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Latam Weekly: Markets Reassess Global and Regional Policy Outlook

ECONOMIC OVERVIEW

- **BanRep, Banxico, and BCRP decisions have surprised practically all of us over the past week, impacting local assets already shaken by a huge US employment print with an additional source of uncertainty.**
- **Economists and markets that appeared confident in their expectations for monetary policy in the near-term were given a wake-up call, not just in Latin America, but also in developed markets. Next week's US CPI release will call the shots for markets the world over.**
- **For those looking to refine their bets on central bank rates, the regional calendar is, unfortunately, somewhat bare of data that could materially shift expectations—except perhaps in Colombia, with Q4 GDP.**

PACIFIC ALLIANCE COUNTRY UPDATES

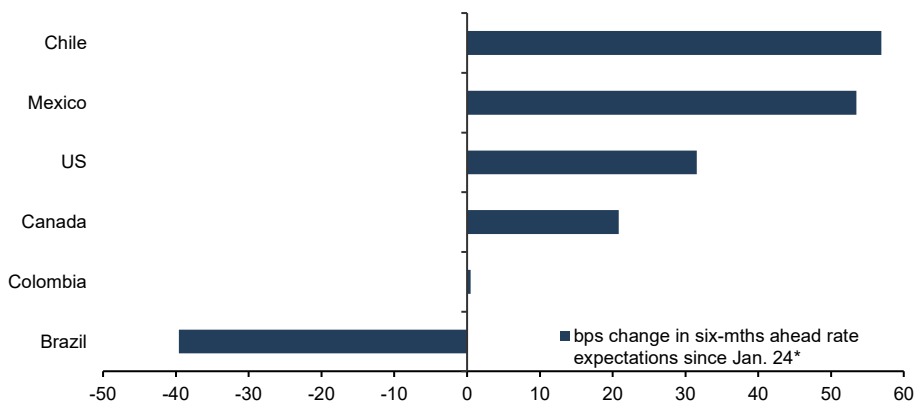
- **We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Colombia and Mexico.**

MARKET EVENTS & INDICATORS

- **A comprehensive risk calendar with selected highlights for the period February 11-24 across the Pacific Alliance countries and Brazil.**

Chart of the Week

Rates Outlook Shift in Markets



* pre-BoC decision on Jan 25
Source: Scotiabank FICC/Economics.

Chart of the Week: Prepared by: Anthony Bambokian, Economic Analyst.

Economic Overview: Markets Reassess Global and Regional Policy Outlook

- **BanRep, Banxico, and BCRP decisions have surprised practically all of us over the past week, impacting local assets already shaken by a huge US employment print with an additional source of uncertainty.**
- **Economists and markets that appeared confident in their expectations for monetary policy in the near-term were given a wake-up call, not just in Latin America, but also in developed markets. Next week's US CPI release will call the shots for markets the world over.**
- **For those looking to refine their bets on central bank rates, the regional calendar is, unfortunately, somewhat bare of data that could materially shift expectations—except perhaps in Colombia, with Q4 GDP.**

BanRep, Banxico, and BCRP decisions have surprised practically all of us over the past week, impacting local assets already shaken by a huge US employment print with an additional source of uncertainty.

At one end, Banxico lifted its overnight rate by 50bps, compared to the universal expectation of a 25bps move. At the other end, a quarter-point hike is also what economists had projected for the BCRP, which instead chose to leave its policy rate unchanged at 7.75%. Meanwhile, BanRep preferred to slow its pace of tightening to a 75bps increase against our 100bps forecast. Aside from rates policy, Chile's statistics agency also published a stronger than expected inflation reading on Wednesday that has (at least temporarily) reduced the odds of a rate cut by the BCCh at one of its Q2 meetings.

Economists and markets that appeared confident in their expectations for monetary policy in the near-term were given a wake-up call, not just in Latin America, but also in developed markets. For instance, strong jobs data in the US have motivated traders to incorporate an additional Fed hike this year. Even in Canada, Friday's scorching employment gain has sowed a seed of doubt into the view that a long pause from the BoC is all but certain.

Six-months ahead market-implied rate expectations have changed across most of the Pacific Alliance, Brazil, and the US. Traders added the equivalent of ~30bps to the Fed's peak rate (now rounded at 5.25%), with negative spillovers on the global market mood. Next week's US CPI release on Tuesday will be the highlight of the global trading week and will likely be the dominant force of regional assets.

In the case of Banxico, markets lifted their expectation for the terminal overnight rate to practically 12% (as is our updated projection for Banxico). As for Chile, contracts did not go as far as pricing in rate hikes since the bank is clearly on hold, but three-months-out implied rates no longer show an expected 25bps cut.

At the other end of the spectrum stand Peru's and Brazil's central banks who blinked and now traders have positioned for relatively less hawkish outcomes; despite BanRep's smaller hike, market-implied rates were little changed. We say 'less hawkish' as it will continue to be the case that policy rates will remain well into restrictive territory for months/quarters to come.

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It's difficult to get a clear sense of how much in rate hikes has been discounted in Peru, but at least Wednesday's hold of 25bps was a shock, while we await clearer signals from local markets.

In Brazil, traders had until recently tilted towards the possibility of an extra BCB hike on the bank's hawkish minutes and its continued claims regarding the risks of expansionary fiscal policy. This was all before reports that the BCB will reassess its inflation target to a higher level (perhaps in part to appease Lula) that has actually seen a (rough) 50bps U-turn in BCB rate pricing six months hence (at 13.50% vs 14% prior to the report).

For those looking to refine their bets on central bank rates in the months ahead, next week's the regional calendar is, unfortunately, somewhat bare of data that could materially shift rates pricing in markets—except perhaps in the case of Colombia.

As our economists argued in last Friday's [Weekly](#), Q4 GDP data due for release on the 15th will be a key input into BanRep's decision-making. This will help determine whether they complement their latest 75bps increase with a 25bps hike at the late-March rate-setting meeting. The GDP data will be preceded by retail sales and industrial/manufacturing production figures the day before and will be released alongside the results of the latest BanRep survey of economists.

Chile's central bank also publishes the results of its traders' survey on Tuesday, which we will monitor for whether rate cut bets have been pushed out as far as the second half of the year following the most recent BCCh decision and January's inflation beat. The Peruvian data calendar presents unemployment rate and economic activity on Wednesday, but we're attentive to the possibility of growing unrest in the country if the Congressional session ends today without an agreement on early elections; at writing, lawmakers had not reached an agreement. Brazil's weekly highlight is also economic activity on Thursday (though politics will remain the focus for markets), while Mexico's data and events calendar presents little of note.

Pacific Alliance Country Updates

Colombia—FX Drivers

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Colombia has the most flexible exchange rate framework of the PAC countries, which serves as an initial shield against external shocks to domestic economic activity. In fact, thanks in part to the FX regime, domestic economic cycles are smoother. However, the cost of this regime is that the volatility of the COP is higher and sentiment about the economic environment affects it faster and more aggressively in the short run. Therefore, it is important, in our opinion, to know what is driving current COP dynamics to see if domestic and international recent shocks are already priced in or if there is more room for sharp movements in the short run.

Our FX model allows to break down some effects that we believe can explain short-run movements. We decompose nominal COP levels among four components: the first is an explained factor which responds to conventional defined variables (i.e., terms of trade, interest rates differentials, peers common dynamics, and absolute risk perception), second is an idiosyncratic effect (political and monetary policy stands), third is the risk premium due to losing the investment grade status in 2021, and fourth is a component that accounts for liquidity and relative risk perception.

