

Contributors

Juan Manuel Herrera

Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Sergio Olarte, Head Economist, Colombia
+57.1.745.6300 Ext. 9166 (Colombia)
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

Latam Daily: Peru Election Deadline; COP on the Ropes

Markets are stumbling into the end of the week with a clear risk-off feel, as losses in US cash markets yesterday on hawkish Fed speak extended into overnight hours. SPX futures are down 0.7% and the USD is stronger across the board and testing key levels against some major currencies (USDCAD through 1.35, USDJPY testing 135). In early trading, the CLP gapped through the 800 pesos at the open and is tracking a 1% loss on the day, compared to the MXN, which is 0.7% lower.

The energy commodities space is following the risk averse tone with the stronger dollar also weighing; WTI oil is down 2%+. Industrial metals are mixed as copper and iron ore continue their recent zig-zagging (down and up ~1.5%, respectively).

The regional and continental day ahead is relatively quiet as we get no data of note in Latam and US watchers will only have import/export prices data to scrutinize for inflationary pressures.

As has been the case all week long, the main thing to watch in the Pacific Alliance will be whether Peruvian lawmakers settle on an early election date. The extension of the legislative session to today from last Friday has seemingly been of little use as parties remain far apart and the most likely scenario remains no elections this year. Maybe the can will be kicked down the road again and we get another extension. Protesters will certainly not take well to the door being shut.

We're also closely watching developments in Colombia where a backdrop of weak growth, signs that BanRep may soon conclude its hiking cycle (or even pause), and Petro's reform aspirations as well as his policies surrounding the energy/utilities sector have conspired against the COP. The currency just about tested the 5,000 pesos level yesterday for the first time since early-January, with a breakneck depreciation of ~8.5% three weeks prior up to yesterday's close—and the broad dollar mood as well as late-Thursday developments point to a possible re-test of the figure zone today.

As had been teed up in late-January, Petro signed a decree yesterday that would allow him to set the country's utility tariffs for three months. Yesterday, according to [Semana](#), Colombia's finance ministry has notified Ecopetrol's board of its intention to replace members at the March assembly. Carlos Gustavo Cano (who was Ecopetrol president for one day in October), resigned yesterday given his lack of confidence in the board.

Finally, in Mexico, Banxico Dep Gov Heath said yesterday that the bank's cycle is nearing its end and that he sees "the terminal rate very near 11.50%, between 11.25% and 11.75% ... but a lot can change." One thing (the main thing, really) that could change is inflation data, with H1-Feb data due for release next week and where economists are seeing a slight uptick in core CPI on a bi-weekly basis. Our team in Mexico City believes the central bank has shifted to a significantly more hawkish stance amid strong core inflation that will prompt increases to a 12% terminal rate.

—Juan Manuel Herrera

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.