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Latam Daily: Markets on Edge; MXN Slides to One-Month Low

Global markets are trading on edge after the failure of a few US banks (namely Silicon Valley Bank) has triggered anxiety over contagion to the broader US financial system. US authorities (Fed, FDIC, and Treasury, see [here](#) and [here](#)) have quickly acted to protect SVB depositors and lessen the damage and spillovers from its demise to the broader sector. The news were initially well-received in Asia before risk aversion kicked in again during European hours as currencies pare gains vs the dollar, US equity futures turn negative (-0.3% at writing), and government debt rallies (US 2-yr yields down 35 bps, 10s down 15bps). Crude oil is off 1.7%, while iron ore managed a 2% jump in Singapore against copper currently recording a 0.9% decline. For our team's take on yesterday's US announcement see [here](#).

The MXN had followed the overnight USD-negative mood before turning into the worst performing currency on the day, shedding 1.5%+—over a full percentage point more than the next weakest major. Mexico's proximity to the US, be it via economic, financial, or monetary policy links, may leave Mexican assets especially exposed to weakness north of the border. We had highlighted the peso's outperformance on the Banxico implications from a more hawkish Fed; this cuts both ways.

The MXN's loss to ~18.85 at writing has left the cross trading through its 50-day MA for the first time since early-February, and would close above this barrier for the first time since late-2022 unless it rallies sharply over the balance of the day (the 19 pesos figure is key resistance).

Mexican data out this morning at 12ET (industrial/manufacturing production and ANTAD retail sales) will likely play a minimal part in price action in Mexican markets today as the focus will remain squarely on US financial sector developments (with US CPI due for release tomorrow, to boot).

Over the weekend, Peru declared a state of emergency amid floods due to intense rainfall, claiming lives and impacts tens of thousands of Peruvians in the northern half of the country, with the response to the situation another key challenge for President Boluarte in a difficult start to her presidency.

Elsewhere in Latam, we'll keep an eye on Brazil's fiscal plans as Haddad readies a new fiscal rule that is expected to be presented to President Lula this week. Spending rules may ultimately influence the BCB's rate path, coming on the heels of a stronger than expected February inflation print published last week that has pushed out the start of the cutting cycle.

There's little to note for the day ahead in Latam but the reaction to Chile's Boric's cabinet reshuffle and his plans for how to present his tax reform after it was rejected in the lower house last week. Fin Min Marcel has said that they will sit down with various "economic, social, or political actors to define what adjustments and changes" may need to be made to the proposal.

—Juan Manuel Herrera

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