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## Latam Daily: Mixed Mexican H1-Oct Inflation

**Markets are sending mixed signals to start the week, with the USD generally stronger in contrast to modest gains in US stock futures, losses in commodity prices, and lower bond yields in Europe and the US.** Beyond notable weakness in Chinese and Hong Kong equities overnight, the broad driver of market sentiment today remains UK political developments as the field for the next Tory leader, and thus UK PM, narrows. Former Chancellor Sunak and House of Commons Leader Mordaunt remain after former PM Johnson withdrew from the contest yesterday. Sunak has gathered the support of the majority of Conservative MPs ahead of the 9ET deadline to get the support of 100 MPs; Mordaunt only has around 30 public backers at writing.

**The Latam and global calendars bring little of note in the day ahead with the exception of US S&P PMIs at 9.45ET.** PMIs published this morning in the Eurozone and the UK missed expectations by a decent margin, cementing the view that the continent's economies are contracting in the final third quarter of the year amid surging energy prices (and political risks). Economists expect the US economy to remain in the sub-50 contractionary territory in today's October PMIs. Brazil publishes October inflation data tomorrow, with economists expecting a deceleration to 6.8% from 8.0% that would support another BCB rate hold on Wednesday.

**Mexico's INEGI reported mixed H1-Oct CPI data this morning. Headline consumer prices in the country rose by 0.44% 2w/2w, resulting in an 8.53% y/y gain;** this compares to median forecasts of 0.53% and 8.53%, respectively. On the other hand, core inflation beat estimates, coming in at 0.42% 2w/2w (vs 0.36% consensus) and 8.39% y/y (vs 8.32% consensus)—a new, marginal, high since the early-2000s.

**Regardless of where today's data came in, Banxico looked set to follow the Fed with a 'likely' 75bps at its November 10 meeting.** Today's core print does, however, push back somewhat against Esquivel's comments around "decoupling" from the Fed or considering when to end conclude the hiking cycle. The country's stats agency publishes IGAE (economic activity index) data tomorrow, with economists seeing no growth month-over-month in August.

The results of the most recent Bloomberg survey published on Friday saw analysts revise their expectations for Banxico. They now see the overnight rate peaking at 10.75% (vs 10% in September, and vs our forecast of 10.50%) with cuts beginning in Q4-2023 (unchanged, in line with us). The MXN is practically unchanged since the data release, holding to a 0.2% depreciation on the day—similar to the CLP's.

—Juan Manuel Herrera

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