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Latam Weekly: CPI Week, BCRP Cut

ECONOMIC OVERVIEW

- Colombia, Chile, Mexico, Brazil, and the US all publish September CPI figures this week. All but Brazil are expected to show a comforting deceleration in inflation that may help offset the negative mood in debt markets of the past few days.
- Chile's print may be of greater relevance for medium-term cut bets while Colombia's is unlikely to motivate a 75bps cut by BanRep. Hawkish comments by a Banxico official have perhaps increased anxiety regarding inflation stickiness and rate expectations, and the BCB is clearly on track for another rate hike with inflation rising to the mid-4s.
- Peru's central bank decides on policy on Thursday, with now a 25bps cut expected following the release of weaker than expected September inflation data—in headline and core terms—that gives them the green light to (again) match the Fed's upper limit of 5.00%. An expected inflation rebound and solid growth suggest the tone won't be dovish, however.

PACIFIC ALLIANCE COUNTRY UPDATES

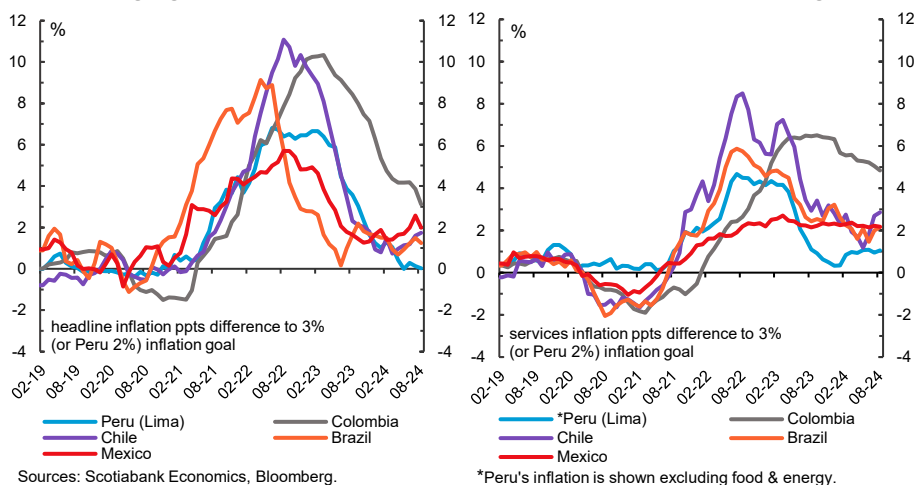
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Chile, Mexico and Peru.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period October 5-18 across the Pacific Alliance countries and Brazil.

Charts of the Week

Emerging Markets Headline & Services Inflation Difference to Target



Sources: Scotiabank Economics, Bloomberg.
Charts of the Week: Prepared by: Cesar Amador, Economic Analyst.

Economic Overview: CPI Week, BCRP Cut

- **Colombia, Chile, Mexico, Brazil, and the US all publish September CPI figures this week. All but Brazil are expected to show a comforting deceleration in inflation that may help offset the negative mood in debt markets of the past few days.**
- **Chile's print may be of greater relevance for medium-term cut bets while Colombia's is unlikely to motivate a 75bps cut by BanRep. Hawkish comments by a Banxico official have perhaps increased anxiety regarding inflation stickiness and rate expectations, and the BCB is clearly on track for another rate hike with inflation rising to the mid-4s.**
- **Peru's central bank decides on policy on Thursday, with now a 25bps cut expected following the release of weaker than expected September inflation data—in headline and core terms—that gives them the green light to (again) match the Fed's upper limit of 5.00%. An expected inflation rebound and solid growth suggest the tone won't be dovish, however.**

It's (mostly) all about inflation data this week, with Colombia, Chile, Mexico, Brazil, and the US all releasing September CPI data over the coming days. Across all of these countries except Brazil (where higher prints are driving BCB hikes), economists expect headline inflation to decelerate in year-on-year terms, which may provide some relief for debt markets that took a harsh hit from Friday's strong US jobs report. On the other hand, continued upward pressure on oil prices amid geopolitical risks and China rebound optimism risks a slower deceleration in headline inflation over the coming months—if this rise in energy prices proves sustained.

Chile's calendar is the busiest in Latam this week, with international trade, copper exports, and nominal wages figures all due for release on Monday morning, but with the market's and economists' attention centred on tomorrow's CPI data. In today's report, our team in Chile preview this week's prices figures, forecasting a 0.28% m/m rise in headline CPI (roughly in line with the 0.26% Bloomberg median) and a similar 0.3% increase in ex-volatiles CPI. Food prices, and shelter and housing expenses (reflecting June/July electricity tariff hikes) will be behind the bulk of the increase in headline CPI. As of Friday's close, Chilean markets were roughly pricing in a 25bps BCCh rate cut at each of its five next meetings, and it may take a large beat tomorrow (especially in ex-volatiles) for one of these to be reduced closer to toss-up odds.

Colombia's DANE release September CPI data at 19ET on Monday, well after markets have closed and thus possibly teeing up a sharp market open on Tuesday. With little else on the local calendar this week, it will be today's print that drives the net out/underperformance of Colombian assets this week—aside from possible political noise as President Petro and Fin Min Bonilla ready the passage of their budget by decree. Our economists project a decent deceleration in headline inflation from 6.12% to 5.79% and for core prices growth to drop to the mid-6s from about 6.8%. It's progress but, unfortunately, it's not fast enough progress to see BanRep cut by 75bps just yet (note that after the latest meeting, we now think officials will also opt for a 50bps in late-October, postponing the first 75bps to December).

In Mexico, the week starts with the closely-watched Citibanamex economists survey with a focus on Banxico and inflation expectations, before a quiet Tuesday and then

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the release of bi-weekly/full-month September CPI on Wednesday that our team previews in today's report. In line with data for H1-Sep, economists expect that core inflation for the whole of the month will fall inside the 2–4% target range, just about at 3.94% , while headline comes in closer to the mid-4s. Given the positive mid-month data, it may be that markets react more aggressively to surprising strength in core inflation (i.e. still at a 4-handle) than they would in the other direction—especially after Banxico's Heath's recent hawkish comments and also the front-end selloff globally on US data. Industrial and manufacturing production data are also on tap on Friday, but should not materially move markets.

Last but not least in the Pacific Alliance, Peru's week has 'but' the BCRP's decision on Thursday, after hours. The median economist and us expect that the central bank led by Julio Velarde will lower its reference rate by 25bps to 5.00%, with the latest CPI data for September released last week surprising to the downside to allow additional easing by Peru's central bank—to match the Fed's upper target level of 5.00% . Maybe don't expect a dovish message, however, as our team highlights in today's report that September's 1.8% inflation print likely marked the near-term low for prices growth before rebounding into year-end and as early GDP indicators for August point to another strong month for growth, somewhere between 3.5% and 4.0%.

Pacific Alliance Country Updates

Chile—We Project September CPI of 0.28% m/m (4.2% y/y)

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- **We expect limited inflationary pressures in the absence of an electricity fare increase**

We project September CPI of 0.28% m/m (4.2% y/y), below the Economist's Survey projections but in line with market expectations expressed in forwards and the Traders' Survey (0.3%). Likewise, we project that the CPI ex-volatiles would increase 0.3% m/m (3.8% y/y), due to the contribution of both its goods (+0.4% m/m) and services (0.3% m/m) components. On the other hand, we project a limited increase in volatile items (0.2% m/m), which would be mainly due to increases in food prices compensated by decreases in fuel prices.

By divisions (table 1), the main positive impacts would come from food and housing. In food, we detected price increases mainly in fresh fruits and vegetables, which would be partially offset by declines we observed in meat prices. In addition, we detect moderate increases in some dairy products and vegetable oils, which would be in line with the increases reported for international prices of these foods. We also project increases in the housing division due to the positive impact of the rise in shelter and common expenses, the latter influenced by the increase in electricity rates in June and July. On the other hand, the increase we project for prices in the clothing and footwear division would be similar to that observed in May, which occurred before CyberDay held in June.

