rareview macro

sight beyond sight ®

by Neil Azous

MORNING EDITION | June 4, 2015 Was this newsletter forwarded to you? SUBSCRIBE NOW

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Risk-Adjusted Return Monitor

Cross-Asset	Foreign Exchange	Fixed Income	Equities	Commodities
USD/TWD	USD/TWD	US Ultra Bond	South Korea Kospi	Soybean
Taiwan TAIEX	AUD/NZD	German-Eur Buxl	Taiwan TAIEX	Copper

*Highlights the largest positive and negative risk-adjusted returns overnight.

Summary & Views

Hindsight Capital Taking in Billions in New Money...Another Day at the Office for Rareview Macro

- Update: Managing Bund-UST Core Strategy
- Another Corrective Signal – Yield Sensitive Equities

Admin

There will be no Sight *Beyond* Sight tomorrow. Normal production will resume on Monday. Any updates to the model portfolio will be sent in real-time via Twitter as normal.

Update: Managing Bund-UST Core Strategy

In these pages we do our best to keep our emotions under control, and only very rarely take victory laps. We are much more interested in learning from our mistakes than celebrating victories. The model portfolio is the score card for that instead. That said, we are a little dismayed by the number of investors, banks and headline writers all patting themselves on the back for calling this global move higher in yields, especially in European fixed income and the German Bund specifically. The funny thing is we should not be surprised as it happened to us three times last year when we put on Brazil, the US dollar and China strategies well in advance of the crowd. At least we get the benefit of having extremely low correlation in the model portfolio to the S&P 500 and macro benchmark indices.

Maybe one day the volume will be louder on our microphone, and a few more people will hear what we are saying, but until then we will just keep fighting the good fight. In that spirit, here is an update on how we are managing our #1 core position. As a reminder, we established a position in the Bund-TY tightener at ~190 bps (high was -192 vs. last -148) into the heart of the global debate on yields on March 9th, the day the European Central Bank began buying bonds and when everyone was steadfast in their belief that the supply and demand profile warranted even deeper negative yields, including the Bund.

For details on our original thesis please see the March 9th Trade Lab which includes our trade matrix and plans for managing gains/losses.

Given that the Bund has broken down again and is likely headed towards our 1.25% fair value estimate, at this point we are a little more than halfway towards our idealized price targets.

Our view is that if Bund yields overshoot to the upside then -100 bps (i.e. tighten another 45 bps) can be achieved on the BUND-TY spread.

Our initial target and fair value estimate for the 10-year German Bund yield remains at 1.25%. We think it can overshoot to the upside at 1.50% if our fair value estimate of the 5-year Bobl at 0.25% is too low. Inflation-sensitive bonds relative to nominal bonds have mostly plateaued since the program began in March, and the Euro has remained mostly range bound, so we are hesitant to look for a steeper 5-10 yield curve than 100 bps primarily due to higher inflation expectations. Additionally, our 5-year Bobl valuation includes the assumption that the ECB will remain on hold at least through 2018, and any event that brings that timing closer is unwarranted.

That being said, we are mindful that assets tend to overshoot in both directions, so there is the potential for at least a move up to 1.5% in the German Bund, but the risk/reward is no longer in our favor from the short side past 1.25% in yield terms with the economic information we have available today. Additionally, real yields are now significantly less negative in European fixed income (i.e. -30 bps for the 10-year Bund) although we expect that inflation-sensitive bonds will continue to appreciate relative to nominal bonds in general, creating a higher inflation “breakeven” spread than what is priced into the market today. For example, during the selloff in US rates after the second QE program was launched, 10-year real rates rose by 100 bps, but the 10-year inflation breakeven spread similarly rose by 110 bps from peak to trough compared to the ~60-70 bps in similar German rates thus far.

