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Latam Weekly: Trump Trumps Latam and G10 Data Dumps

ECONOMIC OVERVIEW

- A second, possibly more disruptive, Trump term begins on Monday, kicking off with a bang a week that could be full of market-moving headlines sprinkled in between key data releases in Latam and the G10 economies. Global PMIs on Friday are the top data risk while the BoJ's decision that same morning is the top event (outside of DJT).
- Colombia's and Mexico's economic activity data for November are the main releases of the Latam week ahead, and will likely show diverging fortunes, alongside Mexican and Brazilian H1-Jan data that will give us the first look into 2025 Latam inflation trends.
- In today's report, our teams in Colombia and Peru talk about GDP trends in their respective countries with both closing out the year in strength. While Peru's in a 'goldilocks' spot of solid growth and tamed inflation, domestic and external risks and a large minimum wage hike are injecting uncertainty into the outlook for Colombia's BanRep—and local markets more broadly.
- Chile's Congress is quickly moving to approve the Pension Reform, with the main points laid out by our Santiago colleagues in today's Weekly. As for Mexico, our team discusses President Sheinbaum's well-intentioned—albeit hopeful—roadmap for economic growth over the balance of her term.

PACIFIC ALLIANCE COUNTRY UPDATES

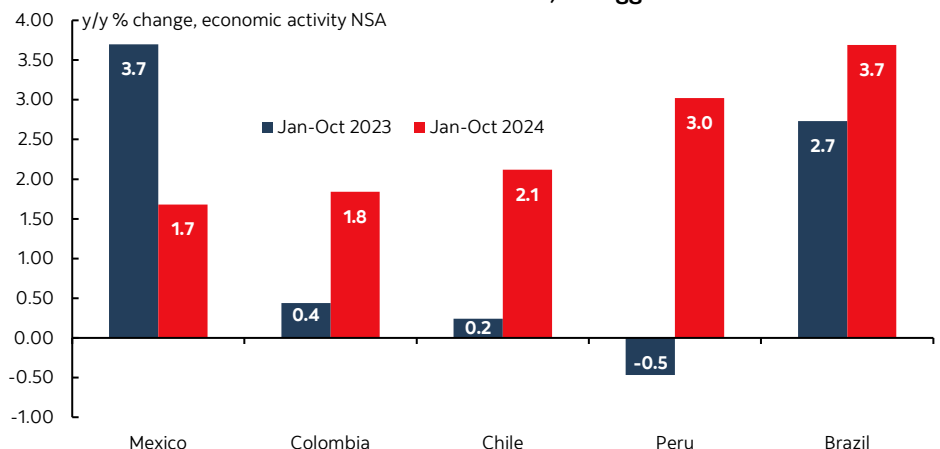
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Chile, Colombia, Mexico and Peru.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period January 18–31 across the Pacific Alliance countries and Brazil.

Chart of the Week

Mexico Goes from Leader in 2023, to Laggard in 2024



Sources: Scotiabank Economics, INEGI, DANE, BCCh, BCRP, BCB.

Chart of the Week: Prepared by: Cesar Amador, Economic Analyst.

Economic Overview: Trump Trumps Latam and G10 Data Dumps

- **A second, possibly more disruptive, Trump term begins on Monday, kicking off with a bang a week that could be full of market-moving headlines sprinkled in between key data releases in Latam and the G10 economies. Global PMIs on Friday are the top data risk while the BoJ's decision that same morning is the top event (outside of DJT).**
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- **Chile's Congress is quickly moving to approve the Pension Reform, with the main points laid out by our Santiago colleagues in today's Weekly. As for Mexico, our team discusses President Sheinbaum's well-intentioned—albeit hopeful—roadmap for economic growth over the balance of her term.**

Here we go, again. After a four-year 'break', Donald Trump will be inaugurated as US president on Monday to kick off with a bang a week that could be full of market-moving headlines sprinkled in between key data releases in Latam and the G10 economies. Trump's second term is gearing up to be even more disruptive than his first and perhaps as soon as day (or, at least, week) one with tariff announcements seemingly at the ready. The uncertain geopolitical backdrop will likely keep market volatility elevated and risk aversion could leave Latin American assets relatively disfavoured, where Mexico's look at highest risk.

While global and regional markets will broadly move to the beat of Trump, there's also enough in local calendars over the next few days to impact trading sentiment. Colombia's and Mexico's economic activity data for November are the main releases of the Latam week ahead alongside Mexican and Brazilian H1-Jan data that will give us the first look into Latam inflation trends at the start of the year.

Meanwhile, there's no top tier data out of Chile and Peru, but we do get the results of the latest BCCCh traders survey on Thursday (markets are implying no more cuts) and PPI data from Chile on Friday, while the country's Congress nears the approval of pension reform whose conclusion should bring relief for Chilean assets. In today's Weekly, the team in Chile outlines the key agreements reached so far. With Peru releasing GDP data earlier this week, in today's report our colleagues discuss the 'goldilocks' moment in which the country finds itself, with 2024 ending with strong growth and price stability.

This morning, Colombian retail sales and industrial/manufacturing production data for November were mixed, with retail sales massively surprising with a 10.4% y/y gain (vs 4.6% expected) compared to disappointing industrial production that fell 2.1% (vs -0.2% median). The huge retail print tees up a solid month of economic activity growth in Colombia for the month, with good odds that it exceeds our team's (pre-data) estimate of 2.2% y/y growth, down from 2.9% y/y, in data due for release on Monday morning.

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In today's Weekly, the team writes on the (now commonplace) turbulent end to the year in Colombia. While data have showed the economy is in a better place than expected, fiscal challenges as well as a large minimum wage increase pose risks for monetary policy, while markets keep a close eye on adherence to the fiscal rule. In turn, their new forecasts have stronger growth for 2024, though pulling a bit from 2025's expansion that would also be impacted by a 100bps higher year-end BanRep rate of 7.75% given inflation is now projected to miss the 2–4% target range by year-end due to, above all, the minimum wage hike.

As for Mexico, November retail sales figures out on Tuesday will help us get a better idea for Friday's economic activity reading that is, regardless of retail data, expected to show very muted growth in the country; the INEGI's 'timely' activity indicator points to 1% y/y growth in November. In the year to October, Mexican economic activity averaged a 1.7% y/y pace, representing a 2ppts deceleration from the 3.7% average in the Jan–Oct 2023 period. Zooming in a bit more, Mexico's economy has not recorded a 1%+ y/y expansion since July 2024 amid declines in construction (no more public projects) continued weakness in the extraction sector (oil) and so-so services momentum. Retail sales data will likely be strong, but it may be a misleading representation of consumer strength as "Buen Fin" discounts during the month likely saw Christmas purchases front-loaded to November.

Mexican headline inflation is projected to take another leg lower in H1-Jan data due on Thursday. In H2-Dec, inflation recorded its first sub-4% reading since early-2021 (marginally, at 3.99%), down from 4.5% a month prior, and now a decent bi-weekly decline to the 3.7% area is in store. Mission accomplished? Not quite. While headline inflation slowed about 0.5ppts from H2-Nov to H2-Dec, this was all thanks to non-core prices, namely fresh produce, in contrast to a small acceleration in core inflation from 3.6% to 3.7% given core services inflation remains stubbornly close to 5%. As for next week's expected deceleration in headline inflation, fresh food will again help it lower while progress is less evident in core categories.

Economic trends would provide justification for a larger Banxico rate cut at its February 6th announcement notwithstanding significant risks posed to Mexican markets by Trump's policies—and given that officials don't seem too bothered by sticky services inflation. Were it not for the challenges posed by Trump to the MXN and the fact that Banxico may meet with only four members in February pending a replacement for Espinosa who left at end-2024 (which means the dovish governor acts as a tie breaker), officials would likely vote by a 50bps reduction. But, that can all change next week, while we remain of the view that external pressures—and a still risky domestic inflation and political backdrop—mean Banxico should err on the side of caution with a 25bps move only (markets are generally leaning in that direction, though affording it about a 20% chance).

Closing out with the developed markets, CPI data out of Canada and New Zealand will influence market pricing towards no cut or 25bps from the BoC on the 29th (currently 15bps implied) and maybe only inspire marginal doubt for the RBNZ on the 19th (47bps implied); Canada's week also kicks off with the BoC's dual business and consumer surveys. Somewhat unreliable UK employment data may add to the strong rally in UK rates on the mid-month CPI miss, but broader European markets are liable to react the most to Friday's release of PMIs in the Eurozone and the UK as traders refine bets for rate decisions by the ECB on the 30th (24bps) and the BoE's on the 6th (21bps). As far as on-calendar ex-Trump risks are concerned, US PMIs on Friday stand as the biggest event for global markets next week alongside a chance that the BoJ surprises with a hawkish tone at its rate announcement in the early hours of Friday where a hike looks more likely (20bps implied)—with implications for MXN carry trades.