The transportation division would have no impact on the September CPI. We detected increases in the prices of new automobiles, which would be explained by the change in the tax year for registering new vehicles. This would be more than compensated by the drop in gasoline and diesel prices that occurred at the beginning of September, whose incidence would be -0.1 ppts. To this we would add the increases we detected in international air transport fares, as well as seasonal increases in inter-urban bus transport fares.

Our projection assumes an acceleration in the inflationary diffusion of goods, while the diffusion of services would return to historical averages. Specifically, we work with an inflationary diffusion of goods (ex-volatiles) that would be above historical averages, similar to what happened during the month of May, before CyberDay.

Mexico—CPI Preview

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Next Thursday, October 9th, inflation figures will be released, where consensus according to the Banxico Survey anticipates that headline inflation will stand at 4.68% y/y from 4.99% in August (0.14% m/m), while also anticipating that the core component will maintain its downward trend, now at 3.93% from 4.00% (0.30% m/m), which implies that the non-core component—mainly the agricultural items—will continue to fall, although there is a risk that this component may be affected in the second half of September by the recent adverse weather events throughout the country, specifically floods in some regions.

As for core inflation, it is expected to drop below the 4.0% threshold, after rounding in a 4.0%–5.0% range during the year. The deceleration is coming from goods while services remain above 5.0%, and we do not expect this trend to change in the coming months; on the contrary, we believe that some of the most relevant risks on the horizon are further tightening in services and rising wage cost pressures.

Divisions	Contribution (%)
Food and non-alcoholic beverages	0.11
Alcoholic beverages and tobacco	-0.04
Clothing and footwear	0.05
Housing, water, electricity, gas and others	0.08
Household equipment and maintenance	0.00
Health	0.03
Transport	0.00
Communication	-0.01
Recreation and culture	0.01
Education	0.00
Restaurants and hotels	0.02
Insurance and financial services	0.01
Miscellaneous goods and services	0.01
CPI	0.28
CPI (rounded)	0.30

Source: Scotiabank Economics.

The market could take these figures as a signal for the next monetary policy moves, as the expectation right now is that Banxico will cut the rate in the November–December meeting closing the year at 10.0%, as shown in the latest surveys. For now, we do not believe that the central bank is considering larger cuts amid uncertainty regarding the inflation trajectory, exchange rate levels, and an uncertain economic environment.

Peru—BCRP Policy Rate Next Week: To Pause or Not to Pause (Hint: Not)

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Earlier this week we modified our expectations regarding the BCRP policy rate decision next week. Whereas previously we expected the BCRP to maintain the reference rate at 5.25%, we now expect it to lower the rate to 5.0% (chart 1).

The reason for the change is the following. The BCRP Inflation Report from September 20th seemed to be signaling that there would be a pause in October. Specifically, the report and BCRP discussion of it, suggested the following: 1. The market should not expect the BCRP to be in a hurry to lower rates; 2. The reference rate was closer to its terminal level than the market was expecting.

Thus, to lower the rate in October right after having done so in September, seemed like a decision that would negate this narrative.

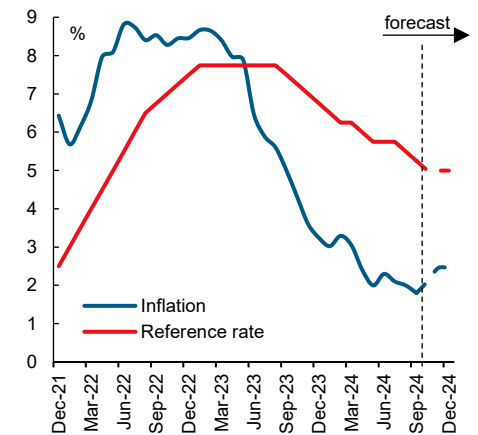
However, the context has shifted. The Fed’s recent decision to reduce its policy rate by 50bps, has given the BCRP space to lower its rate again without reversing the rate differential between the two.

But, more importantly, inflation numbers released on October 1st show headline inflation declining to 1.8% in September, from 2.0% in August. Inflation is, therefore, now below the midpoint of the BCRP target range. That alone should be enough to encourage the BCRP to lower the reference rate. There is more, however. First, monthly inflation was negative, down 0.2%, and core inflation fell to 2.6%, from 2.8%, and is now comfortably inside the target range.

Timing is an issue as well. The 1.8% inflation in September is likely to be the low point in the current short-term inflation cycle. Inflation in October through December is likely to rise mildly, in line with our forecast of 2.5% inflation at the end of the year (albeit, with a downward bias). The reason for the increase is that monthly inflation was negative in October–November 2023, a situation that is not likely to be repeated in 2024 (although the negative monthly figure for September makes one wonder), see chart 2. The BCRP knows this. Therefore, even if the BCRP is in no hurry to continue lowering its rate, the path of least resistance going forward would seem to be to lower the rate to 5.0% in October, and then leave it there, unchanged, throughout the rest of the year.

Chart 1

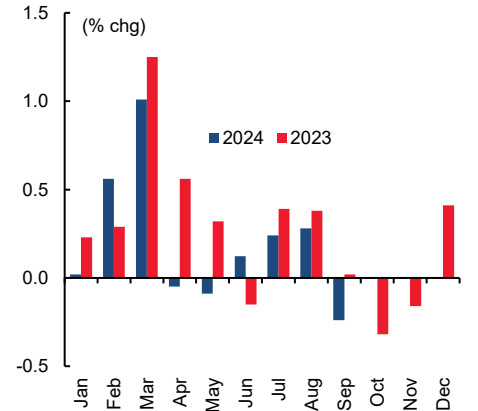
Peru: Inflation and Reference Rate



Sources: Scotiabank Economics, BCRP.

Chart 2

Peru: Monthly Inflation Rates 2023-2024



Sources: Scotiabank Economics, INEI.

GDP Growth Remains Robust

Meanwhile, early August GDP sector data was released on October 1st. The data was encouraging, leading us to raise our forecast for August aggregate GDP growth to 3.7% YoY, from 3.0% (chart 3).

The main reason behind the change was the surprising 8.9% YoY increase in mining GDP. This greatly surpassed our expectation of 1% growth. Copper, which had been underperforming during most of the year, was up nearly 12% in August (chart 4).

Other sector growth figures were more in line with expectations. Fishing fell 28%, YoY, but this was inconsequential, as August is not a fishing season month. Electricity demand rose 3.1%, in line with GDP growth. Cement demand rose 0.1%, YoY. This was weak, yes, but it was

also positive, which has not occurred very frequently this year. Construction GDP growth will be higher, however, as public investment rose 24%, YoY.

August, together with July, are the two months with the greatest impact of pension fund withdrawals on household consumption. In July, GDP rose 4.5%, YoY, led by domestic demand sectors, which were driven by the AFP withdrawals. We expect similar robust growth in domestic demand sectors in August, but the magnitude is unclear, which means there is a large margin of error around our 3.7% aggregate growth forecast for August.

The bottom line is that GDP growth, which was 2.8% in the January–July period, continues to trend towards our full-year forecast of 3.0%.

