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Latam Daily: BCRP and Mexico CPI Alongside Fed and BoE; Colombia Exports Recap

- **Colombia: Exports remain in negative territory despite manufacturing recovery**

We have three central bank decisions today, with the BoE kicking things off shortly (cautious 25bps cut), the Fed following at 14ET (also cautious 25bps cut) and then the BCRP's announcement at 18ET (who knows? we think 'hold', see **here**). As if that weren't enough, Mexican CPI, Chilean international trade and the BCCh's traders survey, and US jobless claims and unit labour costs await over the course of the morning.

This all comes against a backdrop of undefined US House election results that look more likely to deliver a Republican sweep than not, while in Europe, Germany is falling into deep political uncertainty after Chancellor Scholz dismissed Fin Min Lindner to now seek a confidence vote in mid-January that he is unlikely to then have an election as soon as March. While UST and gilt curves with a bull steepening bias (aside from some weakness in US 30s after their strong auction yesterday), German debt is trading with a bear steepening skew that has bund yields higher by nearly 10bps vs half of that in Schatz; could be markets shunning German paper on the absence of the fiscally tame Lindner or a broad sell Germany mood.

Nevertheless, the overall risk tone in markets looks in decent shape as US equity futures climb about 0.2/3% and SX5E rallies 0.6%, while FTSE trades practically flat. Oil is down about 1%, in contrast to nice gains of 1.5% and 2.5% in iron ore and copper, respectively, that are hoping for more Chinese stimulus support and were helped by stronger than expected Chinese exports data released overnight. In currencies, all key major currencies are trading stronger against the USD bar the flat CHF, including a small (underperforming) rise in the MXN of 0.2% that has it trading around its best levels yesterday after a massive rally that began around 7ET to erase losses as high as ~3.5% on Trump's victory.

We had thought that the MXN would have traded much more defensively to a Trump presidency—and it still may from now until the January inauguration and beyond—but clearly, for now, North American markets have a different idea. Maybe Sheinbaum's commendable diplomacy regarding Trump's victory during her morning presser yesterday eased worries about trade tensions—and plans announced for a five-year USD23.4bn energy plan covering generation and transmission was highly welcome news as far as Mexico's medium-term investment outlook is concerned.

Were this MXN resilience to hold, Banxico should have no problem cutting 25bps one week from now, with today's October CPI release that is expected to show core inflation ticking marginally lower (against a food-driven acceleration in headline inflation) supporting their case for removal of extra-restrictive policy (see also our Mexico team's **preview**). On the topic of highly-restrictive rates, we hear from BanRep's chief economist today at 10ET on the staff's updated projections in their Monetary Policy Report. The minutes to last week's decision published yesterday showed that officials opted for a 50bps cut instead of 75bps due to fiscal risks and their pressures on risk premia and the COP.

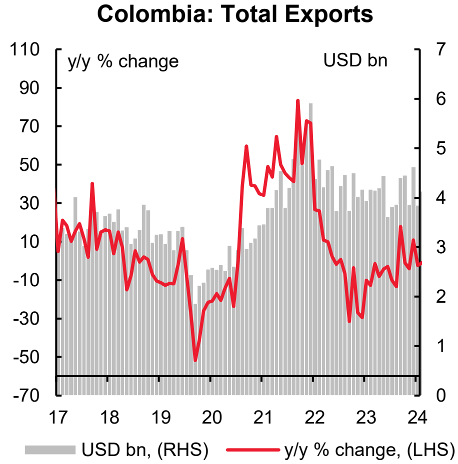
In Chile, the traders survey should merely be a reflection of market pricing regarding BCCh action, as markets have three consecutive 25bps cuts implied after Monday's highly-disappointing economic activity print. Note that Fin Min Marcel announced yesterday that there would be a USD1bn cut to spending this year amid weaker than expected growth that would thus mean less revenues that require adjustments to meet the fiscal goal.

Juan Manuel Herrera

COLOMBIA: EXPORTS REMAIN IN NEGATIVE TERRITORY DESPITE MANUFACTURING RECOVERY

DANE published export data on Wednesday, November 6th. Monthly exports in September stood at US$4.13 billion FOB, registering a 0.9% drop compared to September 2023 (chart 1). Traditional exports fell -16.22% y/y, especially for mining products, while non-traditional exports completed their third positive month with an increase of 20.3% y/y (chart 2). Compared to the previous month, total exports increased 7.4%.

Chart 1



Sources: Scotiabank Economics, DANE.

Chart 2

Sources: Scotiabank Economics, DANE.

Total exports continue to be mainly affected by a drop in traditional exports despite the growth of manufacturing exports. The drop in traditional exports is mainly explained by a less favourable price for mining products, while coffee exports maintained a positive dynamic showing an increase in total exports. On the other hand, non-traditional exports maintained a positive dynamic driven by some manufactured products with an increase of 9.1% y/y in this period.

- **Traditional exports totaled US$2.02 billion FOB, representing a drop of 16.2% y/y.** The declines were concentrated in the export of mining products, in which a 23.42% y/y drop in oil exports stands out, attributed to a lower average oil price during September 2024 (72.8 USD/b) compared to the average price in September 2023 (92.6 USD/b), something that could not be offset by the higher volume exported which increased 1.9% y/y. Coal exports also recorded declines, -17% y/y, while ferronickel exports increased by +142% y/y. Coffee exports continued to show a positive performance, with an increase of 21.1% y/y, due to the higher coffee export prices, that offset the decrease of 2.5% y/y in the exported volumes.

- **Non-traditional exports totaled US$ 2.10 billion FOB, registering a 20.3% y/y growth.** In September, manufactured goods exports increased by 9.1% y/y, showing increases in the export of manufactured goods in general and machinery and transportation equipment, both of which accounted for 90% of the total manufacturing variation. On the other hand, exports of food and agricultural products (excluding coffee) increased 26% y/y, where exports of fruits and flowers were the products that most contributed to the positive balance, adding together 12.3 ppts to total agro-exports and +2.2 ppts to total exports. In other exported products, the performance of non-monetary gold exports stands out, which increased by 40.3% y/y, contributing +2.9 ppts to the total.

—Jackeline Piraján & Valentina Guio