With respect to the US Treasury side, we find the “US economy and monetary policy” portion of the long end of the US yield curve currently valued at a very fair level, and any deterioration in the growth profile should cause the UST leg of the trade to outperform from here. More importantly, although we feel like we have a good handle on how the outcome of the US Federal Reserve’s tightening process will play out mechanically, and how the US yield curve will react, our natural humility cautions us that we should not be surprised in the slightest if we miscalculated it, as no central bank **in history has ever successfully exited quantitative easing**. So both their process and ours are a bit of a moving target at the moment, to say the least.

It is also important to note that the sensitivity of Bunds to UST's is at exactly 2x recently, a move to 1.25% in the German Bund should equate to approximately 2.51% in the US 10-year yield, which is where we think domestic real money investors will look to significantly increase exposure, especially if they remain underweight.

Once the 125 bps initial target is reached in the BUND-TY spread we will reassess the position, and potentially take profits on part of the position, or become more aggressive in using derivatives to hedge out the "wings."

And lastly, because we approach every theme in an unemotional fashion, we will not hesitate to get long on the German Bund if yields so overshoot to the upside.

Perhaps when we are done taking this position off in a few months' time, all these same money managers, bank strategists, and the rest of "Hindsight Capital" will be taking a victory lap as well. It is disingenuous to talk so forcefully out of both sides of their mouths.

Or perhaps along the way since they've all made an about face and now believe in reflation, higher yields and valuations instead of over emphasizing the technical mechanics around how much net bond supply and demand there will be when the ECB is in the market buying every month, they will upgrade their views on Crude Oil and commodities in general? Was this not the same conclusion they came to during the first two US quantitative easing programs? We doubt it. They will need to wait for someone else to have Sight *Beyond* Sight first.

Another Corrective Signal – Yield Sensitive Equities

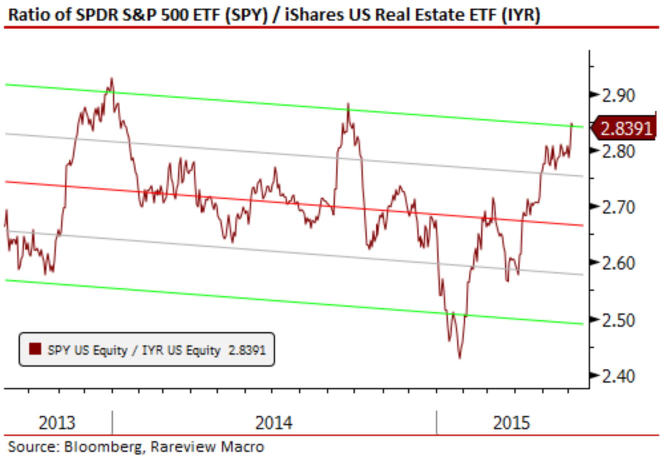
We wanted to add this to the list of items that might well signal a US equity correction. These observations go hand-in-hand with those we laid out in the May 26th edition of Sight *Beyond* Sight which highlighted the risk to the corporate buyback theme – that is, the largest marginal buyer of equities is no longer strong enough to completely offset the headwinds of higher interest rates.

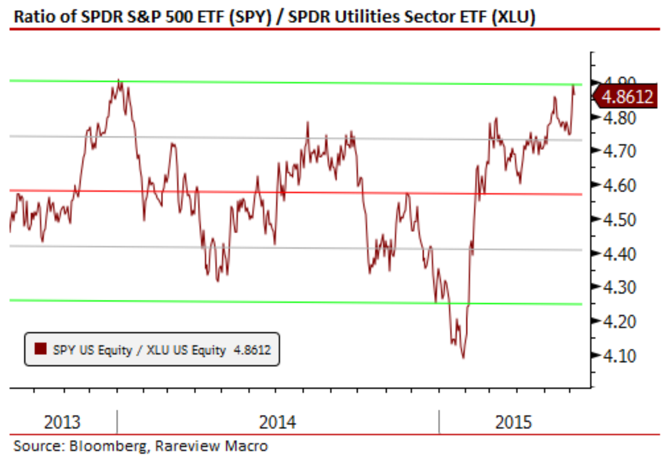
Since US yields peaked in September of 2013 (our starting point for the illustration below), the ratio of the S&P 500 ETF (SPY) and US Real-Estate Trust ETF (IYR) is now two standard deviations above its regression line (i.e. yield-sensitive underperformance). This is now the third time this has happened during that time frame.

