



A Turning Point in Brazil

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Brazil has seen quite a bit of political turmoil over the past decade, and it has been heightened by more recent corruption. But the corruption scandal and the seemingly weak political structures that have historically inhibited growth in Brazil are turning.

Specifically, both elected members of congress and the current administration, however weak, are aligned in their desire to pass meaningful economic reforms prior to national elections, which are scheduled to take place in October.

At the same time, the perils of economic mismanagement that the country has endured under previous administrations have been laid bare, so the current administration has incentive to move forward with reforms. Indeed, reform is the only reason the current administration is even in place.

Specifically, President Michel Temer is not in the role to be a viable candidate in the next election; he is there to be a caretaker, pushing through the reforms that are necessary to meaningfully bring down the structural rate of inflation, enable monetary policy interest rates to be cut significantly, and to ultimately enable economic growth to come through in time for October's election.

It's an interesting way to think about geopolitical alignments and risks and their impact on current and potential economic activity.

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