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Latam Daily: Peru Unrest, Early Election in Sight

It is the calm before the storm today with markets trading somewhat frailly as equities post slight losses in Europe with US futures flat while the dollar trades mixed on limited information, awaiting US CPI data tomorrow to be followed by the Fed, ECB, BoE, Banxico, BanRep and other central banks over the week. We expect 50bps hikes all around for the first four, with Colombia's central bank set to deploy a large full-point increase. BanRep will also pay close attention to minimum wage negotiations taking place this week, with the first deadline for an agreement set for December 15.

There is little of note in the today's Latam calendar, but also on the global stage, as headlines will be the key risk. Brazil's President-elect Lula and his VP Alckmin are due to be certified today in Brasilia. Mexican industrial production data out at 7ET should come and go with limited impact on Banxico expectations.

Peru: Brief Stability Broken

Peru's President Boluarte has submitted a proposal to Congress for early elections in April 2024, as protestors took to the streets around the country, rallying against Congress and calling for the newly sworn-in president's resignation; she declared a state of emergency to "peacefully restore order without impacting fundamental citizenship rights. **The about-face from Boluarte on early elections and the intense pressure faced by both the Executive and Legislative branches suggests elections may come much sooner than 2024.**

Protestors have also threatened to halt work at two of the country's copper mines in the south: Antapaccay (Cusco) and Las Bambas (Apurimac). According to the [October Mining Statistics Bulletin](#), these two accounted for close to a third of total copper production in Peru in the year to October.

Boluarte announced cabinet names over the weekend. Contreras, Deputy Economy Minister under Castillo and former BCRP economist, will take over as Economy and Finance Minister. Oscar Vera, who managed Petro-Peru's Talara refinery, was appointed to the Ministry of Energy and Mines; we'll watch how he responds to demands from protestors. The bulk of her appointees are seen as technocrats that may not be politically-savvy enough to navigate fractured relations with Congress, which bodes poorly for the stability of Peruvian politics. Whether this government lasts more than a few months remains to be seen. **Peruvian markets reopen today after a two-day holiday**, with no trading in equities nor the PEN taking place since prior to Castillo's removal from office,

Chile: Economists See January Rate Hold

Chile's central bank economist survey published this morning showed that cuts are not expected to begin until the BCCh's April meeting. The median economist sees a 50bps reduction in each of April and May, with a 7.00% overnight rate expected by end-2023. Note, however that two-fifths of those surveyed project that the bank's policy rate will be 6.25% or lower at the end of next year, while a fifth see it at 7.75% or higher.

Overall, the survey's results show a widely split set of responses (over a third also see no cut in April). As data for the final part of 2022 and early-2023 begins to trickle in, rate expectations should begin to converge. Inflation expectations for end-2023 were revised only a touch lower from the November survey, by 0.1ppts to 5.00%; the end-2024 median was unchanged at 3.30%.

—Juan Manuel Herrera

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