Chart 3

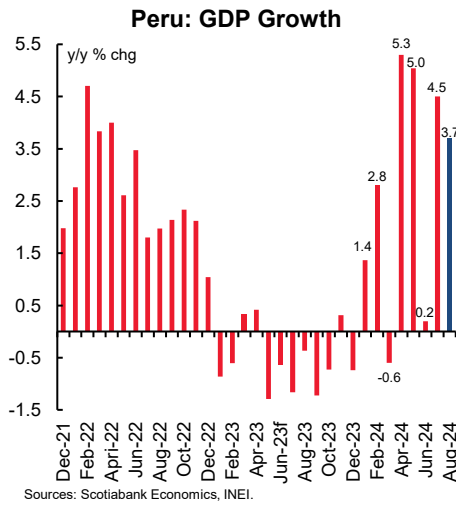
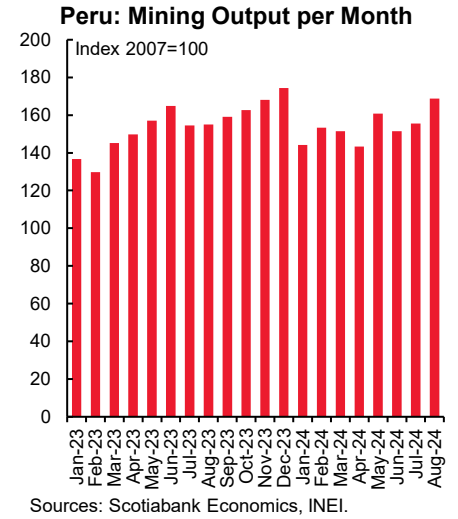


Chart 4



Forecast Updates

2022		2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Brazil																	
Real GDP (y/y % change)	2.7	4.2	3.5	2.0	2.1	2.5	3.3	3.3	2.9	2.0	1.8	1.8	1.9	3.0	2.9	3.0	1.9
CPI (y/y %, eop)	5.8	4.7	3.2	5.2	4.6	3.9	4.2	4.5	4.4	4.3	4.1	3.8	3.9	5.8	4.6	4.4	3.9
Unemployment rate (% avg)	7.9	8.8	8.0	7.7	7.4	7.9	6.9	6.7	6.5	7.3	7.2	7.1	7.0	7.9	7.4	6.6	7.0
Central bank policy rate (% eop)	13.75	13.75	13.75	12.75	11.75	10.75	10.50	10.75	11.75	12.00	12.00	11.50	10.75	13.75	11.75	11.75	10.75
Foreign exchange (USDBRL, eop)	5.28	5.06	4.79	5.03	4.86	5.01	5.59	5.45	5.35	5.32	5.30	5.28	5.28	5.28	4.86	5.35	5.28
Chile																	
Real GDP (y/y % change)	-2.3	0.3	-0.4	0.6	0.4	2.5	1.6	2.6	4.1	1.9	3.1	2.7	2.4	2.1	0.2	2.7	2.5
CPI (y/y %, eop)	12.8	11.1	7.4	4.7	3.4	3.2	3.8	4.3	4.5	4.8	4.3	3.7	3.5	12.8	3.4	4.5	3.5
Unemployment rate (% avg)	7.9	8.8	8.5	8.9	8.5	8.7	8.3	7.9	7.4	8.0	8.3	8.0	7.3	7.9	8.5	8.1	7.9
Central bank policy rate (% eop)	11.25	11.25	11.25	9.50	8.25	7.25	5.75	5.50	5.25	5.00	4.50	4.25	4.25	11.25	8.25	5.25	4.25
Foreign exchange (USDCLP, eop)	851	795	802	892	879	979	940	899	890	870	870	870	870	851	879	890	870
Colombia																	
Real GDP (y/y % change)	2.1	2.7	0.4	-0.7	0.2	0.8	2.1	1.9	1.3	3.5	3.1	2.6	2.6	7.3	0.6	1.5	2.9
CPI (y/y %, eop)	13.1	13.3	12.1	11.0	9.3	7.4	7.2	5.8	5.2	3.9	3.4	3.5	3.4	13.1	9.3	5.2	3.4
Unemployment rate (% avg)	9.8	11.7	10.2	9.4	9.4	11.9	10.4	10.6	10.4	12.3	11.0	11.0	10.8	11.2	10.2	10.8	11.3
Central bank policy rate (% eop)	12.00	13.00	13.25	13.25	13.00	12.25	11.25	10.25	9.00	7.50	6.00	5.50	5.50	12.00	13.00	9.00	5.50
Foreign exchange (USDCOP, eop)	4,853	4,623	4,172	4,068	3,855	3,852	4,153	4,207	4,116	4,120	4,125	4,140	4,150	4,853	3,855	4,116	4,150
Mexico																	
Real GDP (y/y % change)	4.4	3.6	3.5	3.4	2.3	1.5	2.1	1.3	1.1	1.3	1.4	1.5	1.4	3.7	3.2	1.5	1.4
CPI (y/y %, eop)	7.8	6.8	5.1	4.5	4.7	4.4	5.0	4.7	4.6	4.1	3.9	3.8	3.8	7.8	4.7	4.6	3.8
Unemployment rate (% avg)	3.0	2.7	2.8	3.0	2.7	2.5	2.7	3.1	3.2	3.3	3.3	3.4	3.5	3.3	2.8	2.9	3.4
Central bank policy rate (% eop)	10.50	11.25	11.25	11.25	11.25	11.00	11.00	10.50	10.00	9.75	9.25	8.75	8.00	10.50	11.25	10.00	8.00
Foreign exchange (USDMXN, eop)	19.50	18.05	17.12	17.42	16.97	16.56	18.32	19.69	20.50	20.70	20.80	21.00	21.30	19.50	16.97	20.50	21.30
Peru																	
Real GDP (y/y % change)	1.8	-0.4	-0.5	-0.9	-0.4	1.4	3.6	3.3	3.4	3.6	2.3	2.0	2.3	2.7	-0.6	3.0	2.5
CPI (y/y %, eop)	8.5	8.4	6.5	5.0	3.2	3.0	2.3	1.8	2.5	2.1	2.5	2.3	2.4	8.5	3.2	2.5	2.4
Unemployment rate (% avg)	7.1	7.5	6.6	6.7	6.4	7.7	6.6	6.7	6.5	7.2	6.5	6.4	6.2	7.7	6.8	6.9	6.6
Central bank policy rate (% eop)	7.50	7.75	7.75	7.50	6.75	6.25	5.75	5.25	5.00	4.75	4.50	4.25	4.25	7.50	6.75	5.00	4.25
Foreign exchange (USDPEN, eop)	3.81	3.76	3.63	3.78	3.70	3.72	3.84	3.70	3.75	3.75	3.75	3.80	3.78	3.81	3.70	3.75	3.78
Canada																	
Real GDP (y/y % change)	2.2	2.0	1.3	0.7	1.0	0.6	0.9	1.3	1.7	1.7	1.8	2.0	2.1	3.8	1.2	1.1	1.9
CPI (y/y %, eop)	6.7	5.1	3.5	3.7	3.2	2.8	2.7	2.4	2.5	2.3	2.1	2.1	2.1	6.7	3.2	2.5	2.1
Unemployment rate (% avg)	5.1	5.1	5.3	5.5	5.8	5.9	6.2	6.6	6.7	6.7	6.7	6.6	6.5	5.3	5.4	6.4	6.7
Central bank policy rate (% eop)	4.25	4.50	4.75	5.00	5.00	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	4.25	5.00	3.75	3.00
Foreign exchange (USDCAD, eop)	1.36	1.35	1.32	1.36	1.32	1.35	1.37	1.35	1.36	1.34	1.32	1.32	1.30	1.36	1.32	1.36	1.30
United States																	
Real GDP (y/y % change)	1.3	2.3	2.8	3.2	3.2	2.9	3.0	2.3	1.8	1.8	1.5	1.5	1.6	2.5	2.9	2.5	1.6
CPI (y/y %, eop)	7.1	5.7	4.0	3.6	3.2	3.2	3.2	2.8	2.4	2.4	2.4	2.3	2.2	7.1	3.2	2.4	2.2
Unemployment rate (% avg)	3.6	3.5	3.6	3.7	3.7	3.8	4.0	4.2	4.4	4.3	4.3	4.3	4.2	3.6	3.6	4.1	4.3
Central bank policy rate (% eop)	4.50	5.00	5.25	5.50	5.50	5.50	5.50	5.00	4.75	4.25	3.75	3.50	3.50	4.50	5.50	4.75	3.50
Foreign exchange (EURUSD, eop)	1.07	1.08	1.09	1.06	1.10	1.08	1.07	1.11	1.09	1.11	1.11	1.15	1.15	1.07	1.10	1.09	1.15

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics.
 Red indicates changes in estimates and forecasts since previous *Latam Weekly* on September 20, 2024.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	0.1	0.1	-	-	-	-0.1	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-	-	-0.4	-0.2
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	0.50	0.50	0.50	0.50	0.25	-	-	0.50	0.25
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	-	0.03	0.02	0.02	0.04	0.03	0.02	-	-	0.02	0.02
Chile																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCLP, eop)	-	-	-	-	-	-	-	-1.00	-	-	-	-	-	-	-	-	-
Colombia																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	0.3	0.4	0.3	0.3	-	-	-	0.3
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	0.25	0.50	0.50	0.50	-	-	-	-	0.50	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	105	-	-	-	-	-	-	-	-	-
Mexico																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	0.1	-	-	0.1	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-0.25	-	-	-	-	-	-	-0.25	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	-	-0.11	-	-	-	-	-	-	-	-	-
Peru																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-0.3	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-	-	-0.10	-	-	-	-	-	-	-	-	-
Canada																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCAD, eop)	-	-	-	-	-	-	-	-0.03	-	-	-	-	-	-	-	-	-
United States																	
Real GDP (y/y % change)	0.6	0.6	0.4	0.3	0.1	-	-0.1	-	-	-	-	-	-	0.6	0.4	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (EURUSD, eop)	-	-	-	-	-	-	-	0.04	-	-	-	-	-	-	-	-	-

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics.
Changes in estimates and forecasts since previous *Latam Weekly* on September 20, 2024.