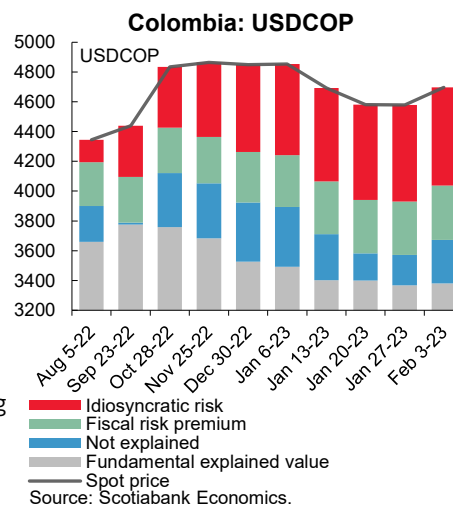
In chart 1 we show a representation of the FX fundamental value split in those four components.

Between September/October 2022, the world faced a strong volatility episode in which the US dollar strengthened worldwide. Meanwhile, idiosyncratic risk started to be relevant in the strong depreciation of the COP—while the peso overreacted in relation to that seen among its peers. Additionally, the part of the model that is not directly explained—which we think it's part of the COP that is affected by lower liquidity and higher relative risk perception versus peers—increased significantly. When liquidity returned in January and peers were affected by their own idiosyncrasies (i.e., Peru and Brazil political noise), the COP's gains exceeded those of its peers. However, after the most recent jobs data in the US, the COP has returned to what, according to our model, is a good fit for the short run, between COP4,700 and 4,850. This level incorporates ~COP650 of idiosyncratic risk that has stabilized this year since markets got used to the communications strategy from Petro's administration and already included the extra uncertainty around his political and economic agenda this year.

All in all, according to our short-run model the currency has so far continued 'paying' a premium due to idiosyncratic risks, which means that volatility around the current domestic economic and political situation is already priced in. In contrast, volatility will continue to come from international monetary policy. We think that, at the moment, external volatility affects not only international risk appetite but also liquidity in the COP market.

What may come next? Despite known risks being embedded already in the COP, there are challenges on the horizon. Idiosyncratic risk can change, a trigger for that could be the Pension Reform discussion, which is due to start in March. In this discussion there are many alternative outcomes which are crucial for the future of the currency. If the Pension Reform aims to significantly reduce flows to the Private Pension Funds, it could represent a strong negative signal for offshore players that may see the possibility of losing a relevant local counterpart. On the other side, if the Pension Reform trends towards being watered down, thus erasing part of the idiosyncratic risk, the stability in the COP would last longer.

Chart 1



Mexico—Banxico Decoupled, in the Opposite Direction to What it Had Hinted; What's Next?

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Banxico's board has been talking about the possibility of decoupling from the Fed for some time. At yesterday's meeting, it decoupled from the Fed, but in the opposite direction as the market had anticipated. Instead of ending its tightening cycle earlier and easing its foot on the economic brake earlier than the Fed, Banxico followed the Fed's tightening slowdown to 25bps with choosing to press both feet against the brakes with a 50bps hike on February 9th. It was also noteworthy that with dissenting dove deputy governor Esquivel now replaced by Omar Mejia, this 50bps hike was unanimous. Why did Banxico decide to decouple in the opposite direction than it had previously hinted?

- As the [statement](#) suggested, the Mexican disinflation process has been slower than anticipated. With that, Banxico revised its expected inflation path upwards, and now does not expect inflation to converge to its target until Q4-2024, when inflation is seen at 3.1%, from 3.0% previously. Expectations for Q3-2024 were revised upwards by 0.3ppts, however, as were forecasts for essentially the whole of the projection horizon.
- Banxico is also worried about with the stubbornness of core inflation (8.45% y/y in January), which currently sits 0.5ppts above headline inflation (7.91% in January). Banxico also noted that the balance of risks to inflation remains skewed to the upside.

The implications of Banxico's surprise are complex.

On a positive note, the board's extreme caution on inflation, after most central banks globally (including Banxico) misdiagnosed the inflation problem, is prudent as erring on the side of caution with inflation may be the right approach to re-strengthen credibility.

On the flip side, Banxico's 180 degree turn on the direction of its decoupling from the Fed was another misdiagnosis of inflation dynamics in the country—which is not great for credibility. We tend to agree with deputy Governor Heath's comments last month that we're likely at an inflection point in inflation—outside of core services inflation that we've been arguing for a while will likely not peak until the end of the current quartet.

We believe that Banxico continuing to track the Fed was the right decision as it would have avoided a de facto acceptance that it once again missed the mark on inflation dynamics. However, given the dent to the credibility of global central banks regarding inflation around the pandemic era, if mistakes are going to be made it is better to err on the side of caution. Hence, we don't see too much harm in Banxico's cautious approach.

At Scotiabank Economics, we made material adjustments to our anticipated policy rate path for Banxico and the Fed, incorporating a Fed that reinforced its message of higher rates for longer, and a Banxico that took the "dovish decoupling" off the table, at least for the time being.

We continue to anticipate that Banxico will ease earlier and more aggressively than the Fed but have delayed our anticipated start of the easing cycle, and now look for the board to support 50bps in cuts throughout its MPC meetings in 2024, but being mindful of keeping a 500–600bps spread over US policy rates. Recall that Banxico's Governor said on February 10th that although the Fed does not dictate Banxico's decisions and both countries have different inflation dynamics, she acknowledged Fed policy remains a relevant driver.

Next week we have a very light week in terms of data, with ANTAD's same store sales being the main event. However, the past two weeks gave us a good indication of how the economy is evolving. The Mexican economy likely ended 2022 on a deceleration path, although manufacturing seemed to regain some momentum in December. However, looking at data north of the border, it seems the goods sectors (more closely linked to Mexican manufacturing) have been underperforming services. This seems consistent with the recent flattening in Mexican exports growth.