The last two times this happened, the S&P 500 (SPX) had plateaued and sold off in excess of 6% from peak to trough.

Given the narrative recently around weaker fixed income globally, we wanted to highlight the extreme divergence relative to equities that now exists.

This same thought process also applies to the ratio of the S&P 500 ETF (SPY) and the Utilities (XLU), the other yield sensitive equity proxy alongside REITs.





Similar to the 200-day Moving Average (200-DMAVG), we find long-term Linear Regression Channels can be a strong technical indicator.

For those not familiar with Linear Regression Lines, it is a line that best fits all the data points of interest and consists of three parts:

- Upper Channel Line: A line that runs parallel to the Linear Regression Line and is usually one to two standard deviations above the Linear Regression Line.
- Lower Channel Line: This line runs parallel to the Linear Regression Line and is usually one to two standard deviations below the Linear Regression Line.
- The upper and lower channel lines contain between themselves either 68% of all prices (if 1 standard deviation is used) or 95% of all prices (if 2 standard deviations are used).

When prices break outside of the channels, it tells you either that there are buy or sell opportunities or else that the prior trend could be ending.

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Top Observations

Market Tidbits:

- **Statistical Analogue:** Wednesday was the first time for 10 sessions that e-mini S&P futures (ESM5) had broken the previous day's high, and the first time for 11 sessions that the market had ended the session above the previous day's high. (Source: Predicted Markets)
- **US Rates Signal:** Our Option Sentiment Indicator (OSI) reached a buy signal today on put-heavy trading in TY options. Historically, over the two days after the OSI crossed the buy signal threshold, 10y yields have rallied 65.9% of the time, with the average of these rallies (i.e., average move for successful signals) 7.3bps. Last signal occurred in mid-May. (Source: Credit Suisse)

- **Taiwan**: The USD/TWD cross is showing the largest positive risk-adjusted returns across regions and assets, and the country's major equity index, the TAIEX, is showing the largest negative risk-adjusted return across regions and assets.

- **Gold in Euro Terms:** XAUEUR Spot Exchange Rate - Price of 1 XAU in EUR broke February and May 2015 double bottom; the 200-DMAVG at ~1030 is the a technical magnet.

- **US Equity Sentiment**: Neutral investors little changed at 48.03% vs. 47.86% last week, near a three decade high for the eighth consecutive week (AAII). The 4-week average of bullish sentiment remains near its lowest level since March 2009 at 26.57%.

EU Strategy Changes:

- UBS:
  - FTSE 100 end-2015 target cut to 7,200 vs. 7,300
  - STOXX 600 end-2015 target raised to 440 from 380; use Dec 2016 3700 Estoxx calls as instrument with target of 4570.

- JPMorgan:
  - Central Europe cut to neutral from overweight
  - CEEMEA overweight Turkey, neutral on South Africa and Greece

DB Leveraged Finance conference in London (Macro Strategy J.Reid, C.Nicol): Day 2 of flagship credit event in Europe; "It's always a big gathering but this year it is again seeing record numbers; Yesterday I opened up day 2 of our big annual Leveraged Finance conference in London. We had several hundred investors in the room and I took advantage of this by conducting a poll of where they saw various macro trends going over the coming months and years."