Forecast Updates: Central Bank Policy Rates and Outlook

Latam Central Banks: Policy Rates and Outlook

	Current	Next Scheduled Meeting		BNS Forecast		BNS guidance for next monetary policy meeting
		Date	BNS	End-2024	End-2025	
Brazil, BCB, Selic	10.75%	Nov-06	11.25%	11.75%	10.75%	
Chile, BCCh, TPM	5.50%	Oct-17	5.25%	5.25%	4.25%	We project that the BCCh will cut the policy rate by 25 bps at the October meeting.
Colombia, BanRep, TII	10.25%	Oct-31	9.75%	9.00%	5.50%	BanRep cut the rate by 50 bps to 10.25%, a smaller cut than we had anticipated (-75bps). The decision was divided 4-3. A high risk premium in the region and in Colombia, added to fiscal uncertainty were some of the arguments of the 4 who voted for 50 bps. We believe that the fiscal outlook will not change much before the next meeting, which makes us assume that the dynamics will be the same and we will see a cautious 50bps cut by BanRep.
Mexico, Banxico, TO	10.50%	Nov-14	10.25%	10.00%	8.00%	In a split decision, the board met expectations by cutting its target rate by 25 bps, to 10.50%. The dissenting vote came from Deputy Governor Jonathan Heath, who voted to keep the rate unchanged at 10.75%. On the other hand, the Board of Governors marginally revised expectations for general and core inflation in the short term, expecting to still converge to 3.0% by the end of 2025. We expect a rate cut of 25 basis points at the November and December meetings and a rate of 10.0% at the end of the year.
Peru, BCRP, TIR	5.25%	Oct-10	5.00%	5.00%	4.25%	We expect BCRP to lower the reference rate by 25 bps to 5.0%. The Fed's recent decision to reduce its policy rate by 50 bps has given the BCRP space to lower its rate again. Inflation and core inflation are now comfortably inside the target range. This should be enough to encourage the BCRP to lower the reference rate.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

Key Economic Charts

Chart 1

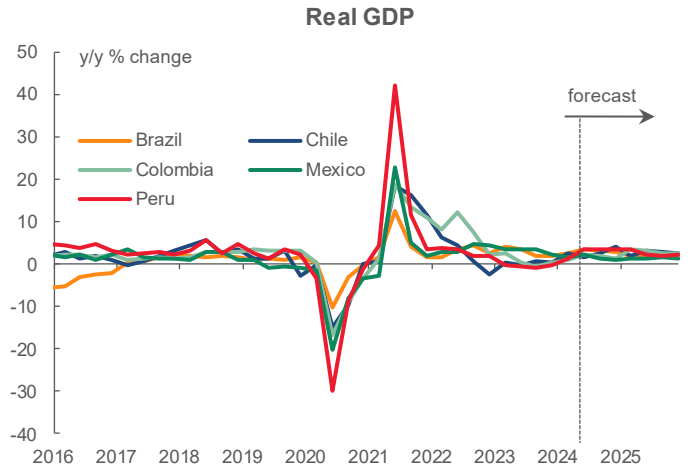


Chart 2

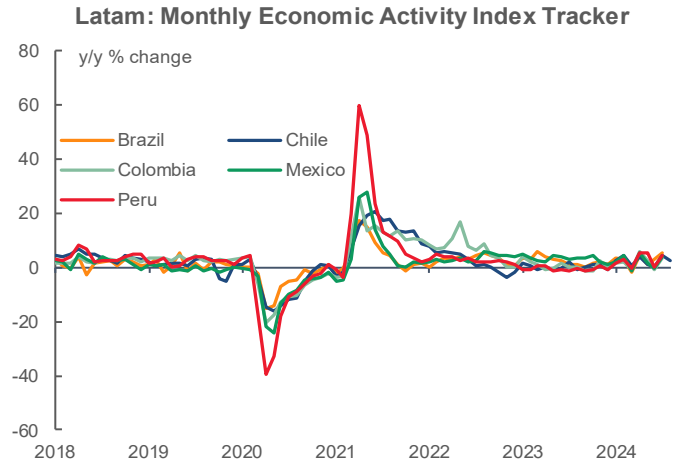


Chart 3

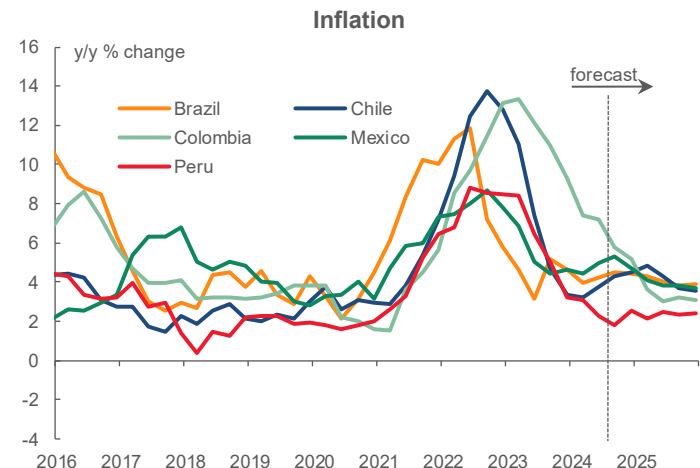


Chart 4

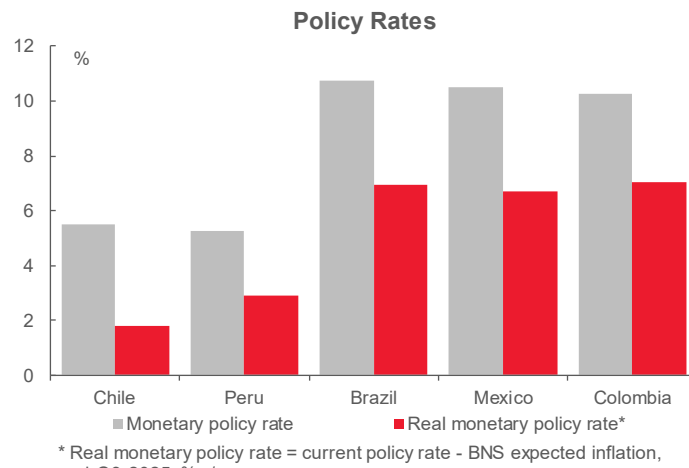
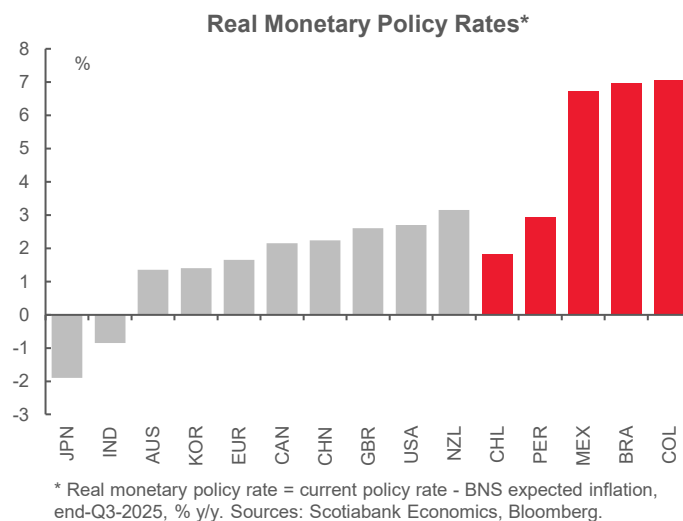