Forecast Updates

	2021		2022			2023				2024							
	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022e	2023f	2024f
Brazil																	
Real GDP (y/y % change)	2.1	2.4	3.7	3.6	3.4	1.2	0.5	0.6	0.9	1.4	1.6	1.7	2.1	5.0	3.0	0.8	1.7
CPI (y/y % eop)	10.1	11.3	11.9	7.2	5.8	6.2	5.8	5.3	5.0	4.8	4.3	3.9	3.6	10.1	5.8	5.0	3.6
Unemployment rate (% avg)	11.1	11.1	9.3	8.7	8.6	10.4	9.9	10.1	9.1	9.8	10.5	10.1	9.8	11.1	9.7	9.9	10.1
Central bank policy rate (% eop)	9.25	11.75	13.25	13.75	13.75	13.50	13.25	12.50	11.75	10.50	9.50	9.00	8.50	9.25	13.75	11.75	8.50
Foreign exchange (USDBRL, eop)	5.58	4.74	5.26	5.42	5.28	5.38	5.41	5.49	5.38	5.47	5.39	5.31	5.23	5.58	5.28	5.38	5.23
Chile																	
Real GDP (y/y % change)	12.0	7.4	5.6	0.3	-1.6	0.0	-3.0	-2.5	-1.3	0.1	3.5	3.2	4.4	11.7	2.7	-1.7	2.8
CPI (y/y % eop)	7.2	9.4	12.5	13.7	12.8	10.8	7.6	4.8	3.7	3.1	3.1	3.0	3.0	7.2	12.8	3.7	3.0
Unemployment rate (% avg)	7.2	7.8	7.8	8.0	7.9	8.4	9.5	9.5	8.9	8.4	8.1	8.1	7.5	9.1	7.9	9.1	8.0
Central bank policy rate (% eop)	4.00	7.00	9.00	10.75	11.25	11.25	7.50	5.50	4.50	4.25	3.75	3.75	3.75	4.00	11.25	4.50	3.75
Foreign exchange (USDCPL, eop)	852	786	918	969	851	800	825	825	825	800	780	770	750	852	851	825	750
Colombia																	
Real GDP (y/y % change)	10.8	8.7	12.8	7.0	4.0	1.7	1.7	1.7	1.1	2.6	2.7	2.4	2.4	10.7	8.1	1.5	2.5
CPI (y/y % eop)	5.6	8.5	9.7	11.4	13.1	13.4	12.8	11.2	9.2	6.4	5.5	5.0	4.9	5.6	13.1	9.2	4.9
Unemployment rate (% avg)	11.5	13.2	11.0	10.8	9.8	10.8	9.8	10.8	10.8	10.6	10.4	10.5	10.5	13.8	11.2	10.7	10.5
Central bank policy rate (% eop)	3.00	5.00	7.50	10.00	12.00	13.00	13.00	13.00	12.00	11.00	8.00	6.50	5.50	3.00	12.00	12.00	5.50
Foreign exchange (USDCOP, eop)	4,080	3,771	4,155	4,609	4,853	4,702	4,743	4,866	4,805	4,805	4,829	4,829	4,941	4,080	4,853	4,805	4,941
Mexico																	
Real GDP (y/y % change)	1.0	1.8	2.4	4.3	3.5	1.0	0.6	0.9	0.7	2.5	1.4	2.2	1.6	4.7	3.0	0.8	1.9
CPI (y/y % eop)	7.4	7.5	8.0	8.7	7.8	7.3	6.5	5.7	5.1	4.5	4.4	3.8	3.8	7.4	7.8	5.1	3.8
Unemployment rate (% avg)	3.7	3.5	3.2	3.4	3.0	4.0	4.0	3.9	3.8	3.6	3.7	3.8	3.8	4.1	3.3	3.9	3.7
Central bank policy rate (% eop)	5.50	6.50	7.75	9.25	10.50	11.50	12.00	12.00	12.00	11.00	10.00	9.00	8.50	5.50	10.50	12.00	8.50
Foreign exchange (USDMXN, eop)	20.53	19.87	20.12	20.14	19.50	19.18	19.30	19.26	19.43	19.48	19.61	19.73	19.89	20.53	19.50	19.43	19.89
Peru																	
Real GDP (y/y % change)	3.5	3.8	3.3	1.7	1.6	1.1	2.8	1.7	2.6	2.9	2.4	2.4	2.0	13.3	2.6	2.1	2.4
CPI (y/y % eop)	6.4	6.8	8.8	8.5	8.5	8.0	6.7	5.7	5.0	4.8	3.6	3.1	2.5	6.4	8.5	5.0	2.5
Unemployment rate (% avg)	7.8	9.4	6.8	7.7	7.1	7.8	7.4	7.2	7.2	7.6	7.4	7.1	6.8	10.9	7.7	7.4	7.2
Central bank policy rate (% eop)	2.50	4.00	5.50	6.75	7.50	7.75	7.75	7.75	7.25	7.00	6.75	6.25	5.75	2.50	7.50	7.25	5.75
Foreign exchange (USDPEN, eop)	4.00	3.68	3.83	3.98	3.81	3.90	3.85	3.85	3.85	3.80	3.82	3.85	3.85	4.00	3.81	3.85	3.85
Canada																	
Real GDP (y/y % change)	3.9	3.2	4.7	3.9	2.7	2.2	1.3	0.5	0.4	0.7	1.4	2.0	2.3	5.0	3.6	1.1	1.6
CPI (y/y % eop)	4.7	5.8	7.5	7.2	6.7	5.3	4.1	3.5	3.0	2.4	2.0	1.9	1.9	4.7	6.7	3.0	1.9
Unemployment rate (% avg)	6.3	5.7	5.1	5.1	5.1	5.1	5.3	5.5	5.7	5.7	5.8	5.8	5.9	7.5	5.3	5.4	5.8
Central bank policy rate (% eop)	0.25	0.50	1.50	3.25	4.25	4.50	4.50	4.50	4.25	3.75	3.25	3.00	3.00	0.25	4.25	4.25	3.00
Foreign exchange (USDCAD, eop)	1.26	1.25	1.29	1.38	1.36	1.35	1.35	1.30	1.30	1.27	1.27	1.25	1.25	1.26	1.36	1.30	1.25
United States																	
Real GDP (y/y % change)	5.7	3.7	1.8	1.9	1.0	1.7	1.7	0.9	0.5	0.5	1.0	1.4	1.6	5.9	2.1	1.2	1.1
CPI (y/y % eop)	6.8	8.0	8.6	8.3	7.1	6.0	5.0	4.2	3.8	3.4	2.9	2.5	2.5	6.8	7.1	3.8	2.5
Unemployment rate (% avg)	4.2	3.8	3.6	3.6	3.6	3.5	3.5	3.7	3.8	4.0	4.1	4.3	4.4	5.4	3.6	3.6	4.2
Central bank policy rate (% eop)	0.25	0.50	1.75	3.25	4.50	5.00	5.25	5.25	5.25	4.75	4.25	3.75	3.50	0.25	4.50	5.25	3.50
Foreign exchange (EURUSD, eop)	1.14	1.11	1.05	0.98	1.07	1.05	1.05	1.10	1.10	1.10	1.10	1.12	1.12	1.14	1.07	1.10	1.12

Source: Scotiabank Economics.