Pacific Alliance Country Updates

Chile—Main Agreements on Pension Reform

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As we anticipated in our report (see [Latam Daily](#)), the Senate is moving rapidly towards the approval of the Pension Reform. In this context, the Government presented amendments to the original bill, which were unanimously approved by the Senate Labour Committee, composed of parliamentarians from both government and opposition parties. Among the most relevant agreements that were approved, we highlight the following:

A). Increase of the pension contribution by 7ppts (charged to the employer):

- 6ppts will go to the individual accounts of the contributors, of which (i) 4.5ppts will be paid in gradually between the third and ninth year from the approval of the law and (ii) 1.5ppts will finance until the year 2045 some social security guarantees (incentive for years contributed to the pension system), functioning as a loan from the affiliates to the State, which will be documented through a “social security bond.” This contribution will be kept in an “Autonomous Pension Protection Fund” from the second year after the approval of the law. The administration and investment policy of the Fund will be the responsibility of an “Autonomous Organization.”
- 1 percentage point will also go directly to cover social security guarantees related to eliminating differences in the pension for life expectancy between men and women. This amount will also go to the “Autonomous Pension Protection Fund” from the first year after the approval of the law and will be added to the contribution currently made by employers to the Disability and Survivors’ Insurance.

All in all, the increase in contributions will be gradual over a period of nine years from the publication of the law.

B). Increase of the Universal Guaranteed Pension (Basic Pension) up to CLP 250,000 (USD 250). The increase will begin to take effect from the sixth month after the publication of the law and will be gradual, starting with pensioners over 82 years of age until full coverage is completed within 30 months. The current amount of the Basic Pension is CLP 224,000 (USD 224).

C). Creation of Generational Funds. Within the approved text, the deadlines for its implementation were advanced with respect to what was originally proposed by the Government. This system would begin to be implemented as of the 25th month after the publication of the law. For this purpose, the Central Bank will have until the 12th month to define the investment limits, while the investment regime of the Funds must be defined no later than the 18th month. Such Regime may authorize transitory limits during the 36 months following the implementation of the Generational Funds.

D). Also noteworthy are some elements that were part of the original proposal but were not considered in this agreement, and therefore would be left out of the future Pension Reform.

- The state AFP is eliminated. However, the Government will send a bill in March for its creation, separately from the Pension Reform Bill.
- The loan, which allowed members to withdraw funds and replenish them in the future, is eliminated.
- The increase in the taxable ceiling is eliminated.

The final approval of the Pension Reform will be in the hands of the Lower House during the last week of January. The Government expects it to be definitively dispatched before the legislative recess in February.

Colombia—How Colombia Closed 2024 and How it Starts 2025

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As has often been the case since the pandemic shock, it was an eventful year-end in Colombia. This time around, we had a surprise on the monetary policy front as BanRep slowed its easing cycle in December while fiscal developments in late-2024 have placed public finances in the spotlight in early-2025. Macroeconomic indicators are in good shape, but there are various risks that could hamper the transition to an

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improved economic scenario where household and corporate spending drive growth while public expenditures take a back seat. Here, the central bank's reaction function remains a key influence, but it has had to share an increasing share of the responsibility for the macroeconomic outlook with the country's Finance Ministry as debates over debt sustainability grow louder worldwide.

On the macroeconomic data front, economic activity (ISE) delivered a new positive surprise in October data which again showed a mixed performance across sectors but was accompanied by green shoots regarding demand for durable goods. The latest ISE print, among other data, has led us to revise higher our 2024 growth forecast, which we have held at 1.5% throughout the year, to a 1.9% expansion. We believe that Colombia will continue on a gradual recovery in 2025, driven by a rebounding private sector in contrast to constrained public spending that is constrained by limited tax revenue. Nevertheless, investment activity should remain below pre-pandemic levels all the while seeing an expansion in housing construction, particularly in the low-value segment. As for personal consumption, we expect a gradual recovery to an expansion slightly north of 2.5%. In international trade, broadly steady exports will diverge from continuing increases in imports, resulting in a moderate increase in Colombia's trade deficit (in real and nominal terms).

While headline inflation closed 2024 at 5.20%, thus interrupting its deceleration given a rebound in food and regulated prices, core measures remained on a moderate downtrend (ex-food at 5.7% and ex-food and regulated prices at 5.2%). In 2025, the main challenge against the ongoing convergence towards BanRep's 2–4% target range is this year's 9.52% minimum wage increase, with the government's adjustment sitting well above the traditional rule of past inflation plus productivity growth, and also exceeding the central bank's, the Finance Ministry's, and our estimates. In light of this large minimum wage rise, we believe it is less likely that inflation will reach the target range in the current year, therefore conditioning the central bank to a continuously cautious stance over the course of 2025.

On the back of recent data and the minimum wage hike, we now estimate headline inflation will end 2025 at 4.5% (from 3.9% prior), while we float the possibility of a pause in the easing cycle at BanRep's January 31st decision towards a year-end policy rate forecast of 7.75% (from 6.75% prior). It is also important to highlight that President Petro appointed two new BanRep board members this week: Cesar Giraldo (current member of the Autonomous Committee for the Fiscal Rule) and Laura Moisés (PhD in Economic Development). At face value, it would mean that the government will 'have' four out of seven seats in BanRep's board. Although this would favour a dovish tilt in the board, we believe that the independence of the central bank will prevail while debates among officials will continue to focus on established monetary policy variables but may also consider development and social matters. Note that at December's rate decision, Olga Lucia Acosta (a Petro appointee) split from the Finance Minister's call for a larger rate cut, which suggests that a dovish coalition could still be far from reality.

All in all, the end of 2024 wasn't as smooth as expected. On the fiscal front, Congress rejected the Financing Law, and Finance Minister Bonilla resigned amid corruption investigations. Minister Guevara, who took the baton from Bonilla in early-December, has been emphatic in that there is a strong commitment to comply with the fiscal rule even if it means stronger spending reductions. In any case, as we have previously written, the government's main challenge is one of liquidity rather than solvency and, especially in 2025, the cost of the ministry's hunt for liquidity via markets should be reflected in a steeper yield curve. An interesting development in early-2025 was the government kicking off its auctions calendar with two new inflation-linked bond issues (UVR 2041 and UVR 2055). The size of weekly auction sizes in linkers will thus increase by ~33%. In contrast, nominal debt issuance rose by a lesser degree, implying that insurance companies (as buyers of inflation protection) have been targeted as sources of liquidity for 2025.

To sum up, there are plenty of developments to follow in the first quarter of 2025. In the case of monetary policy, there is a potential pause in the easing cycle in January. We'll have to monitor the impact of the minimum wage increase on inflation in the January and February prints. Two new board members join BanRep in February, a couple of weeks after the mid-month release of 2024 GDP data. In the case of the Finance Ministry, the release of the Financing Plan 2025 (date pending) will contain information regarding compliance with the fiscal rule in 2024 as well as a more specific funding plan for the year. All of these events await against a backdrop of elevated market volatility across the globe as well as market participants keeping a close eye on global public finances.

Mexico—Plan Mexico: Early Signs of the New Government's Priorities

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Earlier this week, President Sheinbaum presented the Plan Mexico to the public, which includes a series of goals to position Mexico among the ten largest economies in the world by 2030. This implies that by 2030, Mexico would need to surpass Russia, Brazil, and/or Canada (depending on the metric we take) in the next 6 years.

The plan outlined a series of promises to achieve this goal, divided into boosting investment, increasing national participation in value chains, economic development policies, and greater coordination between the public and private sectors. Specifically, the following goals were highlighted: raising the investment-to-GDP ratio to 25% and generating 1.5 million new jobs in manufacturing sectors, along with 100 new industrial parks. Additionally, it aims for 50% of national supply and consumption to be of Mexican production in manufacturing sectors. It also seeks to increase the national content in value chains by 15%. Generally, it also included a greater push for technological development and the automotive industry, as well as broader collaboration between the public and private sectors and measures to reduce social inequality.

We think the plan has good intentions and serves as a roadmap for economic growth, that has also been well received by analysts. However, to achieve such significant growth and position itself among the ten largest economies, Mexico would need to grow steadily at a rate close to 6.0% over the next few years. Therefore, the goal should be interpreted more as an ideal under which policy decisions are guided. Unfortunately, the plan fails to address the necessary issues of structural changes for economic growth. High capital costs, tax burden, administrative burdens, weak rule of law and insecurity, and the lack of infrastructure in public services (electricity, water) pose barriers to creating the necessary conditions to achieve this goal. All this, in a much more complex international context and with the possibility that the Mexico-U.S. relationship, while remaining relatively close, could face complications along the way.

Peru—High Expectations Going Into 2025

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Peru’s economy ended 2024 showing both growth and price stability. This is a good way to enter 2025.