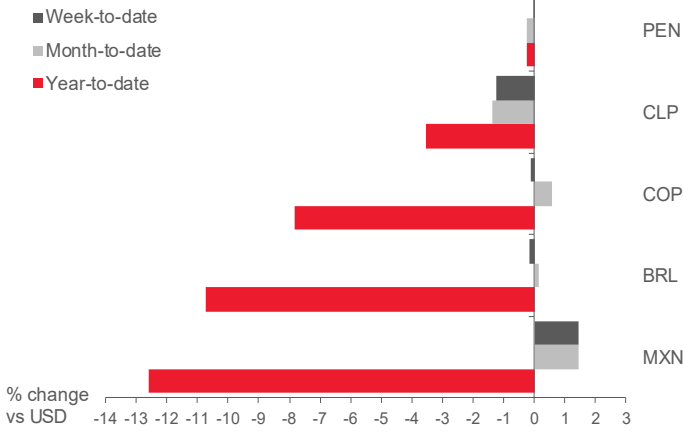
Chart 5



Key Market Charts

Chart 1

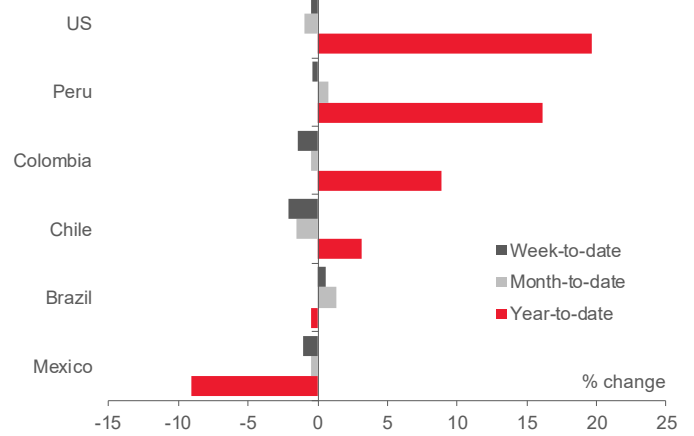
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

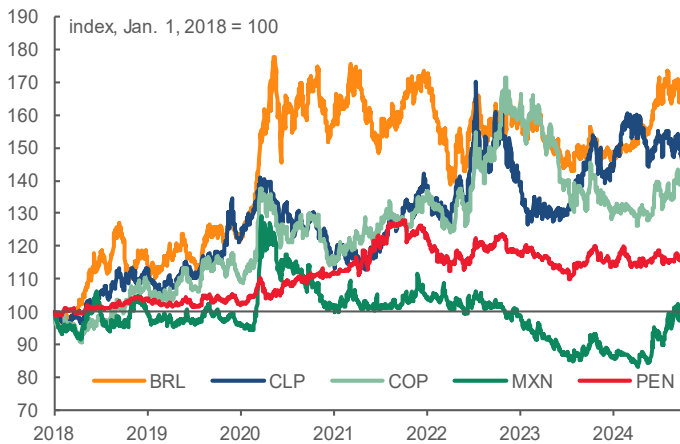
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

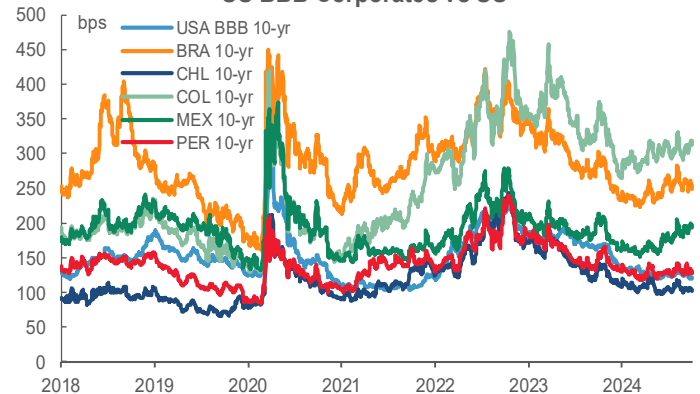
USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

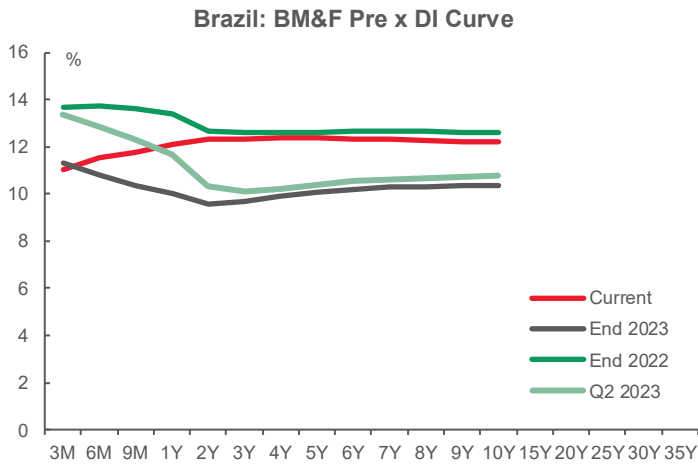
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



*Sovereigns vs US swaps; BBB corporates vs 10-yr USTs.
Sources: Scotiabank Economics, Bloomberg.

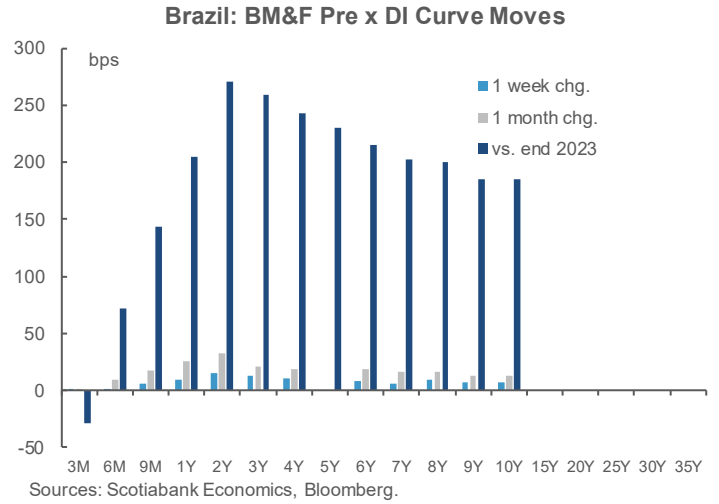
Yield Curves

Chart 1



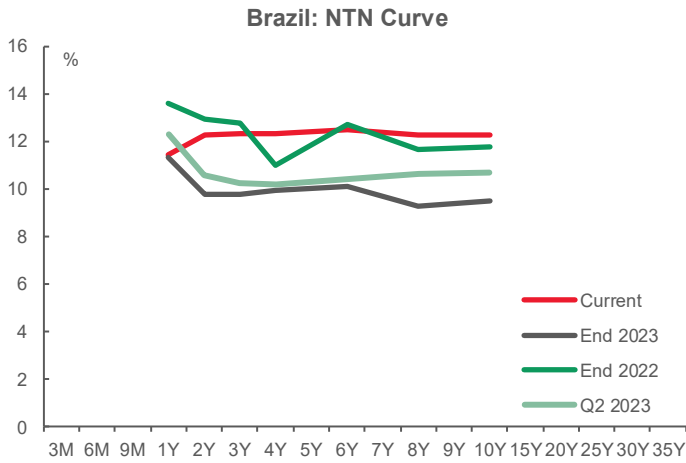
Sources: Scotiabank Economics, Bloomberg.