Red indicates changes in estimates and forecasts since previous *Latam Weekly* on January 27, 2023.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2021		2022			2023				2024							
	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022f	2023f	2024f
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y % , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% , avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDBRL , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chile																	
Real GDP (y/y % change)	-	-	-	-	0.5	1.3	0.3	-	-1.4	-1.7	-0.4	0.5	1.6	-	0.1	-	-
CPI (y/y % , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% , avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% , eop)	-	-	-	-	-	0.25	-	-	0.50	0.50	-	-	-	-	-	0.50	-
Foreign exchange (USDCPL , eop)	-	-	-	-	-	-30.00	-15.00	-25.00	-25.00	-	-	-	-	-	-	-25.00	-
Colombia																	
Real GDP (y/y % change)	-	-	-	-	-	-0.1	-0.4	-0.5	-1.1	0.2	-0.2	-0.8	-1.0	-	0.1	-0.5	-0.5
CPI (y/y % , eop)	-	-	-	-	-	0.7	0.6	0.4	0.3	-0.5	-0.4	-0.2	-0.1	-	-	0.3	-0.1
Unemployment rate (% , avg)	-	-	-	-	-1.1	-	-	-	-	-	-	-	-	-	0.4	-	-
Central bank policy rate (% , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCOP , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mexico																	
Real GDP (y/y % change)	-	-	-	-	0.9	-	-	-	-	-	-	-	-	-	0.2	-	-
CPI (y/y % , eop)	-	-	-	-	-	0.2	-	-	-	-	0.3	-0.2	-	-	-	-	-
Unemployment rate (% , avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% , eop)	-	-	-	-	-	0.50	1.00	1.00	1.50	1.00	0.50	-	0.50	-	-	1.50	0.50
Foreign exchange (USDMXN , eop)	-	-	-	-	-	-	0.01	-	-	0.01	-	-	-	-	-	-	-
Peru																	
Real GDP (y/y % change)	-	-	-	-	-0.1	-0.8	-0.2	-0.1	-0.2	0.3	-0.2	0.1	0.7	-	-	-0.3	0.2
CPI (y/y % , eop)	-	-	-	-	-	-0.5	-0.3	-0.3	-	0.5	0.2	0.2	-	-	-	-	-
Unemployment rate (% , avg)	-	-	-	-	-	-	-	-	-	-0.4	-0.1	-0.4	-0.7	-	-	-	-0.4
Central bank policy rate (% , eop)	-	-	-	-	-	-0.25	-0.25	-0.25	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Canada																	
Real GDP (y/y % change)	-	-	-	-	0.2	0.5	0.4	0.3	0.1	-	0.1	0.2	0.3	-	-	0.3	0.1
CPI (y/y % , eop)	-	-	-	-	-	-	-0.1	-0.3	0.1	0.1	0.2	0.2	0.2	-	-	0.1	0.2
Unemployment rate (% , avg)	-	-0.1	-	-0.1	-	-0.3	-0.4	-0.5	-0.4	-0.5	-0.5	-0.5	-0.4	0.1	-	-0.4	-0.5
Central bank policy rate (% , eop)	-	-	-	-	-	0.25	0.25	0.25	0.25	0.25	0.25	-	-	-	-	0.25	-
Foreign exchange (USDCAD , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United States																	
Real GDP (y/y % change)	-	-	-	-	-	0.9	0.9	0.5	0.1	-0.4	-0.4	-0.3	-0.3	-	-	0.6	-0.4
CPI (y/y % , eop)	0.1	-	-	-	-	-0.5	-0.3	-0.3	-	0.2	0.3	0.2	0.2	0.1	-	-	0.2
Unemployment rate (% , avg)	-	-	-	-	-	-0.4	-0.6	-0.6	-0.7	-0.6	-0.6	-0.5	-0.4	-	-	-0.6	-0.6
Central bank policy rate (% , eop)	-	-	-	-	-	-	0.25	0.25	0.50	0.50	0.50	0.50	0.50	-	-	0.50	0.50
Foreign exchange (EURUSD , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Scotiabank Economics.

Changes in estimates and forecasts since previous *Latam Weekly* on January 27, 2023.

Forecast Updates: Central Bank Policy Rates and Outlook

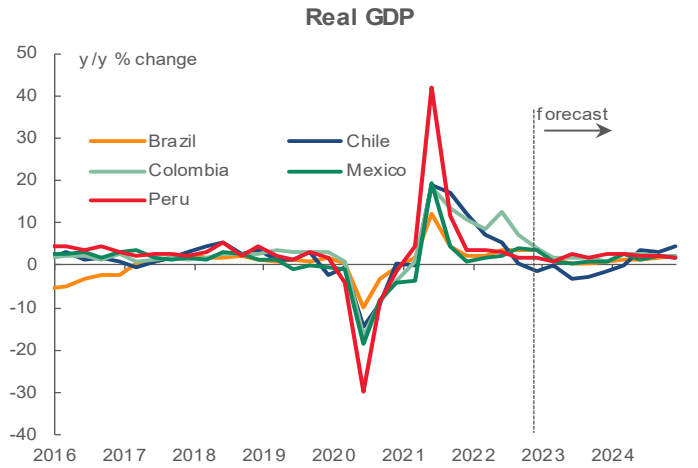
Latam Central Banks: Policy Rates and Outlook

	Next Scheduled Meeting				Market Pricing		BNS Forecast		BNS guidance for next monetary policy meeting
	Current	Date	Market	BNS	12 mos	24 mos	End-2023	End-2024	
Brazil, BCB, Selic	13.75%	Mar-22	n.a.	n.a.	n.a.	n.a.	11.75%	8.50%	The BCB held its policy rate at its December meeting, as was widely expected. However, it highlighted that were inflationary forces to resume an upward trend (possibly due to looser fiscal policy), it would not hesitate to adjust policy as appropriate. Lula's plans are key for the outlook.
Chile, BCCh, TPM	11.25%	Apr-04	n.a.	9.75%	n.a.	n.a.	4.50%	3.75%	We expect rate cuts beginning in April 2023.
Colombia, BanRep, TII	12.75%	Mar-31	n.a.	13.00%	n.a.	n.a.	12.00%	5.50%	In January, BanRep slowed the hiking cycle delivering a 75bps hike. The central bank said that the monetary policy rate is approaching the required level to guarantee the inflation convergence towards the 3% target, which still leaves the door open for further hikes. BanRep won't decide about rates in February, which will give them time to wait and see. Ahead of the March 31 meeting, we expect BanRep to deliver a final 25bps hike, pointing out that the stability period could be prolonged.
Mexico, Banxico, TO	11.00%	Mar-30	n.a.	11.50%	n.a.	n.a.	12.00%	8.50%	Banxico unexpectedly delivered another 50bps hike to 11.00% in a unanimous decision against a hike of 25bps. Banxico signaled its commitment to address the persistence of inflation at high levels, and now expects inflation to converge to the 3.0% target in the fourth quarter of 2024. We believe Banxico may now hit a terminal rate of 12.00%, with an unchanged overnight rate for the rest of the year.
Peru, BCRP, TIR	7.75%	Mar-09	n.a.	7.75%	n.a.	n.a.	7.25%	5.75%	The BCRP surprised and kept its rate at 7.75%. Although the statement left the door open to possible future changes, we believe that this is likely to be the terminal rate.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

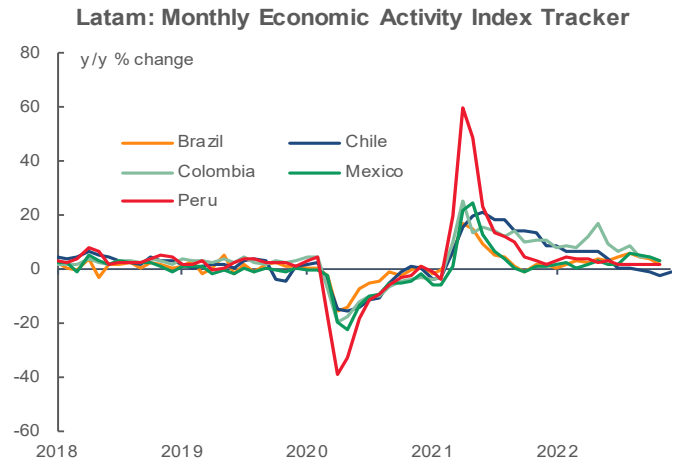
Key Economic Charts

Chart 1



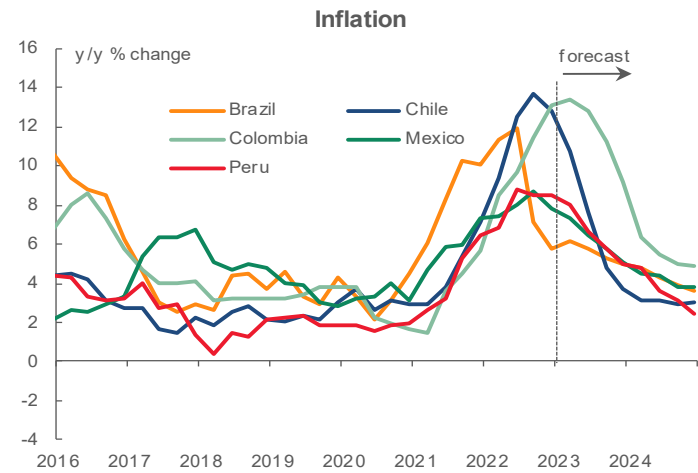
Sources: Scotiabank Economics, Haver Analytics.