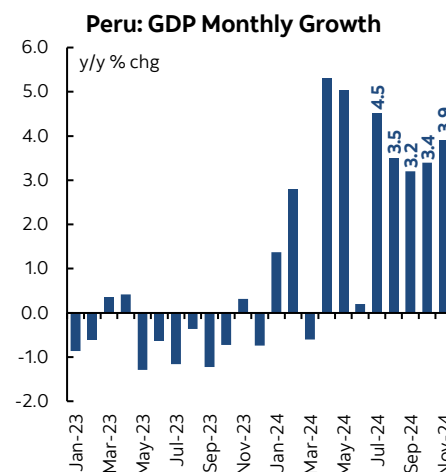
The year ended quite well for Peru. Inflation fell to 2.0%, right at the mid-point of the BCRP target range. This gave the BCRP ample room to lower its reference rate to 4.75% at its January announcement. The labour market is heating up, with jobs growth in Lima of 4.4% y/y in December (5.2% in November) and 4.6% in the full-year 2024. As a result, unemployment in Lima fell to 5.5% in the fourth quarter of 2024, and to 6.4% when averaged out over the full year. This is the lowest level of unemployment in recent memory.

To top things off, GDP growth for November came in at a very robust 3.9% y/y (chart 1). Ok, so this includes a strong, but temporary, fishing season. If one excludes the impact of the fishing season, non-temporary factors still accounted for at least 3.4% growth in the month. To round up, in the year-to-November, GDP growth was positive in year-on-year terms in all but one month (March) and growth has easily exceeded 3.0% each month from July to November.

Growth in November was not homogeneous. A few sectors stood out with high, in some cases double-digit, growth. Agriculture was up a huge 19% y/y. Note, however, that monthly agriculture GDP growth has been all over the place in 2024, as the 2023 El Niño shifted the agricultural cycle. This continued to impact monthly growth figures in 2024. Even so, growth during the January–November period, which smooths out monthly distortions, was 6.4%. Moreover, the trend has been accelerating, with agroindustry leading growth. Employment in agroindustry was up 27% y/y, in November, and agroindustrial exports rose 22% in the year to November, reflecting the strength of the sector. Note that prices have been high, and production was not up 22%, but at the same time there was a notorious rise in production towards the end of 2024 that should spill over into early-2025.

Agricultural growth is important because it’s more enduring. The same cannot be said for fishing. Fishing GDP rose 17.6% y/y and was up 19% year-to-date. November is right in the middle of the fishing season, so the data are relevant and point to a good season. Two caveats, however. First, once the season is over, fishing loses (economic) relevance. And secondly, growth in 2024 is off a dismal base in 2023. Fishing—at least anchovy fishing for fishmeal—has recovered to its normal production levels following El Niño shocks, but no more. Nor can it go much higher in the future, given Peru’s quota system. Having said that, two months remain in the fishing season, December and January, and both promise to be strong. The decimal points they contribute to overall growth could conceivably help GDP approach 4.0% in those two months.

Chart 1



Sources: Scotiabank Economics, INEI.

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The other strong growth sector has been transportation, up 8% y/y in November, and 6% year-to-date. A number of factors may have contributed. One is that an increase in vacation days, especially for the public sector, has increased domestic travel.

Another is that tourism is on the rise (hotels and restaurants activity grew 4.8% y/y in November). A final reason is rather more intriguing. There is ample evidence that illegal mining has been rising, and its growth would have accelerated in 2024. Mining takes place outside of cities, and motivates travel between mining areas and large cities, including Lima.

Most sectors linked to domestic demand continue to do moderately well. Commerce (wholesale and retail trade) is a bellwether for the health of domestic demand, and its 3.5% increase suggests a more 'core' rate of growth, once all the special effects are excluded.

The sectors that are lagging are mining (-4%), construction (-2.4%) and financial services (-2.1%). All three sectors declined in November, but only financial services also declined during the year-to-date (table 1). Then again, there are a number of exceptional aspects to take into account. Households took advantage of pension fund withdrawals in 2024 to lower their bank debt outstanding, and the tail-end of the Reactiva program affected business loans outstanding. It is likely that neither of these two factors will be in play in 2025, and that financial services growth will be aligned with domestic demand growth.

Mining is a hard call. There really is no reason for mining output to either rise (no new projects coming online) nor decline. Months with negative growth are, really, just mostly fortuitous. Note that official figures do not include informal mining output, at least not adequately, and this appears to be what has really been growing the greatest. Formal mining growth should be mildly positive in 2025.

Construction is the one sector that continues to disappoint. What is holding construction back is informal household construction, which has not really recovered from the downturn that occurred during the high-inflation 2022–2023 period. Office building construction is also weak since the Covid years. However, increasing infrastructure construction and real estate should more than offset these drags in 2025.

Our forecast for 2025 GDP growth continues to be 2.8%, despite beginning the year in strength. In part this reflects that 2024 growth has been strong, and, thus, growth for 2025 is off a higher comparison base. Even so, we see upside to our 2.8% growth figure for 2025. How much upside will largely depend on fourth quarter results which are to be released in February.

Table 1: Peru - November GDP Growth (%)

	Nov y/y	Nov m/m	Jan-Nov y/y
GDP	3.9	1.1	3.1
Tax collection	8.1	na	3.1
Agriculture & Livestock	12.4	1.5	4.5
Agriculture	19.1	na	6.4
Fishing	17.6	42.8	19.4
Mining and Oil & Gas	-2.2	2.1	2.1
Mining	-4.0	na	1.9
Oil & Gas	11.2	na	2.1
Industrial Manufacturing	2.4	na	2.3
Electricity and water	3.1	0.6	2.3
Construction	-2.4	-1.1	3.0
Commerce	3.5	0.3	2.9
Transportation	8.0	1.5	6.1
Hotels & Restaurants	4.8	0.6	3.6
Telecom	4.7	1.3	2.0
Financial Services	-2.1	-0.7	-1.9
Business Services	3.6	0.2	3.6
Government Services	4.3	na	3.9
Other services	4.7	na	4.2

Sources: Scotiabank Economics, INEI.