Chart 2



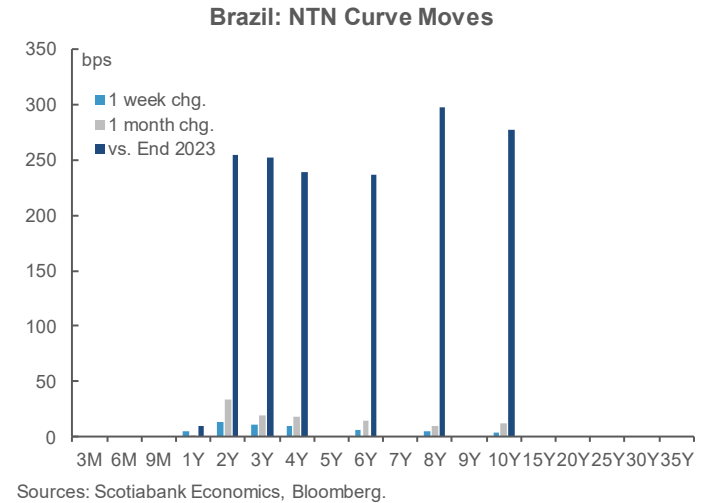
Sources: Scotiabank Economics, Bloomberg.

Chart 3



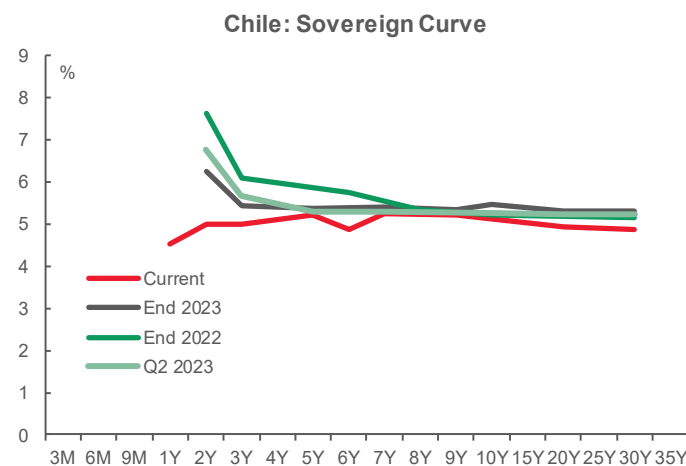
Sources: Scotiabank Economics, Bloomberg.

Chart 4



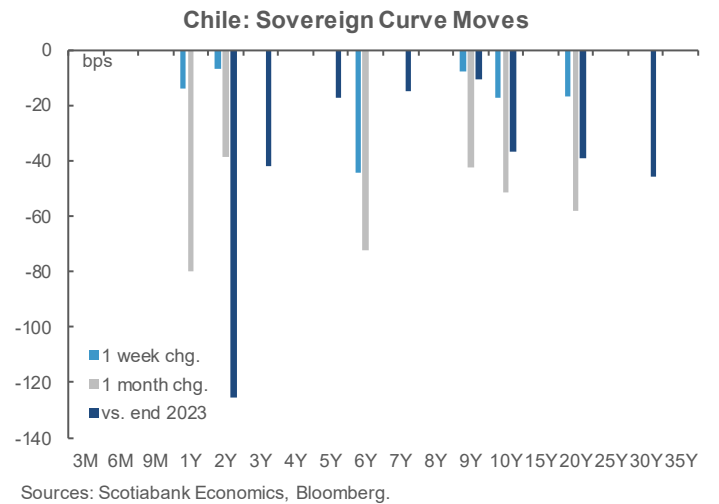
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

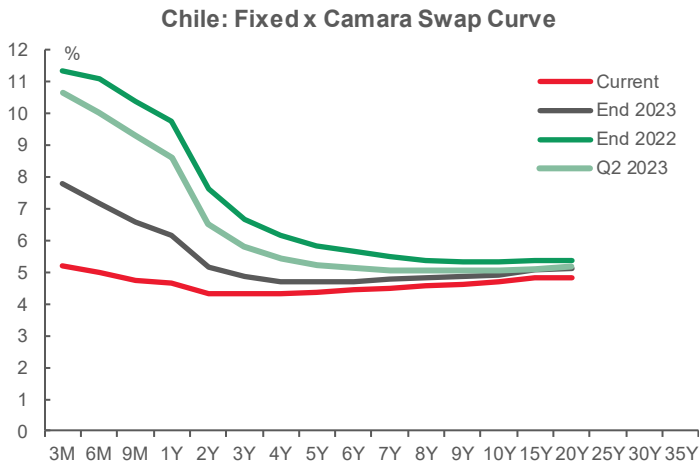
Chart 6



Sources: Scotiabank Economics, Bloomberg.

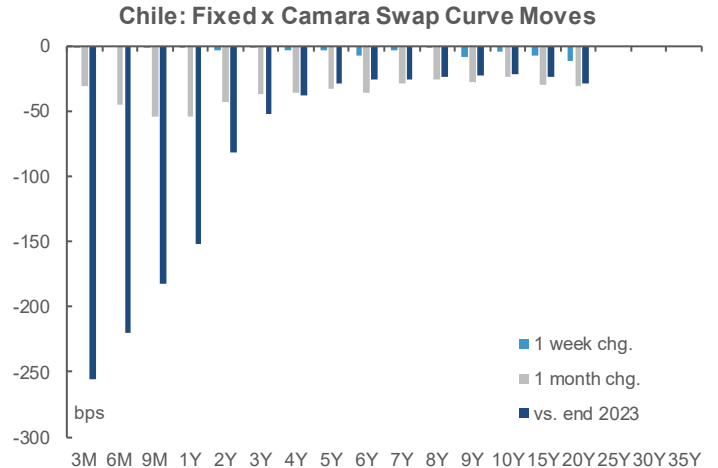
Yield Curves

Chart 7



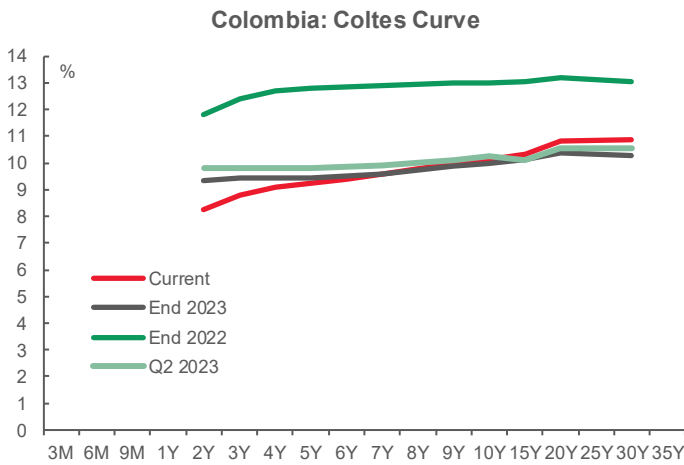
Sources: Scotiabank Economics, Bloomberg.

Chart 8



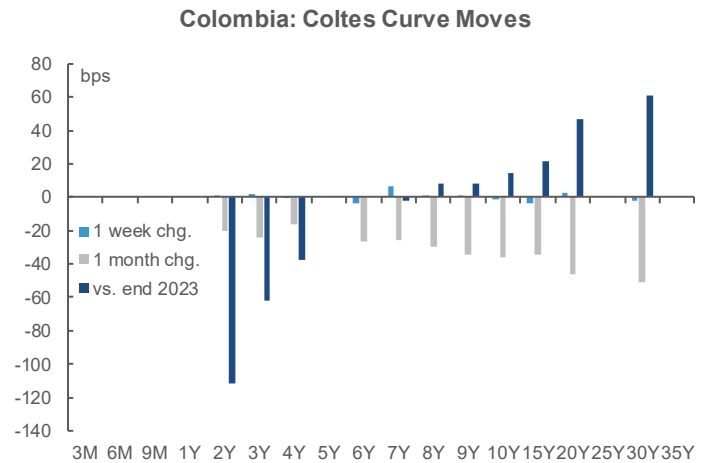
Sources: Scotiabank Economics, Bloomberg.