Where will Bund yields be at year-end 2015?
- Below zero: 5%
- 0-0.5%: 30%
- 0.5%-1%: 50%
- 1%-1.5%: 13%
- Above 1.5%: 2%

When will Euro QE end?
- 2016 (in line with the ECB's plans): 29.4%
- 2017: 43.6%
- 2018: 19.9%
- 2019: 3.3%
- 2020 and beyond: 3.8%

Will the Fed raise rates this year?
- Agree: 58%
- Disagree: 42%

Where will the terminal Fed funds rate be in this cycle?
- Below 1%: 12.3%
- 1%-2%: 33%
- 2%-3%: 36.5%
- 3%-4%: 14.8%
- Over 4%: 3.4%

When will the next above average default rate year occur?
- 2015: 0.5% (I tried to hunt them down to find out what they knew that I didn't)
- 2016: 5.7%
- 2017: 25.7%
- 2018: 36.2%
- 2019 or beyond: 31.9%

China: Speculation of increased stimulus and large real money asset allocation continues. A-shares, H-Shares more favored over Shenzen and ChiNext on valuation.

- The Chinese government is preparing to allow local governments to sell another CNY1 trillion in bonds as part of its ongoing refinancing operation, now that sales of the first batch are up and running smoothly, according to a bond trader in an eastern Chinese city briefed by the local government's finance department. Additionally, the Economic Observer newspaper said Thursday that the government will allocate another CNY1 trillion quota to local governments in the second batch. The report cited an unidentified official as saying that debt to be repaid this year by local governments will be greater than the CNY1.86 trillion indicated in official data. (MNI)

- A strong equity market will help the economy very much and I think the government is motivated to play out that scenario," Jian Shi Cortesi, money manager at Swiss & Global Asset Management (GAM) in Zurich, says in phone interview. (Bloomberg)

    - 2-3 yrs of A-share bull market would allow cos. to reduce debt, reliance on bank borrowing
    - Several 10-30% corrections possible before mkt peak; better for eco than mkt doubling too quickly then collapsing
    - Now "best time" to add A-shares to global benchmarks as valuation near historical avg, interest in mkt returning
    - A-share inclusion to give "big motivation for more fund managers to add A-shares to their portfolio"
    - Won't add "too much" Shenzhen shares because of high valuations once link starts operating; ChiNext board "already a bubble"

        - *Note: Chinese brokerage Golden Sun Securities will suspend margin financing for purchases of shares listed on Shenzen's fast-growing start-up board ChiNext. (Reuters)*

    - Kweichow Moutai is top holding; "good value" at current level
    - OW healthcare, consumer stocks; likes insurance stocks

- MSCI may follow similar approach of FTSE to put A shares in new transitional indexes to pave the way for inclusion in benchmarks (Source: Guotai Junan, Qiao Yongyuan, dated June 3rd)

    - "Breakthrough" regarding A share inclusion in MSCI global indexes expected in 2016
    - China to accelerate opening up of capital markets to facilitate A-share inclusion in MSCI, possible steps incl.:
    - Start of Shenzhen-H.K. link this year
    - Boosting quota, number of stocks eligible for trading via Shanghai-H.K. link
    - Bigger quotas for QFII, RQFII programs
    - Vanguard's addition of A shares into emerging fund shows interest and demand from foreign investors to allocate funds in A shares, may be followed by more global ETFs

        - *Vanguard Group Inc., the largest U.S. mutual fund firm, will add mainland Chinese shares to its $69 billion emerging-market fund. China A shares will represent 5.6% of the benchmark index tracked by the Vanguard Emerging Markets Stock Index Fund. The fund will follow a transitional index unveiled last month by FTSE Group. (June 2nd)*

Asia Credit to Underweight: Holding more cash than the benchmark average in the second half of 2015, valuation has tightened against historical trend and elsewhere in emerging markets. (Source: Nomura, head of Asia ex-Japan credit flow analysis, Annisa Lee, dated June 1st)

- Fed rate hike, rising China risk and weakening credit fundamentals will require more compensation
- Expects 15-basis point widening in IG credit spread and 50-bps move in HY notes, implying a 20-bps increase in credit spreads in proxy Markit iBoxx USD Asia ex-Japan index to 224 bps.
- Investment Grade
  - Prefers moving down to BBB credit, especially in China where oil producers face supply risk and A rated state-owned companies are too expensive
  - Recommends switching out of state-run companies in India, moving into downstream oil companies in India, Thailand and Malaysia to benefit from cheaper crude prices
  - Short-dated bonds in Hong Kong and South Korea offer resilience to any market selloff; recommends buying better-yielding perpetual notes there
- High Yield
  - Likes moving up credit quality in Chinese nationwide developers and industrial companies, while keeping a neutral view on casino operators
  - Berau, Kaisa and Mongolian Mining offer value from risk-reward perspective for buyers with higher risk tolerance
  - Prefers decent credits like Tata Steel, JSW Steel or Reliance Communications over companies with weak cash flow like Rolta
  - Prefers Fortescue to Vedanta based on liquidity and refinancing risk