Forecast Updates

	2023	2024				2025				2026				2023	2024f	2025f	2026f
	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Brazil																	
Real GDP (y/y % change)	2.4	2.6	3.3	4.0	4.0	3.0	2.1	1.7	1.6	1.6	1.7	1.8	1.9	3.2	3.5	2.1	1.8
CPI (y/y % eop)	4.6	3.9	4.2	4.4	4.8	5.2	5.2	5.2	5.1	4.6	4.4	4.2	4.1	4.6	4.8	5.1	4.1
Unemployment rate (% avg)	7.4	7.9	6.9	6.4	6.0	6.8	6.7	6.7	6.7	7.4	7.2	7.2	7.0	7.4	6.8	6.7	7.2
Central bank policy rate (% eop)	11.75	10.75	10.50	10.75	12.25	14.25	15.00	15.00	15.00	14.00	13.25	12.50	12.00	11.75	12.25	15.00	12.00
Foreign exchange (USDBRL, eop)	4.86	5.01	5.59	5.45	6.18	5.99	5.98	5.96	5.95	5.92	5.89	5.86	5.83	4.86	6.18	5.95	5.83
Chile																	
Real GDP (y/y % change)	0.4	2.5	1.6	2.3	2.6	1.1	2.9	2.8	3.2	2.0	3.5	2.0	2.6	0.2	2.2	2.5	2.5
CPI (y/y % eop)	3.4	3.2	3.8	4.0	4.5	4.9	4.4	4.0	3.5	2.3	2.8	2.9	3.0	3.4	4.5	3.5	3.0
Unemployment rate (% avg)	8.5	8.7	8.3	8.7	8.1	8.3	8.1	8.0	7.6	8.0	8.1	8.0	7.6	8.5	8.5	8.0	7.9
Central bank policy rate (% eop)	8.25	7.25	5.75	5.50	5.00	4.75	4.25	4.25	4.25	4.25	4.25	4.25	4.25	8.25	5.00	4.25	4.25
Foreign exchange (USDCPL, eop)	879	979	940	899	995	950	930	910	890	880	870	870	870	879	995	890	870
Colombia																	
Real GDP (y/y % change)	0.4	0.7	2.1	2.0	2.7	2.3	2.6	2.6	2.9	2.8	2.8	2.9	2.9	0.6	1.9	2.6	2.9
CPI (y/y % eop)	9.3	7.4	7.2	5.8	5.2	4.6	4.2	4.4	4.5	4.1	3.9	3.8	3.6	9.3	5.2	4.5	3.6
Unemployment rate (% avg)	9.4	11.9	10.4	9.6	9.0	11.5	10.0	10.1	9.9	12.3	10.0	9.5	9.9	10.2	10.2	10.4	10.4
Central bank policy rate (% eop)	13.00	12.25	11.25	10.25	9.50	9.25	8.75	8.25	7.75	7.25	6.75	6.25	5.75	13.00	9.50	7.75	5.75
Foreign exchange (USDCOP, eop)	3,855	3,852	4,153	4,207	4,406	4,349	4,358	4,375	4,367	4,356	4,363	4,355	4,364	3,855	4,406	4,367	4,364
Mexico																	
Real GDP (y/y % change)	2.4	1.4	2.2	1.6	0.5	0.6	1.0	0.9	0.8	1.8	1.8	1.9	1.7	3.3	1.5	0.8	1.8
CPI (y/y % eop)	4.7	4.4	5.0	4.6	4.2	4.1	3.9	3.8	4.0	3.8	3.8	3.8	3.7	4.7	4.2	4.0	3.7
Unemployment rate (% avg)	2.7	2.5	2.7	3.0	2.7	3.3	3.3	3.4	3.5	3.6	3.7	3.8	3.8	2.8	2.7	3.4	3.7
Central bank policy rate (% eop)	11.25	11.00	11.00	10.50	10.00	9.50	9.00	8.50	8.50	8.25	8.00	8.00	8.00	11.25	10.00	8.50	8.00
Foreign exchange (USDMXN, eop)	16.97	16.56	18.32	19.69	20.83	20.70	20.80	21.00	21.30	21.30	21.40	21.50	21.50	16.97	20.83	21.30	21.50
Peru																	
Real GDP (y/y % change)	-0.3	1.4	3.6	3.8	3.8	3.9	3.4	2.0	2.0	2.8	2.5	2.4	2.3	-0.4	3.2	2.8	2.5
CPI (y/y % eop)	3.2	3.0	2.3	1.8	2.0	2.1	2.2	2.2	2.3	2.0	2.2	2.2	2.2	3.2	2.0	2.3	2.2
Unemployment rate (% avg)	6.4	7.7	6.6	5.9	5.5	6.6	6.2	5.5	5.4	6.2	6.0	5.4	5.2	6.8	6.5	6.0	5.7
Central bank policy rate (% eop)	6.75	6.25	5.75	5.25	5.00	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	6.75	5.00	4.50	4.50
Foreign exchange (USDPEN, eop)	3.70	3.72	3.84	3.70	3.74	3.72	3.75	3.78	3.78	3.83	3.78	3.75	3.75	3.70	3.74	3.78	3.75
Canada																	
Real GDP (y/y % change)	1.2	0.8	1.1	1.5	1.6	1.9	2.2	2.1	2.1	1.8	1.3	1.4	1.5	1.5	1.2	2.1	1.5
CPI (y/y % eop)	3.2	2.8	2.7	2.0	2.0	1.9	1.9	2.1	2.0	2.1	2.1	2.0	1.9	3.2	2.0	2.0	1.9
Unemployment rate (% avg)	5.8	5.9	6.2	6.5	6.7	6.6	6.6	6.6	6.5	6.4	6.3	6.3	6.2	5.4	6.3	6.6	6.3
Central bank policy rate (% eop)	5.00	5.00	4.75	4.25	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	5.00	3.25	3.00	3.00
Foreign exchange (USDCAD, eop)	1.32	1.35	1.37	1.35	1.44	1.43	1.43	1.45	1.45	1.44	1.44	1.40	1.40	1.32	1.44	1.45	1.40
United States																	
Real GDP (y/y % change)	3.2	2.9	3.0	2.7	2.4	2.5	2.2	2.0	1.8	1.8	1.7	1.5	1.5	2.9	2.8	2.1	1.6
CPI (y/y % eop)	3.2	3.2	3.2	2.6	2.7	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.3	3.2	2.7	2.3	2.3
Unemployment rate (% avg)	3.8	3.8	4.0	4.2	4.1	4.2	4.1	4.1	4.1	4.1	4.1	4.1	4.2	3.6	4.0	4.1	4.1
Central bank policy rate (% eop)	5.50	5.50	5.50	5.00	4.50	4.25	4.00	4.00	4.00	3.75	3.50	3.50	3.50	5.50	4.50	4.00	3.50
Foreign exchange (EURUSD, eop)	1.10	1.08	1.07	1.11	1.04	1.02	1.02	1.00	1.00	1.03	1.03	1.07	1.07	1.10	1.04	1.00	1.07

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics.
 Red indicates changes in estimates and forecasts since previous *Latam Weekly* on December 13, 2024.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2023	2024				2025				2026							
	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Brazil																	
Real GDP (y/y % change)	-	-	-	-	0.4	0.3	-	-0.1	-0.2	-0.2	-0.2	-0.2	-0.1	-	0.1	-	-0.1
CPI (y/y %, eop)	-	-	-	-	-0.1	0.1	0.2	0.2	0.5	0.3	0.3	0.2	0.1	-	-0.1	0.5	0.1
Unemployment rate (% avg)	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	1.00	1.25	1.50	1.50	1.00	1.00	1.00	1.00	-	-	1.50	1.00
Foreign exchange (USDBRL, eop)	-	-	-	-	0.63	0.47	0.47	0.46	0.46	0.47	0.47	0.47	0.47	-	0.63	0.46	0.47
Chile																	
Real GDP (y/y % change)	-	-	-	-	0.1	-	-	-	-	-	-	-	0.1	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-0.2	-0.2	-0.1	-0.2	-	-	-	-	-	-	-0.2	-	-
Unemployment rate (% avg)	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCPL, eop)	-	-	-	-	-5.00	-	-	-	-	-	-	-	-	-	-5.00	-	-
Colombia																	
Real GDP (y/y % change)	-	-	-	-	1.4	-1.1	-0.5	0.3	0.3	-0.3	-0.1	0.2	0.3	-	0.4	-0.3	0.1
CPI (y/y %, eop)	-	-	-	-	0.1	0.4	0.5	0.6	0.6	0.5	0.4	0.3	0.1	-	0.1	0.6	0.1
Unemployment rate (% avg)	-	-	-	-	-0.6	-	-	-	-	0.3	-0.1	-1.4	0.1	-	-0.2	-	-0.3
Central bank policy rate (% eop)	-	-	-	-	0.25	1.00	1.50	1.50	1.00	1.00	0.50	0.50	-	-	0.25	1.00	-
Foreign exchange (USDCOP, eop)	-	-	-	-	68	-	-	-	-	-	-	-	-	-	68	-	-
Mexico																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-0.4	-	-	-	-	-	-	-	-	-	-0.4	-	-
Unemployment rate (% avg)	-	-	-	-	-0.5	-	-	-	-	-	-	-	-	-	-0.1	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDMXN, eop)	-	-	-	-	0.33	-	-	-	-	-	-	-	-	-	0.33	-	-
Peru																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-0.4	0.1	-	-0.3	-0.1	-0.2	-0.1	-0.1	-0.1	-	-0.4	-0.1	-0.1
Unemployment rate (% avg)	-	-	-	-	-0.3	-	-	-	-	-	-	-	-	-	-	0.1	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-0.01	0.02	0.01	-	-	0.01	-0.02	-0.05	-0.05	-	-0.01	-	-0.05
Canada																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCAD, eop)	-	-	-	-	0.02	-	-	-	-	-	-	-	-	-	0.02	-	-
United States																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-	-
CPI (y/y %, eop)	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-	0.1	-	-
Unemployment rate (% avg)	0.1	-	-	-	-0.1	-	-	-	-	-	-	-	-	-	-0.1	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (EURUSD, eop)	-	-	-	-	-0.01	-	-	-	-	-	-	-	-	-	-0.01	-	-

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics.
Changes in estimates and forecasts since previous *Latam Weekly* on December 13, 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-2025	End-2026	
Brazil, BCB, Selic	12.25%	Jan-29	13.25%	13.50%	11.00%	
Chile, BCCh, TPM	5.00%	Jan-28	5.00%	4.25%	4.25%	We expect the policy rate to be maintained in January. Possible cuts could be discussed again at the March meeting.
Colombia, BanRep, TII	9.50%	Jan-31	9.50%	7.75%	5.75%	At the last BanRep meeting, the Board slowed the easing cycle by cutting 25bps to 9.50%. The noise generated by the local fiscal outlook and expectations suggesting less interest rate cuts in the US were some of the arguments in the decision, which would remain in force for the January meeting, added to a salary adjustment for 2025 of 9.54%, which was well above the traditional rule of previous inflation plus productivity and above the preliminary estimates of the central bank, the Ministry of Finance and our estimate. With all the above, we expect the Board to pause the easing cycle in January, given the inflationary risks that distance the expectation of reaching the goal in 2025.
Mexico, Banxico, TO	10.00%	Feb-06	9.75%	8.50%	8.00%	Banxico released the minutes for the December 19th meeting, detailing the discussion on inflation and monetary policy within the Governing Board, where a unanimous vote was cast to cut 25bps to 10.00%. In general, the Board members' arguments revolved around the decelerating process of inflation. However, we perceive a Governing Board divided in opinions. Most members suggested adjusting the rate to a greater extent in the following meetings, while others prefer to calibrate the cuts to achieve convergence to the inflation target.
Peru, BCRP, TIR	4.75%	Feb-13	4.75%	4.50%	4.50%	The BCRP is comfortable in a scenario of controlled inflation, a stable exchange rate, and optimistic economic expectations. There is no pressure to decide between a cut or keeping its rate unchanged. We are inclined to think that in February, the BCRP will not rush and will keep its rate at 4.75%, given that the Fed is expected to make its next rate cut in March.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

