%	7,00%	6,50%	4,75%	4,75%
Unemployment Rate (%)	6,8%	7,1%	9,6%	12,6%	12,4%	12,2%	11,4%	10,7%
Trade Balance (US\$ bn)	3	-4	20	48	67	53	37	30
Current Account Balance (US\$ bn)	-75	-104	-59	-23	-15	-22	-35	-40
Current Account Balance (% of GDP)	-3,0%	-4,3%	-3,3%	-1,3%	-0,7%	-1,2%	-1,7%	-1,9%
Fiscal Primary Balance (% of GDP)	1,7%	-0,6%	-1,9%	-2,5%	-1,8%	-1,6%	-1,6%	-0,9%
Government Gross Debt (% of GDP)	51,7%	57,2%	66,2%	69,4%	74,0%	76,7%	78,3%	79,3%

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