US Single Stock Equity Research Calls:

- **Semiconductors:** Assessing the Next Wave of M&A Candidates--Where Are All the Semiconductor Companies Going? our top three acquisition candidates for the remainder of 2015 are: No. 1, ATML; No. 2, LSCC; No. 3, CAVM; runners-up: AMCC, ARMH, and MRVL (Source: FBR)

- **Facebook vs. Twitter RV:** TWTR - Exploring Instant Articles, Video & More; Downgrade TWTR to Hold. TWITTER: Reduced Conviction. FACEBOOK: Product and Scale Lead Evident , Increasing FB Estimates. FB PT to 105 (Source: ISI)

- **Eggs/Chicken Issues:** CALM - We are increasing our F2016 EPS estimate to $13.00 from $7.50. Our F2017 EPS estimate is now $9.10, up from $5.75. (Source: Stephens)

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Model Portfolio

UPDATES

Asset Class	Date	Strategy	T/S	Start/Close PX	Capital at Risk (USD)
Foreign Exchange	26-May-15	Long USD/JPY - add	S	$ 122.0300	$ 30,000,000
Commodities	27-May-15	Long WTI Crude Oil (CLX5) Nov P48/C64.5 risk reversal - open	T	$ 1.0500	$ 550,000
Foreign Exchange	27-May-15	Long USD/CHF - close	S	$ 0.9501	$ -

*Source: Bloomberg, Rareview Macro. Capital at Risk (USD) Start Price.

CURRENT POSITIONS

Asset Class	Entry Date	Strategy	T/S		Start/Avg PX		Capital at Risk (USD)
Foreign Exchange	05-Dec-14	Long USD/CHF 9/7/15 C1.05	S	$	110.314	$	142,112
Foreign Exchange	05-Dec-14	Long USD/SGD 9/7/15 C1.40	S	$	57.2	$	366,579
Foreign Exchange	15-Apr-15	Short USD/BRL 6-month NDF	S	$	3.2144	$	(30,963,841)
Foreign Exchange	15-Apr-15	Long USD/JPY	S	$	120.5050	$	61,831,481
Foreign Exchange	15-Apr-15	Long USD/JPY 10/15/15 C125	T	$	72.0700	$	1,926,619
Equities	05-Dec-14	Long WisdomTree Europe Hedged Equity Fund (HEDJ)	S	$	60.13	$	30,644,589
Equities	05-Dec-14	Short SPDR S&P 500 ETF Trust (SPY)	S	$	207.79	$	(30,252,886)
Equities	13-Feb-15	Conversion: Long GOOG vs. 1/20/17 C600-P600 Synthetic Short	S	$	0.00 DVD Forecast	$	14.99mm Funding
Equities	08-May-15	Long SPDR S&P 500 ETF (SPY) 9/18/15 PS 200-185 & C230	T	$	2.6350	$	2,249,683
Equities	30-Mar-15	Long iShares China Large-Cap ETF (FXI) 11/20/15 CS 50-60	T	$	0.23	$	2,567,291
Equities	21-Apr-15	Long Apple Inc. (AAPL)	T	$	126.9600	$	20,601,173
Interest Rates	09-Mar-15	Short German Bund (RXU5) - roll 1	S	$	153.71	$	(150,000) per 1 bps
Interest Rates	09-Mar-15	Long US 10-YR Treasuries (TYU5) - roll 1	S	$	127-05	$	150,000 per 1 bps
Interest Rates	04-May-15	Long Eurodollar (EDZ5) 12/14/15 Put Spread 99.5-99.25	S	$	0.1200		N/A
Interest Rates	04-May-15	Short Eurodollar 3YR Mid-Curve Dec15 (3EZ5) 12/11/15 P97	S	$	(0.1150)		N/A
Interest Rates	05-May-15	Long Euro - Bund Futures (RXQ5) 7/24/15 C159.5	T	$	0.3100	$	208,090
Interest Rates	06-May-15	Short Eurodollar Jul15 (EDN5)	T	$	99.6500	$	(200,000) per 1 bps
Interest Rates	06-May-15	Long Eurodollar Mar16 (EDH6)	S	$	99.1500	$	150,000 per 1 bps
Commodities	31-Dec-14	Long SPDR Gold Shares (GLD) 6/30/15 C150	S	$	0.30	$	17,673
Commodities	31-Dec-14	Long Silver (SIN5) - roll 2	S	$	16.210	$	41,417,710
Commodities	31-Dec-14	Short Gold (GCM5) - roll 2	S	$	1,206.20	$	(19,744,040)
Commodities	12-May-15	Long iShares Silver Trust (SLV) 10/16/15 C18	T	$	0.4300	$	342,463
Commodities	27-May-15	Long WTI Crude Oil (CLX5) Nov P48/C64.5 risk reversal	T	$	1.0500	$	1,108,500