Key Economic Charts

Chart 1

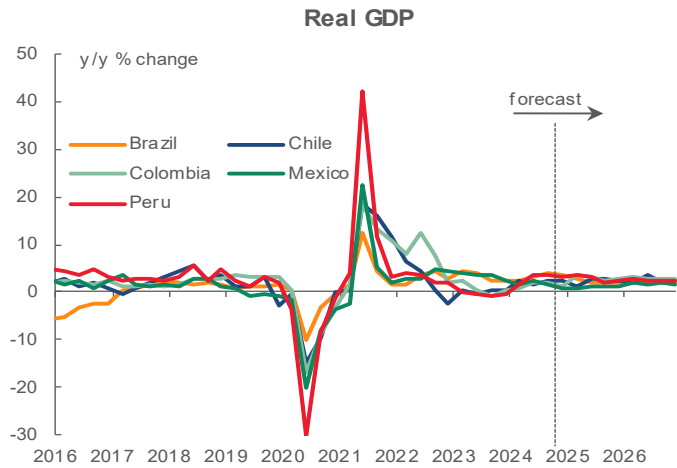


Chart 2

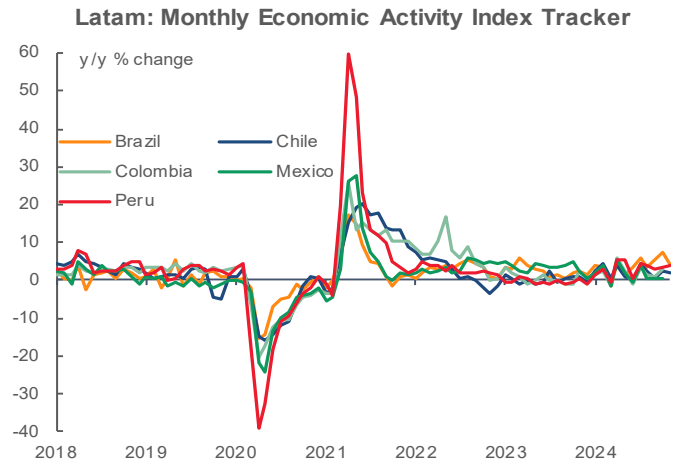


Chart 3

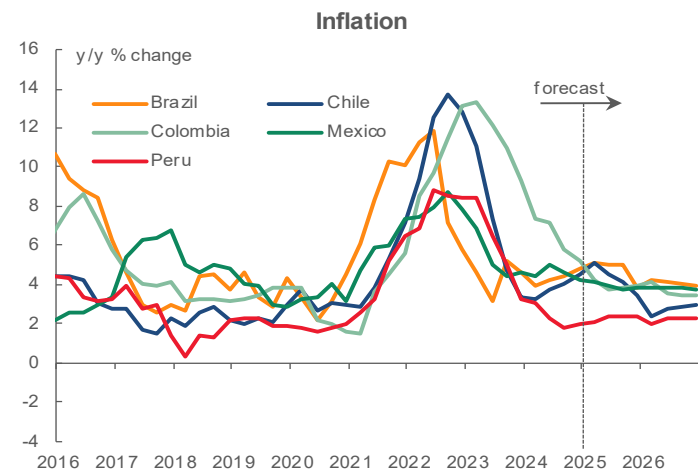


Chart 4

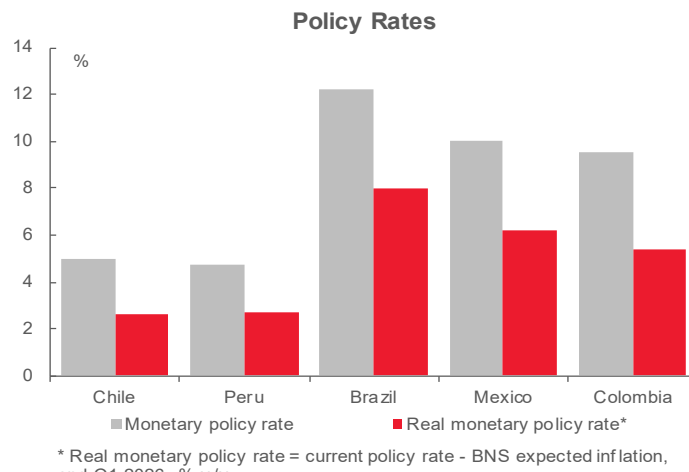
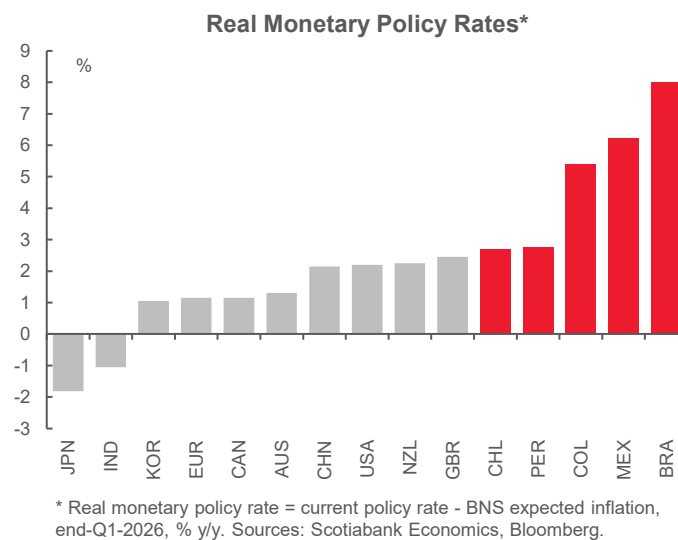


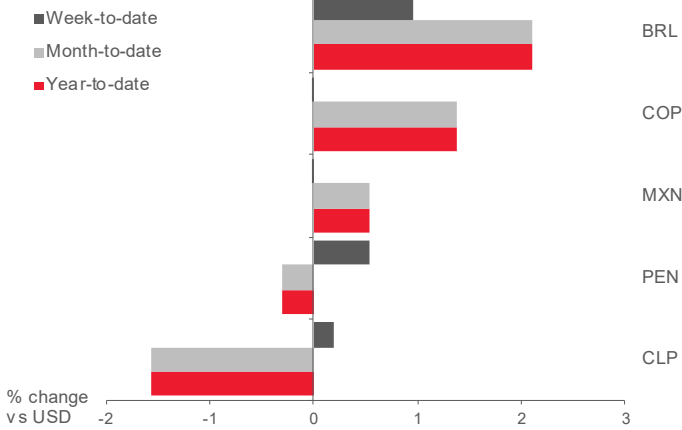
Chart 5



Key Market Charts

Chart 1

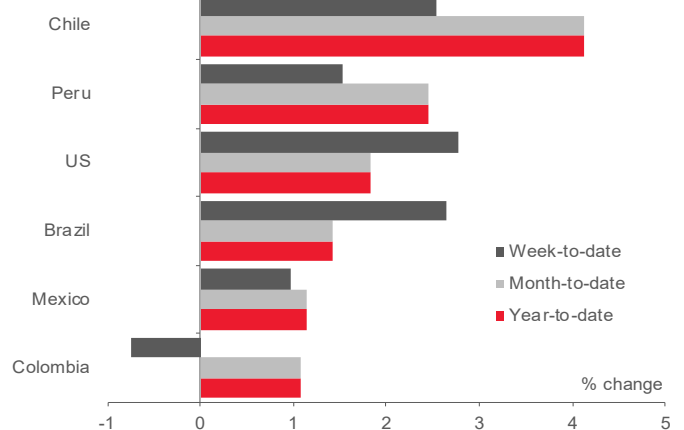
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

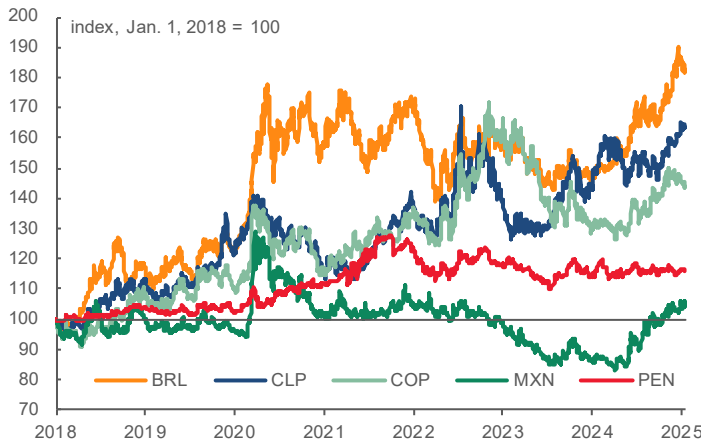
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