Chart 2



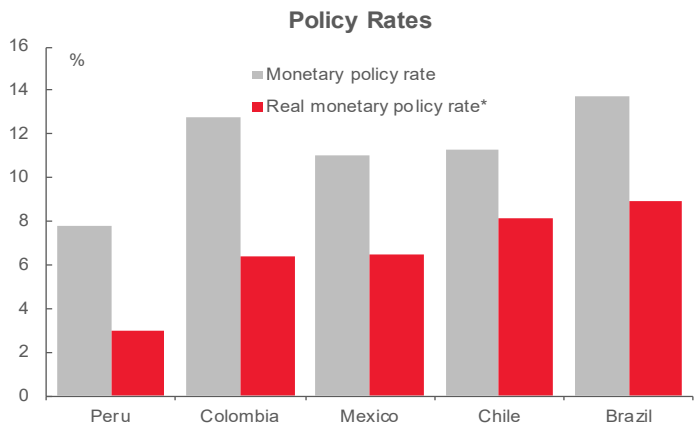
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



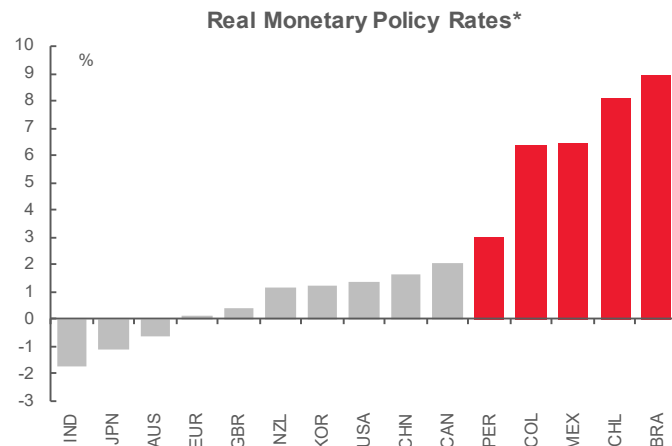
Sources: Scotiabank Economics, Haver Analytics.

Chart 4



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q1-2024, % y/y. Sources: Scotiabank Economics, Haver Analytics.

Chart 5



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q1-2024, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

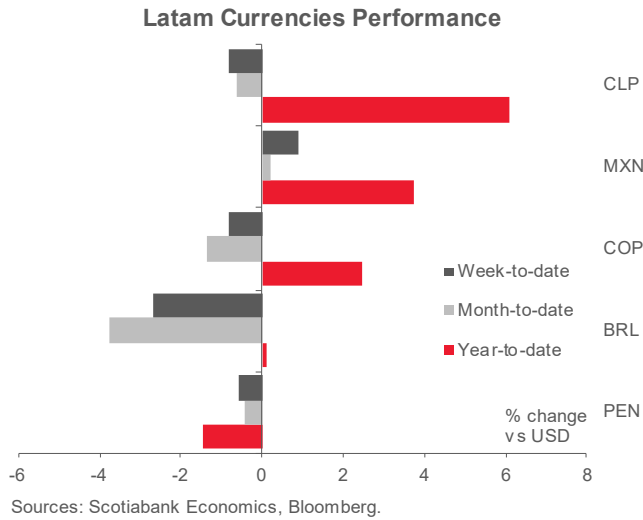


Chart 2

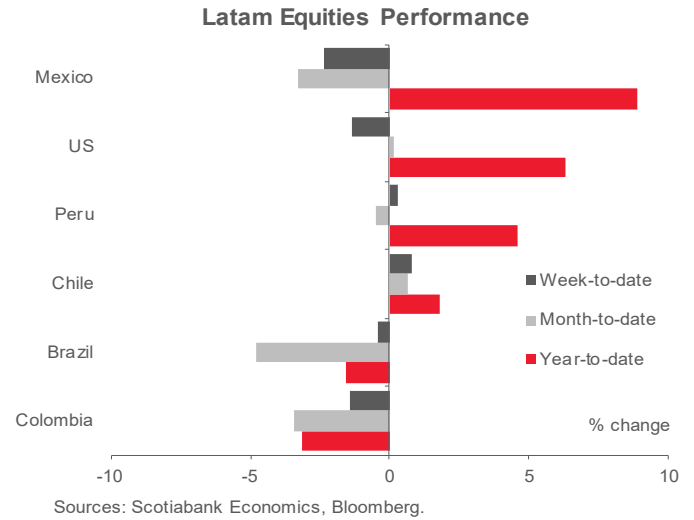


Chart 3

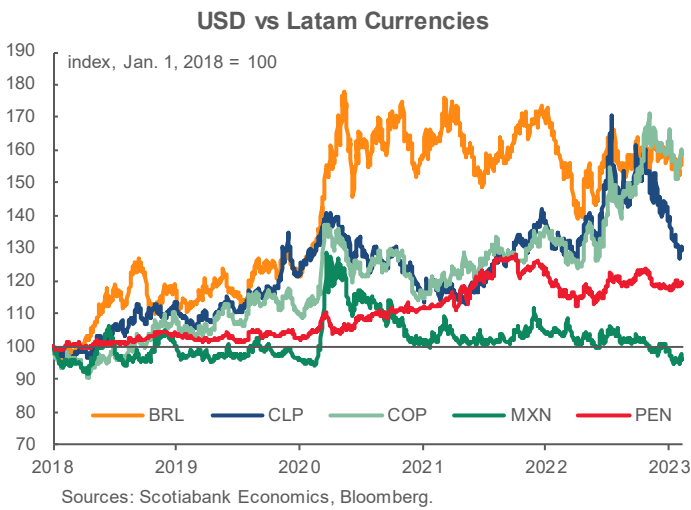
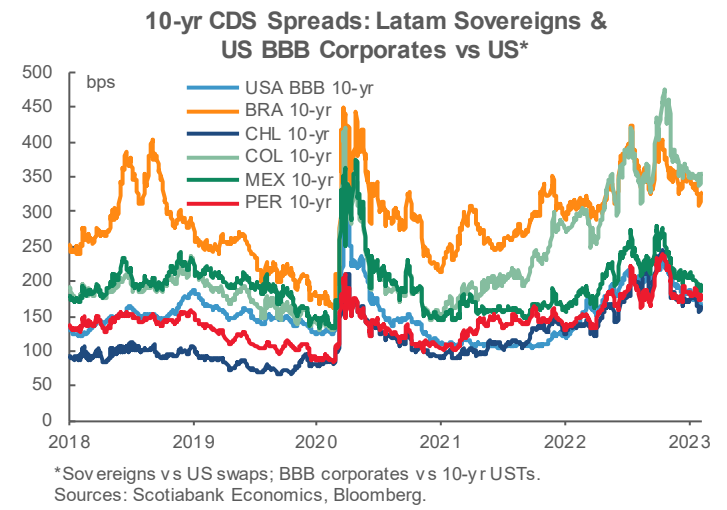
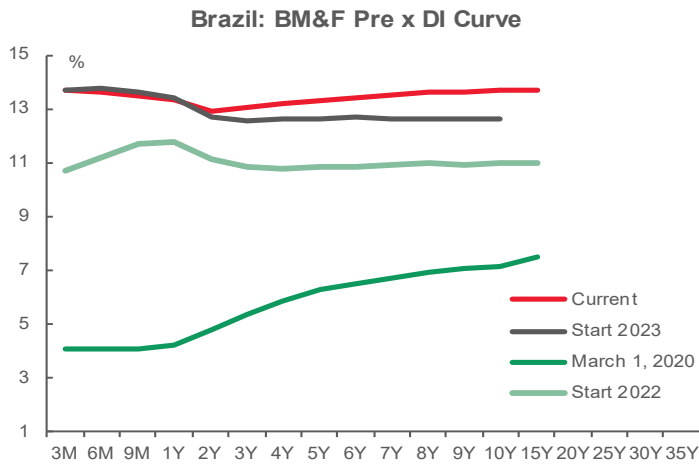