*Source: Bloomberg, Rareview Macro. Capital at Risk (USD) COB May 29, 2015.

CURRENT THEMES

Return Stream	Strategy	Strategic (S)	Tactical (T)
Directional/Counter-Trend	Long US Dollar vs. Short Singapore Dollar, Japanese Yen	X	
Directional/Counter-Trend	Long Chinese H-Share Equities		X
Directional/Counter-Trend	Long AAPL Capital Redeployment & Upside Margins/EPS Guidance		X
Directional/Counter-Trend	Long WTI Crude Oil - Second Half 2015 Recovery		X
Relative Value (Carry)	Long Brazil Stabilization/Carry vs. Japan Easing	X	
Relative Value	Long European vs. Short US Equities Currency Hedged	X	
Relative Value	Short European vs. Long US Fixed Income	X	
Relative Value	June 2015 (T) vs. March 2016 (S) Pace of US Interest Rate Hikes	X	X
Technical/Mean Reversion	Long Silver vs. Short Gold	X	
Idiosyncratic	US Equity - Google - Dividend Conversion Arbitrage	X	
Risk Premium	Extraction of US Interest Rate Risk Premium	X	
Portfolio Overlay	Long German Bund Call Option		X
Portfolio Overlay	Long US Equity Volatility (via S&P 500 Strangle)		X

*Source: Rareview Macro.

WATCH LIST

Asset Class	Entry Date	Strategy	Return Stream		Wake Up Price
Equities	05-Jan-15	Long Euro Stoxx 50 Index Dividend Futures (2017, DEDZ7)	Risk Premium	€	102.00
Credit	05-Jan-15	Long 5-Yr Credit Default Swap (CDS) on Brazil	Portfolio Overlay		175-200 bps

*Source: Rareview Macro.

RISK EXPOSURE

Risk Level	% of Portfolio	Asset Class		Gross Exposure		Net Exposure
Medium	68.73%	Equities	$	211,648,648	$	11,142,876
Medium	55.80%	Foreign Exchange (USD)	$	171,844,221	$	109,916,539
High	0.21%	Fixed Income (DV01)	$	650,000	$	(50,000)
Medium	21.61%	Commodities	$	66,561,750	$	42,448,670
Low	0.00%	Credit (CS01)	$	-	$	-
Low	0.00%	Option Premium (<1-mo.)	$	-		
Low	0.07%	Option Premium (1-3-mo.)	$	225,763		
Medium	2.55%	Option Premium (>3-mo.)	$	7,866,503		

*Source: Bloomberg, Rareview Macro. Options Delta Adjusted. Risk Exposure (USD) COB May 29, 2015.