Chart 9



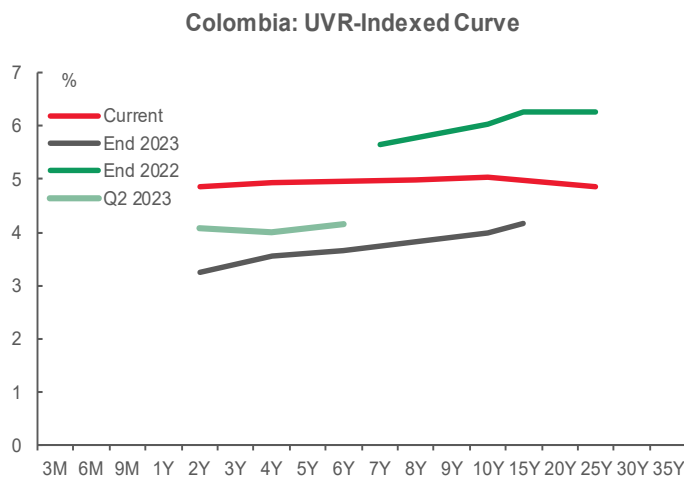
Sources: Scotiabank Economics, Bloomberg.

Chart 10



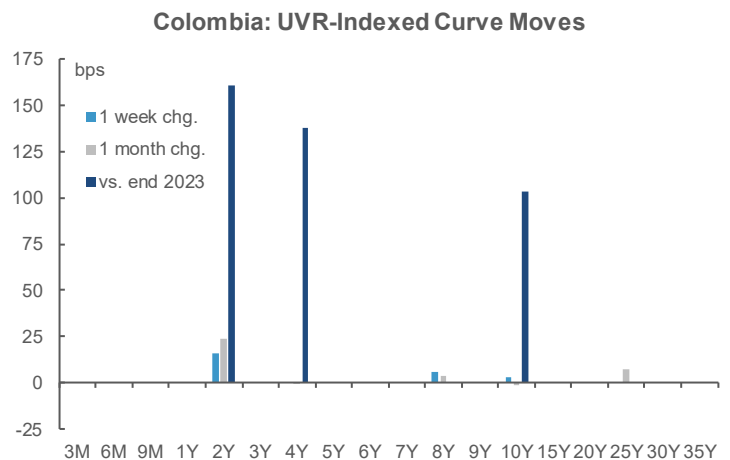
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

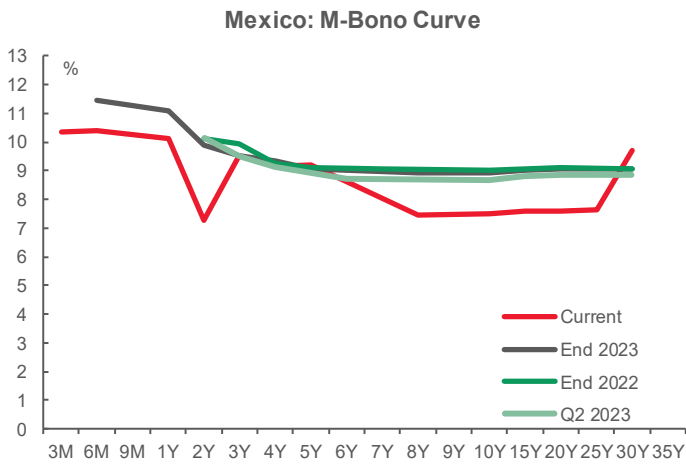
Chart 12



Sources: Scotiabank Economics, Bloomberg.

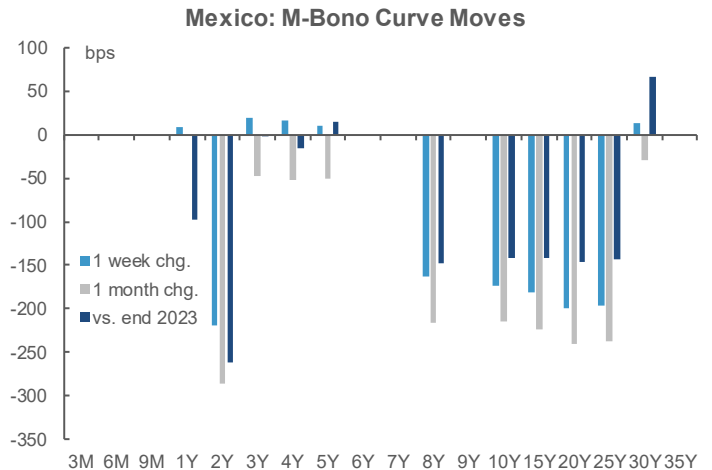
Yield Curves

Chart 13



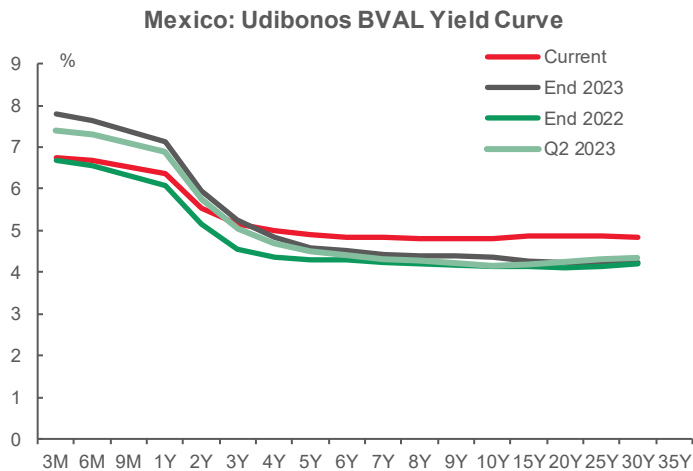
Sources: Scotiabank Economics, Bloomberg.

Chart 14



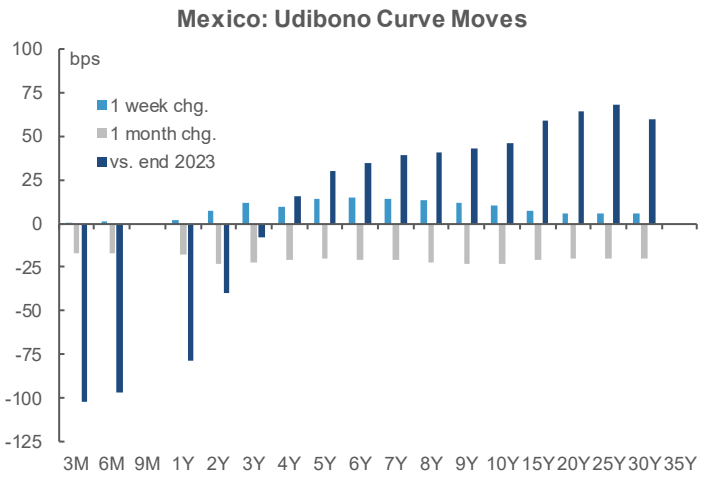
Sources: Scotiabank Economics, Bloomberg.

Chart 15



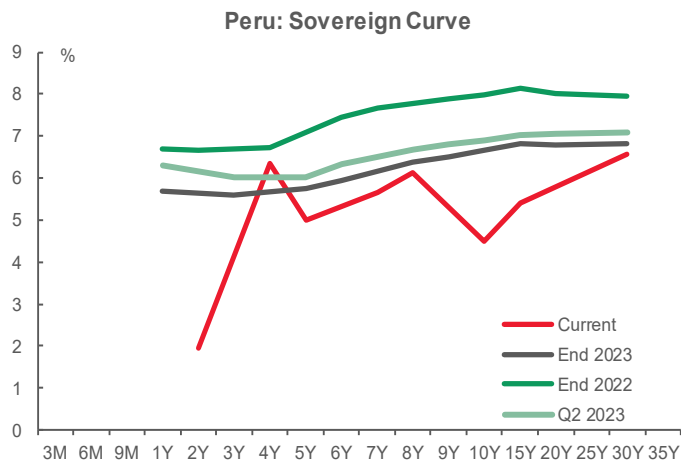
Sources: Scotiabank Economics, Bloomberg.