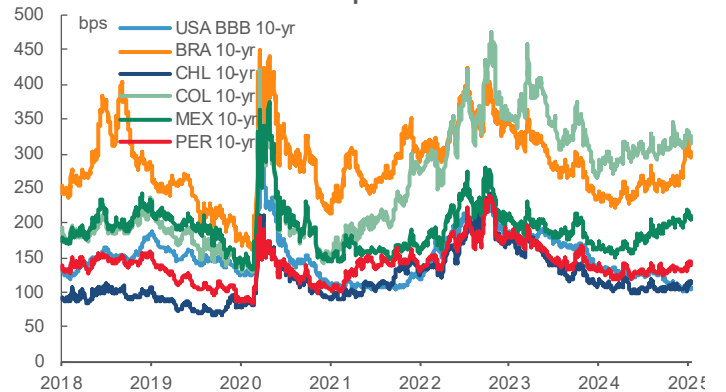
USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

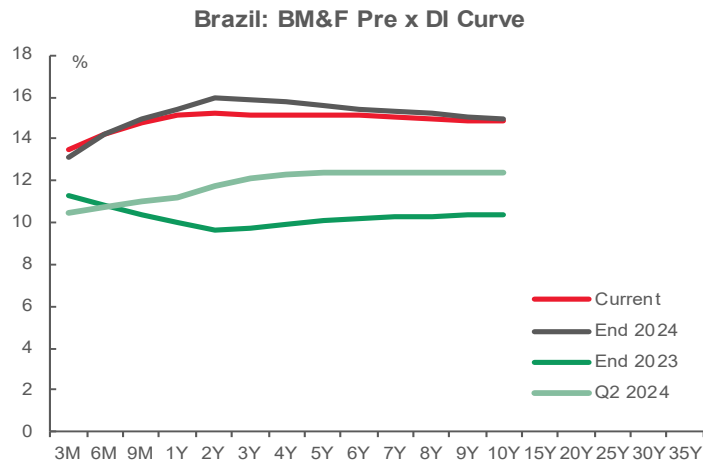
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



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

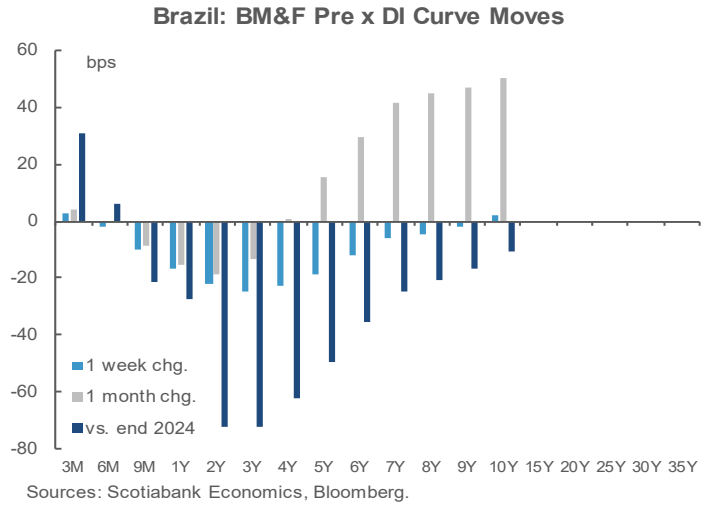
Yield Curves

Chart 1



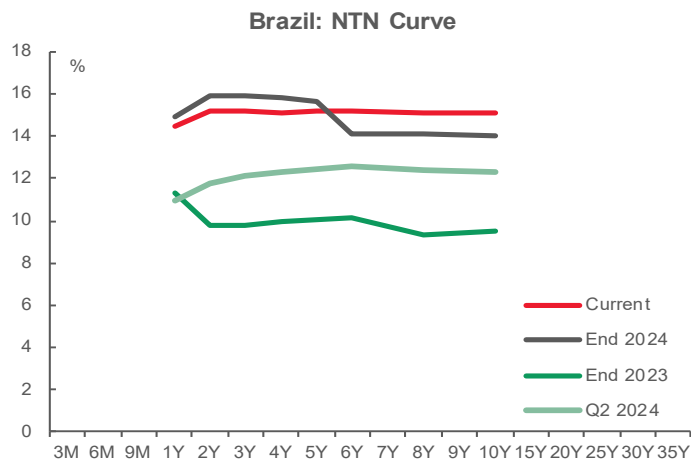
Sources: Scotiabank Economics, Bloomberg.

Chart 2



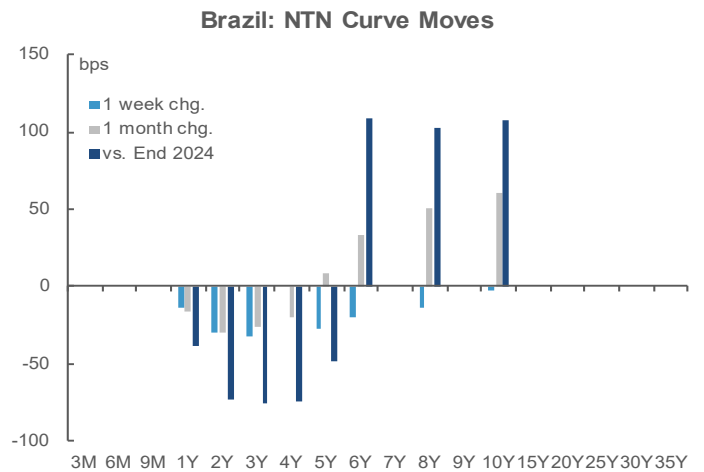
Sources: Scotiabank Economics, Bloomberg.

Chart 3



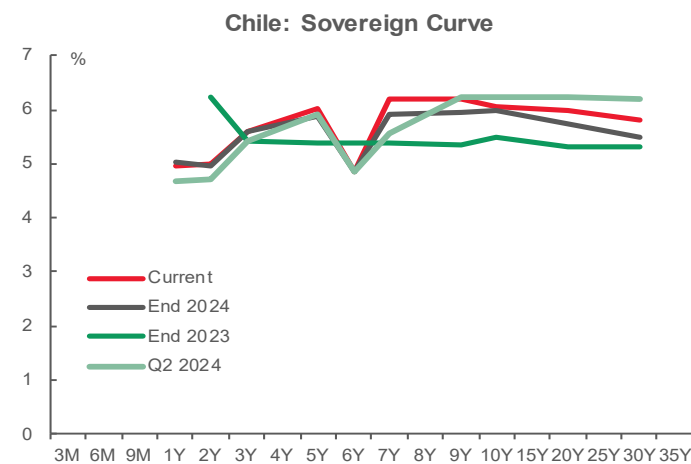
Sources: Scotiabank Economics, Bloomberg.

Chart 4



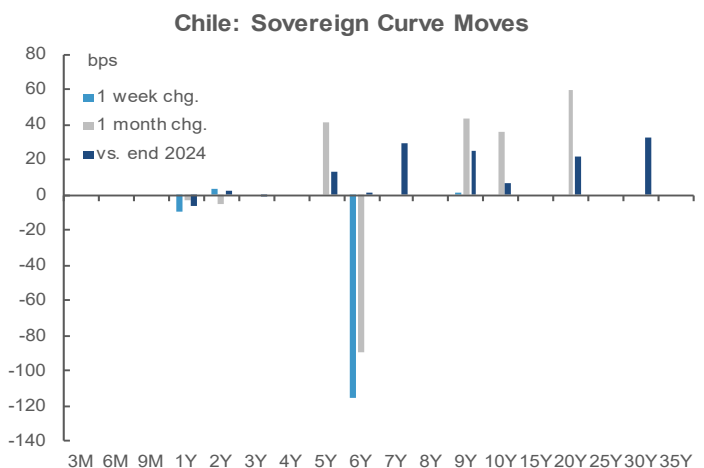
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

Chart 6

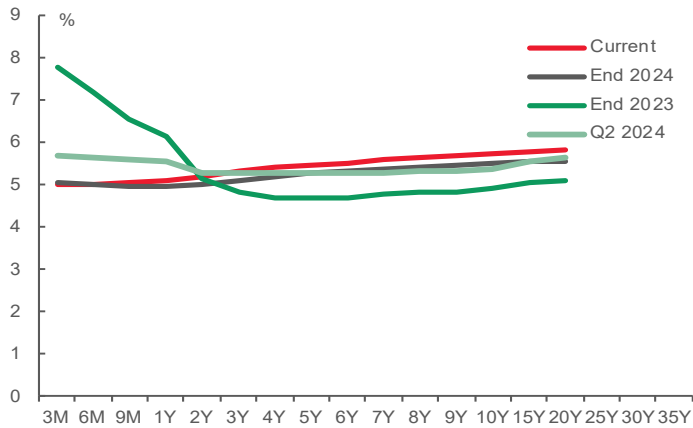


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 7

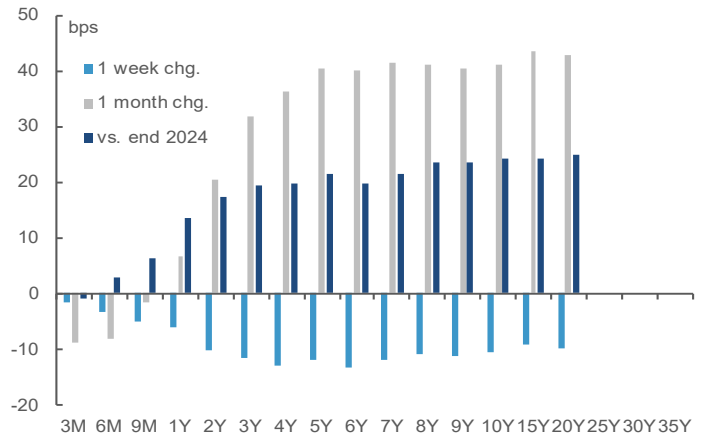
Chile: Fixed x Camara Swap Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 8