Chart 4



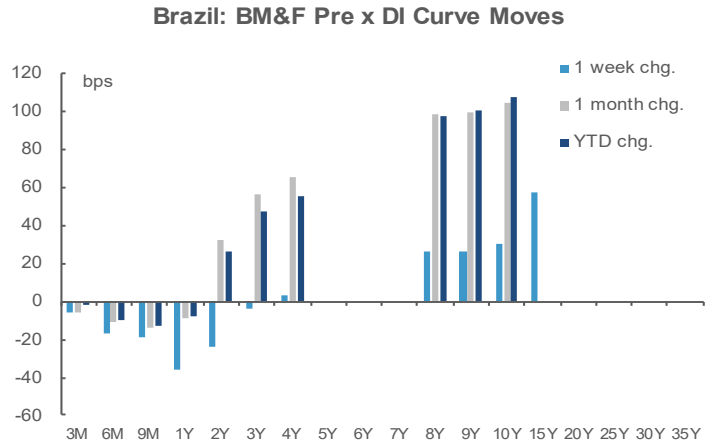
Yield Curves

Chart 1



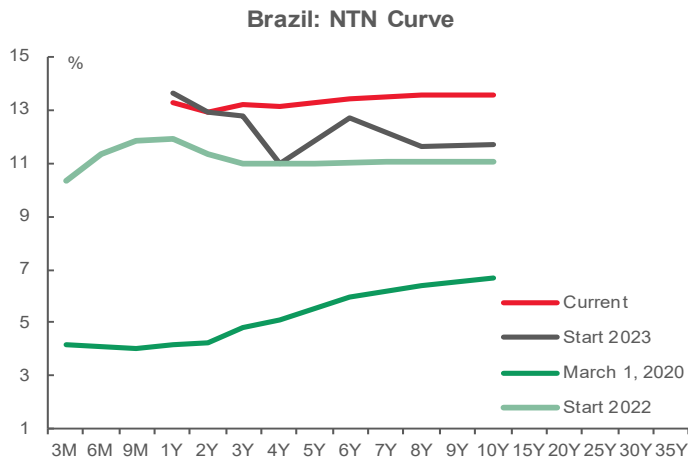
Sources: Scotiabank Economics, Bloomberg.

Chart 2



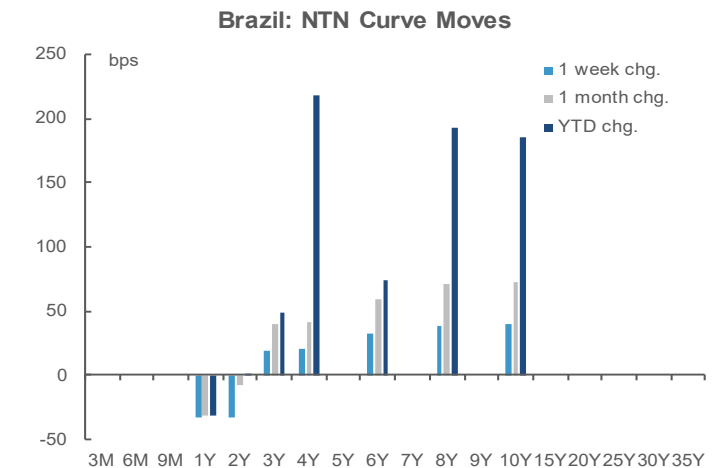
Sources: Scotiabank Economics, Bloomberg.

Chart 3



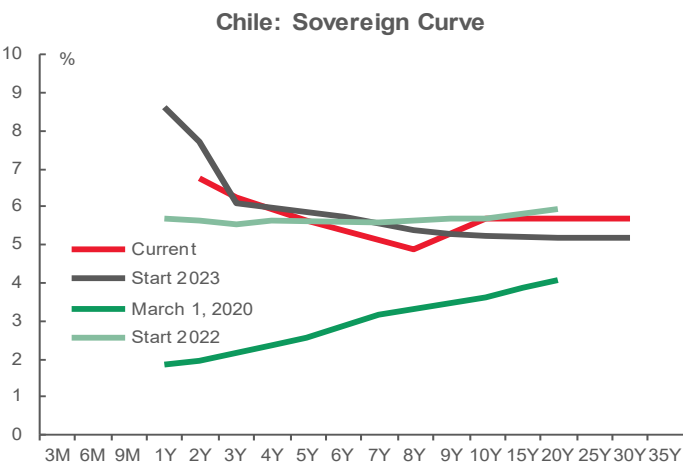
Sources: Scotiabank Economics, Bloomberg.

Chart 4



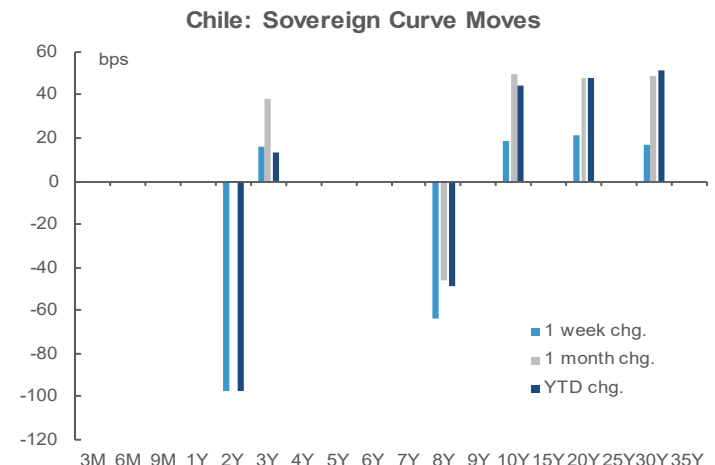
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

