

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
+57.601.745.6300 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

TODAY'S CONTRIBUTORS:

Brian Pérez, Quant Analyst
+52.55.5123.1221 (Mexico)
bperezgu@scotiabank.com.mx

Luisa Valle, FX & FI Strategist
+52.55.5123.1725 (Mexico)
lvallef@scotiabank.com.mx

Latam Daily: Mexico Survey Median Sees Banxico Hold Tomorrow

- **Mexico: In the Citibanamex survey, analysts expect different scenarios for Banxico's monetary policy decision**

It took the BoJ just one week to walk back the hawkishness it showed at its rate hike announcement on the 31st. A dovish speech by Dep Gov Uchida where he intimated that recent market volatility and losses have to be taken into account for monetary policy settings—i.e. would restrict additional hikes—has the JPY well offered and markets trading with a positive mood led by gains in Japanese bourses.

European indices are up roughly 1% on average after a 1.2% rise in Japan's Nikkei and about double in TOPIX while Chinese equities were mixed and unchanged on average as export growth disappointed while imports growth beat. The data suggest that China's strongest growth engine currently, global exports demand, is softening while the imports beat reflected front-loading of semiconductors equipment before trade curbs and a jump in crude oil—i.e., not a strong Chinese household consumption story. With that, iron ore and copper are down about 1.5% but crude oil is holding up 0.5% higher.

All in all, comments by Fed and BoJ officials and the stronger than expected ISM services data on Monday have neutralized the risk-off/buy havens mood that Asia markets kicked off the week with. The JPY has weakened from 145 to around 147.50 yen per USD at writing on Uchida, a 2% decline, and, wouldn't you know it, the MXN is rallying 1.8% to the 19.20 zone or about where it closed on Friday (also flat on the week versus JPY). It's a positive development ahead of tomorrow's Banxico decision, but can it hold?

The G10 day ahead is extremely quiet while the Latam calendar also doesn't have much aside from international trade data out of Chile at 8ET that shouldn't move markets. Colombian markets are closed today for holidays, with the baton passed from Peruvian traders that stayed home yesterday but return to the office today. Aside from data, we'll have BCCh Pres Costa speaking at 8.30ET (though the speech on payment systems may be of little interest for markets), while local lawmakers in the senate's labour committee vote on the government's pension reform proposal.

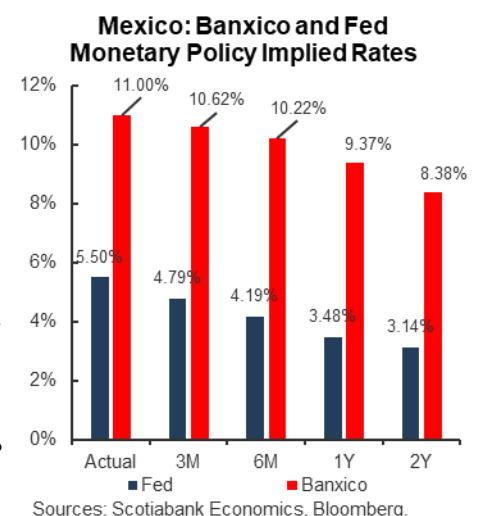
—Juan Manuel Herrera

MEXICO: IN THE CITIBANAMEX SURVEY, ANALYSTS EXPECT DIFFERENT SCENARIOS FOR BANXICO'S MONETARY POLICY DECISION

According to the results of the Citibanamex Survey, the median of respondents expects Banxico's next cut, of 25bps, to come in September. However, analysts are split across several possible scenarios: ten of the thirty-three analysts polled expect the next cut to be at Thursday's meeting, while on the opposite end five don't expect this until after the September announcement. The end-2024 rate forecast median increased to 10.50% (10.25% previously), and for end-2025 it rose to 8.50% (from 8.38%).

As for headline inflation forecasts, these increased for 2024 and 2025, to 4.60% (4.40% previously) and 3.90% (3.85% previously),

Chart 1



August 7, 2024

respectively. For core inflation, the forecasts remained practically unchanged, at 4.00% for 2024 and 3.80% (3.79% previously) for 2025. This upward movement comes after the latest inflation print, which surprised on the upside, due to pressures on agricultural and energy prices.

The survey results contrast with the information implied in markets: in the next three months, the curve incorporates 38bps of cuts, after only one was forecast last week. The governing board has highlighted that the slowdown in economic activity could support the disinflationary process, justifying a cut. However, recent volatility in the foreign exchange market and political uncertainty complicates the scenario for the central bank.

—Brian Pérez & Luisa Valle

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.