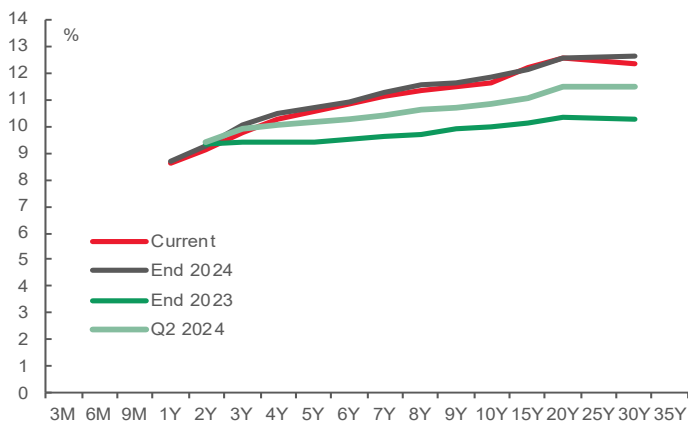
Chile: Fixed x Camara Swap Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 9

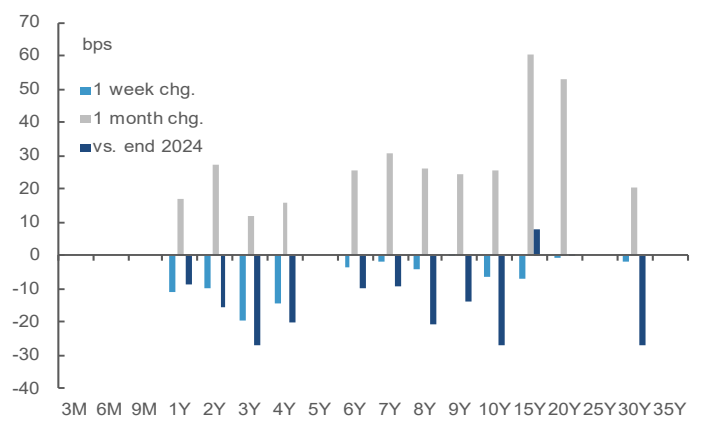
Colombia: Coltes Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 10

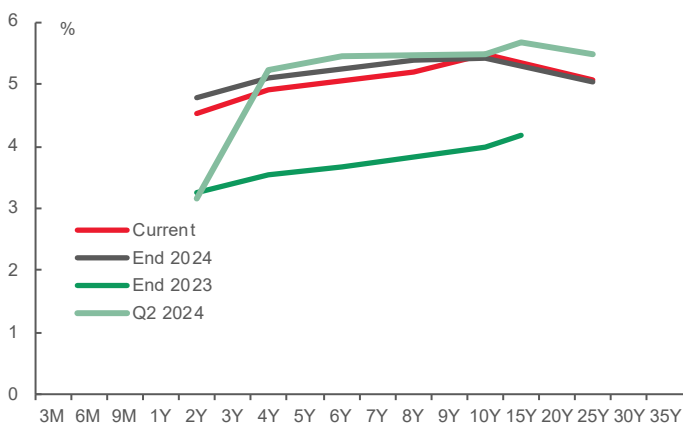
Colombia: Coltes Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 11

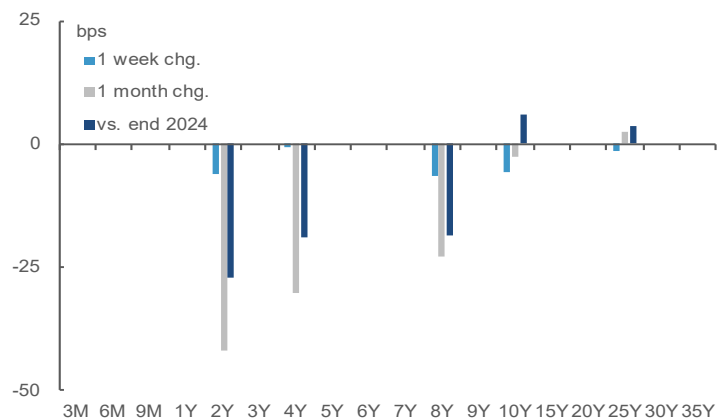
Colombia: UVR-Indexed Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 12

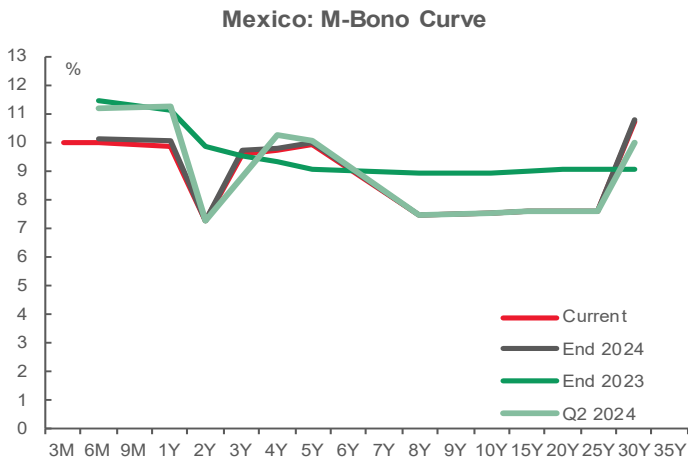
Colombia: UVR-Indexed Curve Moves



Sources: Scotiabank Economics, Bloomberg.

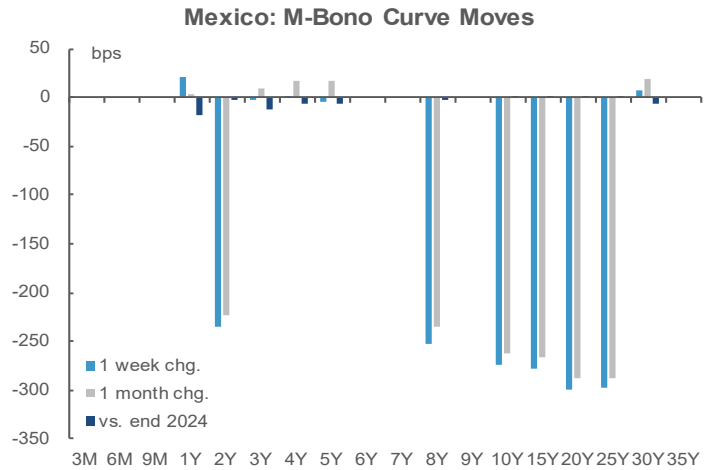
Yield Curves

Chart 13



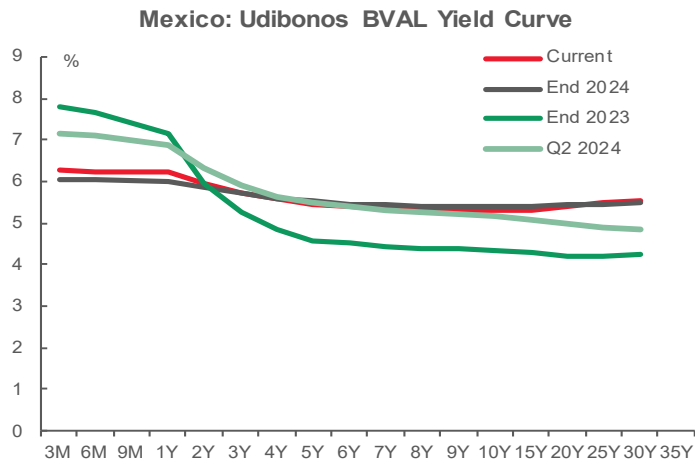
Sources: Scotiabank Economics, Bloomberg.