PERFORMANCE UPDATE

Portfolio	Macro Strategy	Start NAV	End NAV
2015 Year to Date Return	2.65%	$ 300,000,000	$ 307,948,328
2015 Month to Date Return	2.02%	Net	$ 7,948,328
2015 Week to Date Return	0.43%		
2014 Year to Date Return	17.81%	$ 113,160,023	$ 133,310,565
2014 Sharpe Ratio	1.92	Net	$ 20,150,542
2013 Year to Date Return	13.16%	$ 100,000,000	$ 113,160,023
2013 Sharpe Ratio	2.73	Net	$ 13,160,023

*Source: Bloomberg, Rareview Macro. Performance COB May 29, 2015.

Model Portfolio

For important information, including past performance, our process, FAQs regarding how the model portfolio is administered, and disclaimers please click HERE. The portfolio illustrations referenced within this material are hypothetical. No actual investments have been implemented and any references to transactions, positions, gains, or loses with respect to the portfolio are hypothetical.

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Data & News

BRAZIL

- COPOM hikes by 50 bps to 13.75% as expected.
- Also has the honor of the shortest monetary policy statement describing an interest rate hike at 37 words.

Brazil Central Bank Interest Rate Statement: Side-by-Side

April 29, 2015	June 3, 2015
Copom elevates the Selic rate to 13.25 percent.	Copom elevates the Selic rate to 13.75 percent.
Taking into account the macroeconomic scenario and the inflation outlook, the Copom decided unanimously to increase the Selic rate by 0.50ppt, to 13.25% a year, without a bias.	Taking into account the macroeconomic scenario and the inflation outlook, the Copom decided unanimously to increase the Selic rate by 0.50 ppt, to 13.75% a year, without a bias.
The following board members voted in favor of this decision: President Alexandre Antonio Tombini, Aldo Luiz Mendes, Altamir Lopes, Anthero de Moraes Meirelles, Luiz Awazu Pereira da Silva, Luiz Edson Feltrim, Otavio Ribeiro Damaso, Sidnei Correa Marques e Tony Volpon.	The following board members voted in favor of this decision: President Alexandre Antonio Tombini, Aldo Luiz Mendes, Altamir Lopes, Anthero de Moraes Meirelles, Luiz Awazu Pereira da Silva, Luiz Edson Feltrim, Otavio Ribeiro Damaso, Sidnei Correa Marques e Tony Volpon.

Goldman:

- Today's statement signals central bank to review economic data before next rate decision. (Alberto Ramos)
- Copom will probably end tightening cycle in July
- Brazil probably won't start cutting the Selic rate before mid-2016, as the outlook for inflation "may require the Copom to, once the current tightening cycle is over, be patient and prudent before embarking on an easing cycle"
- 'Like antibiotics, BCB rate hikes and austerity measures need to be taken until the end, even with all the pain. If the treatment stops prematurely, the inflation resumes stronger and kills the patient.'

Local bank Banco Votorantim's (Roberto Padovani):

- Decision shows central bank "committed" to bringing inflation to the center of govt target by 2016
- Central bank's statement today "leaves door open for everything," including either keeping Selic unchanged or increasing it by further 0.5% in July's meeting
- DI curve will probably flatten in the coming months

Barclays:

- Any indication regarding the next steps of monetary policy should come only in the Inflation Report. We expect the Copom to bring a more deteriorated balance of risks for the growth outlook, in light of the data published between the April and June meetings. However, any indication regarding the next steps of the monetary is likely to be reserved to the Quarterly Inflation Report due to be published by the end of the month.
- If the Copom shows inflation forecasts closer to the mid-point of the target together with a downside revision of the growth forecast for this year (currently at -0.5%), we believe that any indication suggesting the reduction of the tightening for July should be presented.
- We also expect a strong emphasis on the inflation expectations behavior, as a key variable for monetary policy. As of now, we expect the Copom to hike by another 25bp in July and stop the cycle with the Selic rate at 14.00%.

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