Chart 16



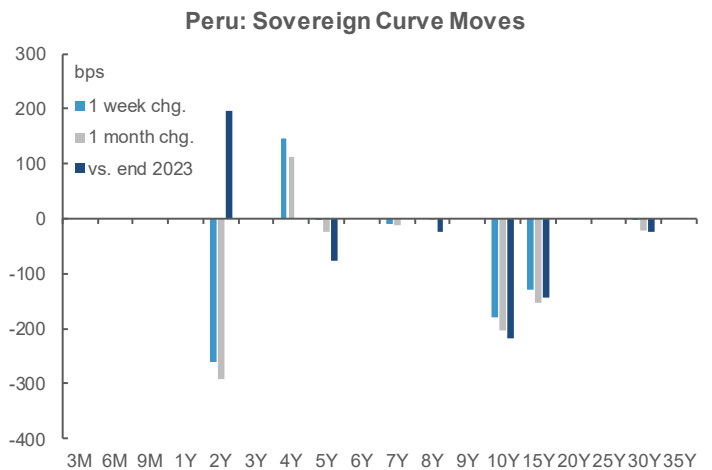
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for October 5–18

BRAZIL

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Oct-07	7:00 FGV Inflation IGP-DI y/y	Sep	--	--	4.23	
Oct-07	7:00 FGV Inflation IGP-DI m/m	Sep	--	--	0.12	
Oct-07	7:25 Central Bank Weekly Economist Survey		--	--		
Oct-07	14:00 Trade Balance Weekly USD mn	06-Oct	--	--	271.5	
Oct 04-07	Vehicle Exports Anfavea BRL	Sep	--	--	38225	
Oct 04-07	Vehicle Production Anfavea	Sep	--	--	259613	
Oct 04-07	Vehicle Sales Anfavea	Sep	--	--	237382	
Oct-08	7:00 FGV CPI IPC-S (%)	04-Oct	--	--	0.63	
Oct-09	4:00 FIPE CPI - Weekly	07-Oct	--	--	0.15	
Oct-09	8:00 IBGE Inflation IPCA y/y	Sep	--	--	4.24	
Oct-09	8:00 IBGE Inflation IPCA m/m	Sep	--	--	-0.02	
Oct-10	8:00 Retail Sales Broad y/y	Aug	--	--	7.2	
Oct-10	8:00 Retail Sales y/y	Aug	--	--	4.4	
Oct-10	8:00 Retail Sales Broad m/m	Aug	--	--	0.1	
Oct-10	8:00 Retail Sales m/m	Aug	--	--	0.6	
Oct-11	8:00 IBGE Services Volume m/m SA	Aug	--	--	1.2	
Oct-11	8:00 IBGE Services Volume y/y NSA	Aug	--	--	4.3	
Oct-14	7:25 Central Bank Weekly Economist Survey		--	--		
Oct-14	8:00 Economic Activity m/m	Aug	--	--	-0.4	
Oct-14	8:00 Economic Activity y/y	Aug	--	--	5.3	
Oct-14	14:00 Trade Balance Weekly USD mn	13-Oct	--	--	271.5	
Oct-16	7:00 FGV CPI IPC-S (%)	15-Oct	--	--	0.63	
Oct-17	4:00 FIPE CPI - Weekly (%)	15-Oct	--	--	0.15	
Oct-17	7:00 FGV Inflation IGP-10 m/m	Oct	--	--	0.18	
Oct 15-25	Formal Job Creation Total	Sep	--	--	232513	

CHILE

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Oct-07	7:30 Exports Total USD mn	Sep	--	--	8011.61	
Oct-07	7:30 Imports Total USD mn	Sep	--	--	6879.42	
Oct-07	7:30 Trade Balance USD mn	Sep	--	--	1132.19	
Oct-07	7:30 International Reserves USD mn	Sep	--	--	46257.24	
Oct-07	7:30 Copper Exports USD mn	Sep	--	--	4270.6	
Oct-07	8:00 Nominal Wage y/y	Aug	--	--	3.38	
Oct 01-07	IMCE Business Confidence	Sep	--	--	46.22	
Oct-08	7:00 CPI m/m	Sep	0.3	--	0.3	We project September CPI of 0.28% m/m (4.2% y/y), below the Economists' Survey projections but in line with market expectations expressed in forwards and the Traders' Survey (0.3% m/m).
Oct-08	7:00 CPI y/y Chained	Sep	4.2	--	4.7	
Oct-10	7:30 Central Bank Economist Survey		--	--		
Oct 07-10	Vehicle Sales Total	Sep	--	--	25765	
Oct-14	7:30 Central Bank Traders Survey		--	--		
Oct-17	17:00 Overnight Rate Target (%)	17-Oct	5.25	--	5.50	We project that the BCCh will cut the policy rate by 25 bps at its October meeting.

COLOMBIA

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Oct-07	19:00 CPI m/m	Sep	0.22	0.26	0.00	Headline inflation is expected to continue cooling down as most of the CPI basket is expected to have moderate changes. The education group is expected to contribute to the inflation due to seasonal reasons, while in the case of utilities we expect contractions. The upside pressures on food prices due to the truck drivers' strike have also vanished during the month.
Oct-07	19:00 CPI y/y	Sep	5.79	5.83	6.12	
Oct-07	19:00 CPI Core m/m	Sep	0.24	0.29	0.16	
Oct-07	19:00 CPI Core y/y	Sep	6.51	6.56	6.78	
Oct-15	11:00 Industrial Production y/y	Aug	--	--	0.7	
Oct-15	11:00 Manufacturing Production y/y	Aug	--	--	2	
Oct-15	11:00 Retail Sales y/y	Aug	--	--	1.6	
Oct-15	Consumer Confidence Index	Sep	--	--	-15.3	
Oct-16	Central Bank's Economists Survey		--	--		
Oct-18	12:00 Economic Activity NSA y/y	Aug	--	--	3.68	

Forecasts at time of publication.
Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for October 5–18

MEXICO

<u>Date</u>	<u>Time</u> <u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Oct-07	Citi Survey of Economists		--			
Oct-08	11:00 International Reserves Weekly USD mn	04-Oct	--	--	226846	
Oct-09	8:00 CPI m/m	Sep	0.13	0.14	0.01	
Oct-09	8:00 Bi-Weekly CPI y/y	30-Sep	--	--	4.66	
Oct-09	8:00 Bi-Weekly CPI (%)	30-Sep	--	--	0.09	
Oct-09	8:00 CPI y/y	Sep	4.67	4.68	4.99	
Oct-09	8:00 CPI Core m/m	Sep	0.33	0.3	0.22	
Oct-09	8:00 Bi-Weekly Core CPI y/y	30-Sep	--	--	3.95	
Oct-09	8:00 CPI Core y/y	Sep	3.96	3.93	4	
Oct-09	8:00 Bi-Weekly Core CPI (%)	30-Sep	--	--	0.21	
Oct 07-09	Nominal Wages y/y	Sep	--	--	8.5	
Oct-10	11:00 Central Bank Monetary Policy Minutes		--			
Oct 07-10	Formal Job Creation Total (000's)	Sep	--	--	58.05	
Oct-11	8:00 Industrial Production NSA y/y	Aug	--	--	2.13	
Oct-11	8:00 Manuf. Production NSA y/y	Aug	--	--	1.6	
Oct-11	8:00 Industrial Production SA m/m	Aug	--	--	0.23	
Oct-14	8:00 Consumer Confidence	Sep	--	--	47.63	
Oct-15	11:00 International Reserves Weekly USD mn	11-Oct	--	--	226846	
Oct 10-17	ANTAD Same-Store Sales y/y	Sep	--	--	5.4	

PERU

<u>Date</u>	<u>Time</u> <u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Oct-10	19:00 Reference Rate (%)	10-Oct	5.00	--	5.25	
Oct-15	11:00 Economic Activity y/y	Aug	3.7	--	4.47	
Oct-15	11:00 Lima Unemployment Rate (%)	Sep	6.7	--	6.1	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage

Local Market Coverage

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