Chart 14



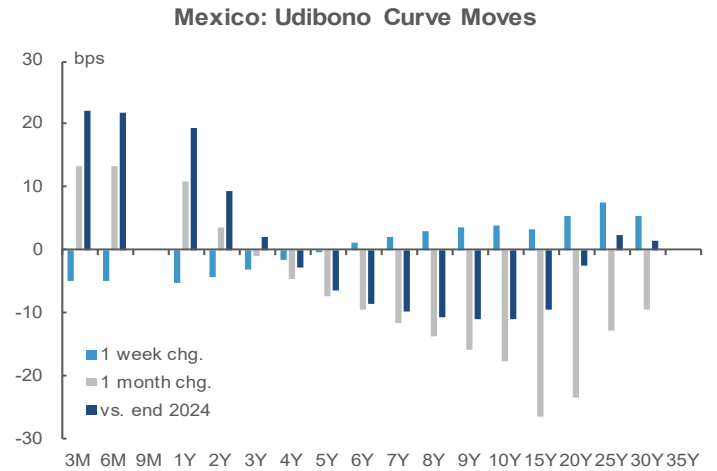
Sources: Scotiabank Economics, Bloomberg.

Chart 15



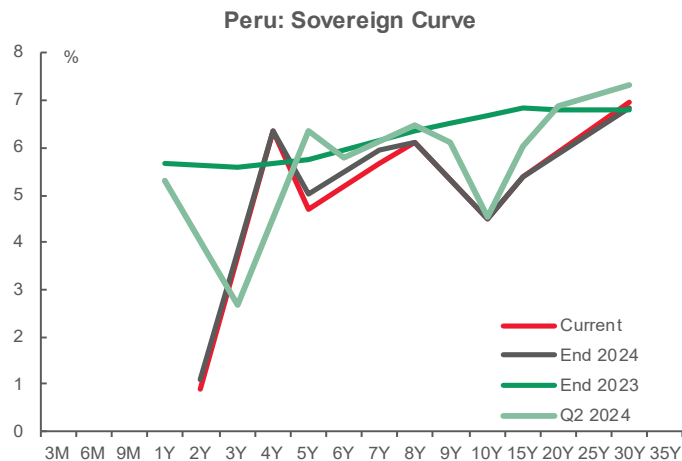
Sources: Scotiabank Economics, Bloomberg.

Chart 16



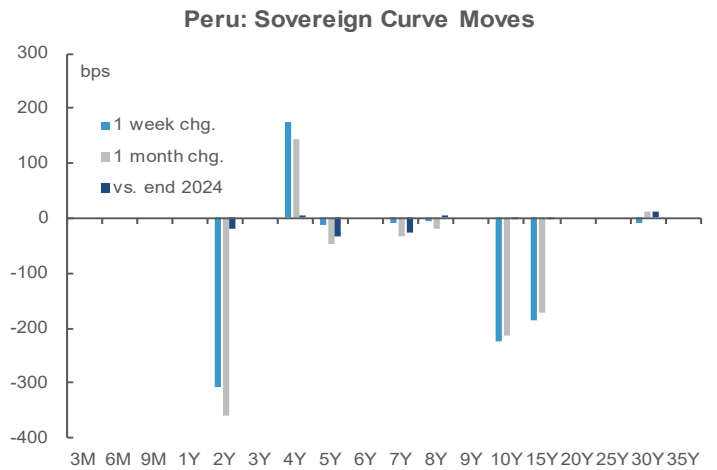
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for January 18–31

BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Jan-20	6:25	Central Bank Weekly Economist Survey		--			
Jan-23	6:00	FGV CPI IPC-S (%)	22-Jan	--	--	0.18	
Jan-24	6:30	Current Account Balance	Dec	--	-12850	-3059.9	
Jan-24	6:30	Foreign Direct Investment	Dec	--	-2000	6956.2	
Jan 21-24		Formal Job Creation Total	Dec	--	-405000	106625	
Jan-27	6:00	FGV Consumer Confidence	Jan	--	--	92	
Jan-27	6:25	Central Bank Weekly Economist Survey		--			
Jan-27	6:30	Personal Loan Default Rate (%)	Dec	--	--	5.36	
Jan-27	6:30	Outstanding Loans m/m	Dec	--	--	1.2	
Jan-27	6:30	Total Outstanding Loans	Dec	--	--	6314.98	
Jan 21-27		Tax Collections	Dec	--	254520	209218	
Jan-28	6:00	FGV Construction Costs m/m	Jan	--	--	0.51	
Jan-29	16:30	Selic Rate (%)	29-Jan	--	--	12.25	
Jan-30	6:00	FGV Inflation IGPM m/m	Jan	--	--	0.94	
Jan-30	6:00	FGV Inflation IGPM y/y	Jan	--	--	6.54	
Jan 23-30		IBGE Inflation IPCA-15 m/m	Jan	--	-0.03	0.34	
Jan 23-30		IBGE Inflation IPCA-15 y/y	Jan	--	4.31	4.71	
Jan-31	6:30	Nominal Budget Balance	Dec	--	--	-99,079	
Jan-31	6:30	Primary Budget Balance	Dec	--	--	-6.62	
Jan-31	7:00	National Unemployment Rate (%)	Dec	--	--	6.1	
Jan 27-31		Central Govt Budget Balance	Dec	--	--	-4.515	
Jan 27-31		Federal Debt Total	Dec	--	--	7204	

CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Jan-23	6:30	Central Bank Traders Survey		--			
Jan-24	7:00	PPI m/m	Dec	--	--	0	
Jan-28	16:00	Overnight Rate Target (%)	28-Jan	5.00	--	5.00	We expect the policy rate to be maintained in January. Possible cuts could be discussed again at the March meeting.
Jan-31	7:00	Retail Sales y/y	Dec	--	--	5.7	
Jan-31	7:00	Commercial Activity y/y	Dec	--	--	4.6	
Jan-31	7:00	Unemployment Rate (%)	Dec	--	--	8.2	
Jan-31	7:00	Industrial Production y/y	Dec	--	--	1.07	
Jan-31	7:00	Manufacturing Production y/y	Dec	--	--	0.61	
Jan-31	7:00	Copper Production Total	Dec	--	--	488519	

COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Jan-21	10:00	Imports CIF Total	Nov	--	5825	5730.92	
Jan-21	10:00	Trade Balance	Nov	--	-1300	-1052	
Jan-21	11:00	Economic Activity NSA y/y	Nov	2.2	2.0	2.9	The economy will continue its adjustment process, with positive contributions from primary sectors such as agriculture. However, we expect that the deceleration in public investment and the loss of momentum in the services sector will keep m/m variations close to zero but in positive territory.
Jan-27		Industrial Confidence	Dec	--	--	-2.8	
Jan-27		Retail Confidence	Dec	--	--	17.6	
Jan-31	10:00	National Unemployment Rate (%)	Dec	9.6	--	8.2	The most recent lecture of the labour market indicates improved performance explained by an acceleration in the employed and a decrease in labour force participation. This shift occurs alongside a rise in remittances which have disincentive labour participation. For this period, an increase in the unemployment rate is expected, explained by December's seasonal effects and a better behaviour of the labour participation rate, despite remittances.
Jan-31	10:00	Urban Unemployment Rate (%)	Dec	9.9	--	8.0	
Jan-31	13:00	Overnight Lending Rate (%)	31-Jan	9.50	9.25	9.50	We expect a pause at the BanRep meeting, taking into account the high wage adjustment for 2025 and the pressure it exerts on inflation. We are not seeing inflation reaching the target range in 2025, which implies continued caution on the Board's part. The decision to keep the rate stable at 9.50% would be a call for prudence, taking into account the risks at the local and international levels. The change of the two-member Board could show us a change in the division of decisions, however, we will have to wait for the decision in March to see the position of the new members.

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

Market Events & Indicators for January 18–31

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>
Jan-21	7:00	Retail Sales y/y	Nov	--	-1	-1.2	
Jan-21	7:00	Retail Sales m/m	Nov	--	0.3	-0.3	
Jan-21	10:00	International Reserves Weekly	17-Jan	--	--	228921	
Jan-21		Citi Survey of Economists		--	--		
Jan-23	7:00	Bi-Weekly CPI (%)	15-Jan	--	0.24	0.04	
Jan-23	7:00	Bi-Weekly Core CPI (%)	15-Jan	--	0.24	0.06	
Jan-23	7:00	Bi-Weekly CPI y/y	15-Jan	--	3.72	3.99	
Jan-23	7:00	Bi-Weekly Core CPI y/y	15-Jan	--	3.68	3.69	
Jan-24	7:00	Economic Activity IGAE y/y	Nov	--	0.8	0.72	
Jan-24	7:00	Economic Activity IGAE m/m	Nov	--	0.27	-0.73	
Jan-27	7:00	Trade Balance	Dec	--	--	-133	
Jan-27	7:00	Exports	Dec	--	--	52024.5	
Jan-27	7:00	Imports	Dec	--	--	52158	
Jan-28	10:00	International Reserves Weekly	24-Jan	--	--	228921	
Jan-29	7:00	Unemployment Rate NSA	Dec	--	--	2.64	
Jan-30	7:00	GDP NSA y/y	4Q P	--	--	1.65	
Jan-30	7:00	GDP SA q/q	4Q P	--	--	1.08	
Jan-31	10:00	Net Outstanding Loans	Dec	--	--	6765	

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>
No Key Indicators							

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

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