Chart 6

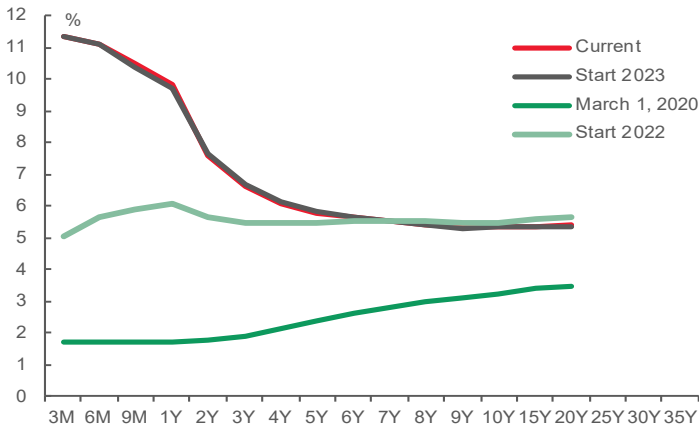


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 7

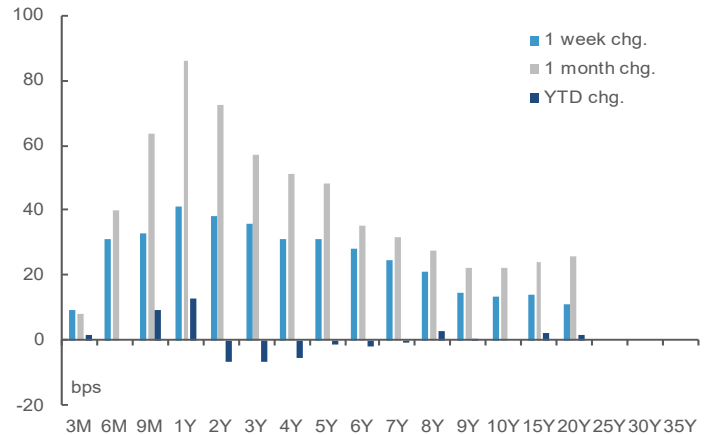
Chile: Fixed x Camara Swap Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 8

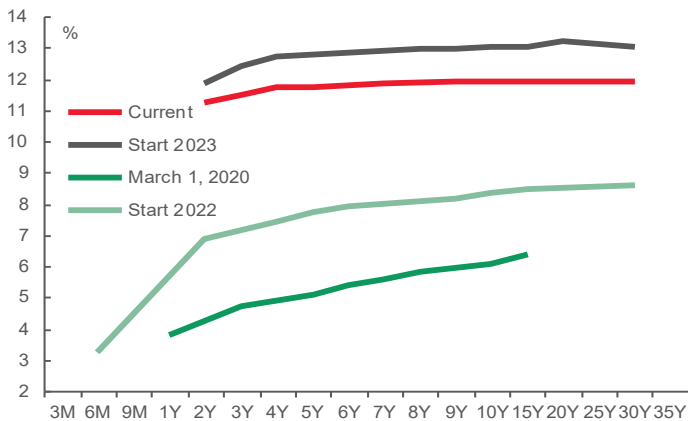
Chile: Fixed x Camara Swap Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 9

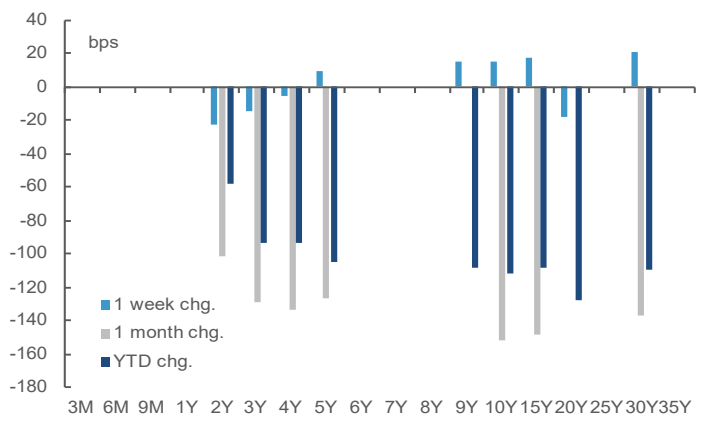
Colombia: Coltes Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 10

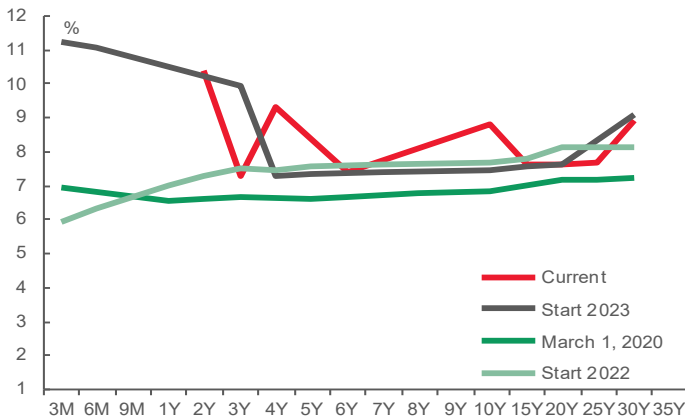
Colombia: Coltes Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 11

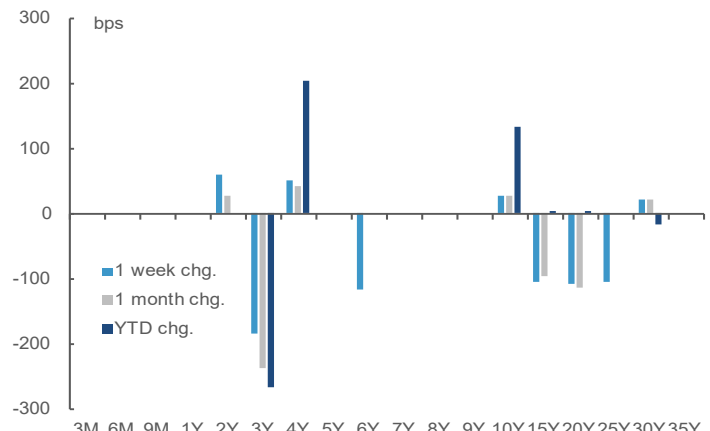
Mexico: M-Bono Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 12

Mexico: M-Bono Curve Moves

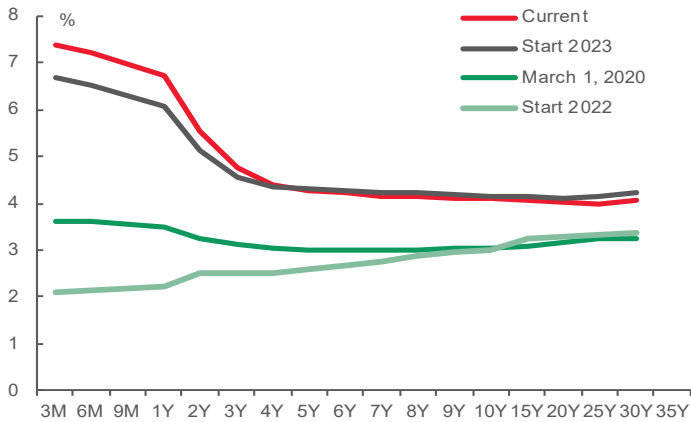


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 13

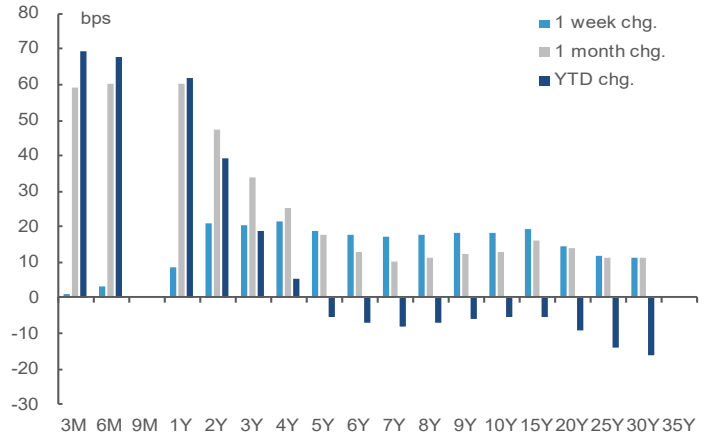
Mexico: Udibonos BVAL Yield Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 14

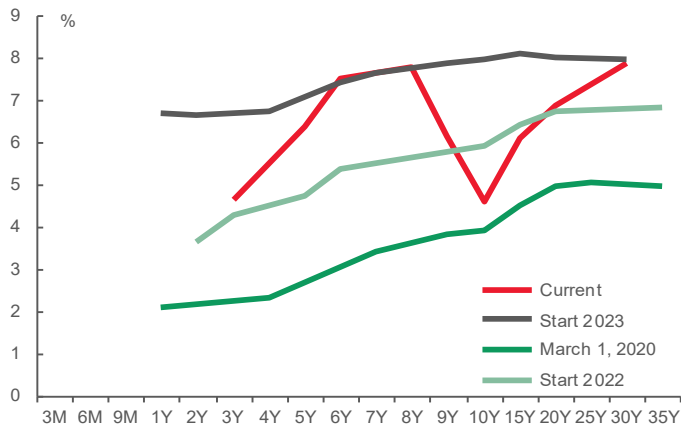
Mexico: Udibono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 15

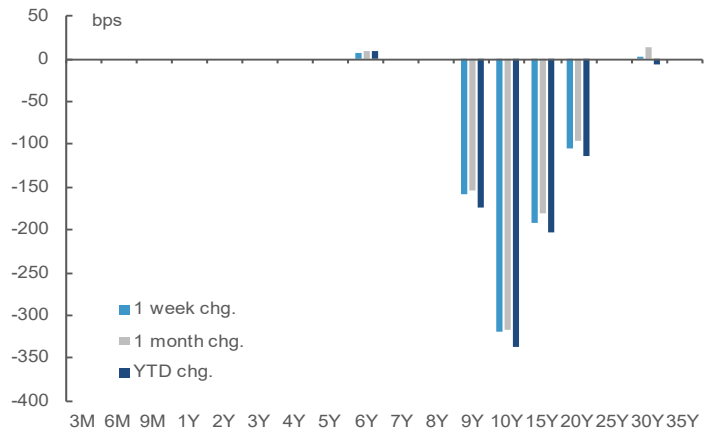
Peru: Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 16

Peru: Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for February 11–24

BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Feb-13	6:25	Central Bank Weekly Economist Survey		--			
Feb-13	13:00	Trade Balance Weekly (USD mn)	12-Feb	--	--	382.5	
Feb-15	6:00	FGV Inflation IGP-10 m/m	Feb	--	-0.03	0.05	
Feb-16	3:00	FIPE CPI - Weekly (%)	14-Feb	--	--	0.52	
Feb-16	6:00	FGV CPI IPC-S (%)	15-Feb	--	--	0.57	
Feb-16	7:00	Economic Activity m/m	Dec	--	0.1	-0.6	
Feb-16	7:00	Economic Activity y/y	Dec	--	1.4	1.7	
Feb-22	12:00	Central Bank Weekly Economist Survey		--			
Feb-22	13:00	Trade Balance Weekly (USD mn)	19-Feb	--	--	382.5	
Feb-23	6:00	FGV CPI IPC-S (%)	22-Feb	--	--	0.57	
Feb-24	3:00	FIPE CPI - Weekly (%)	21-Feb	--	--	0.52	
Feb-24	6:00	FGV Consumer Confidence	Feb	--	--	85.8	
Feb-24	6:00	FGV Construction Costs m/m	Feb	--	--	0.32	
Feb-24	7:00	IBGE Inflation IPCA-15 y/y	Feb	--	--	5.87	
Feb-24	7:00	IBGE Inflation IPCA-15 m/m	Feb	--	--	0.55	
Feb-24	7:30	Current Account Balance (USD mn)	Jan	--	--	-10877.5	
Feb-24	7:30	Foreign Direct Investment (USD mn)	Jan	--	--	5570	
Feb-24	12:30	Federal Debt Total (BRL bn)	Jan	--	--	5951	
Feb 15-27		Formal Job Creation Total	Jan	--	--	162904	
Feb 20-27		Tax Collections (BRL mn)	Jan	--	--	210191	

CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Feb-14	6:30	Central Bank Traders Survey		--	--	-6.6	
Feb-24	7:00	PPI m/m	Jan	--	--	--	

COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Feb-13		Consumer Confidence Index	Jan	--	-19.7	-22.3	
Feb-14	10:00	Manufacturing Production y/y	Dec	--	3.3	4.6	
Feb-14	10:00	Industrial Production y/y	Dec	--	--	2.5	
Feb-14	10:00	Retail Sales y/y	Dec	--	1.3	1.7	
Feb-14	10:00	Imports CIF Total (USD mn)	Dec	--	--	6043.81	
Feb-14	10:00	Trade Balance (USD mn)	Dec	--	--	-1114.9	
Feb-15	11:00	GDP q/q	4Q	--	-0.3	1.6	
Feb-15	11:00	GDP NSA y/y	4Q	--	3.8	7.0	
Feb-15	11:00	Economic Activity NSA y/y	Dec	--	2.35	3.00	
Feb-15	11:00	GDP Full Year y/y	2022	--	--	10.6	
Feb-15		Central Bank's Economists Survey		--	--	--	
Feb-22		Industrial Confidence	Jan	--	--	-1.2	
Feb-22		Retail Confidence	Jan	--	--	22.6	
Feb-24		Central Bank Board Meeting		--	--	--	

MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Feb 07-13		ANTAD Same-Store Sales y/y	Jan	--	--	9	
Feb-14	10:00	International Reserves Weekly (USD mn)	10-Feb	--	--	201276	
Feb-21	7:00	Retail Sales m/m	Dec	--	--	-0.2	
Feb-21	7:00	Retail Sales y/y	Dec	--	--	2.4	
Feb-21	10:00	International Reserves Weekly (USD mn)	17-Feb	--	--	201276	
Feb-21		Banamex Survey of Economists		--	--	--	
Feb-23	7:00	Bi-Weekly CPI (%)	15-Feb	--	--	0.35	
Feb-23	7:00	Bi-Weekly Core CPI (%)	15-Feb	--	--	0.36	
Feb-23	7:00	Bi-Weekly CPI y/y	15-Feb	--	--	7.88	
Feb-23	7:00	Bi-Weekly Core CPI y/y	15-Feb	--	--	8.46	
Feb-23	10:00	Central Bank Monetary Policy Minutes		--	--	--	
Feb-24	7:00	GDP Nominal y/y	4Q	--	--	11.55	
Feb-24	7:00	Economic Activity IGAE m/m	Dec	--	--	-0.45	
Feb-24	7:00	Economic Activity IGAE y/y	Dec	--	--	3.28	
Feb-24	7:00	GDP Full Year y/y	2022	--	--	4.8	
Feb-24	7:00	GDP NSA y/y	4Q F	--	--	3.49	
Feb-24	7:00	GDP SA q/q	4Q F	--	--	0.45	

PERU

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Feb-15	10:00	Lima Unemployment Rate (%)	Jan	7.6	--		7.1 Increase due to seasonality and the impact of social protests.
Feb-15	10:00	Economic Activity y/y	Dec	1.30	0.95		1.68 Driven by the mining sector due to initial output of the Quellaveco project, as well as iron output.
Feb 20-24		GDP y/y	4Q	1.6	--		1.7 Driven by mining output and the construction sector through an increase in public investment.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage

Local Market Coverage

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