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All Signal, No Noise

MARKET ANALYSIS

# Latam Week Ahead: Mexico Rate Decision, BCB/BanRep/BCCh Minutes, Mexico/Chile CPI Inflation

**Banxico's monetary policy meeting takes the focus in Latam next week, where the central bank is expected to deliver a potentially final 25bp interest rate cut to 6.50% on Thursday, amid a moderation in core inflation and weak activity data. Elsewhere, the minutes to the recent monetary policy meetings in Chile, Brazil and Colombia will also be released, with particular interest on BanRep after the unexpected decision to remain on hold. The policy statement there indicated that although the members of the Board hold diverse views on monetary policy, they reached a consensus to leave the benchmark rate unchanged in an effort to reach agreement after recent hikes. On the data front, a moderation of core inflation in Mexico in April should support the case for a Banxico rate cut, while Chile CPI inflation is set to rise sharply in April on the back of higher fuel prices.**

## Monday 4th May

- **BCB Focus Survey**

Brazil inflation expectations have been rising in recent weeks, with the end-2026 estimate up another 6bp to 4.86% last week and the end-27 and end-28 estimates up 1bp each to 4.00% and 3.61%, respectively. These estimates have risen from 3.91%, 3.79% and 3.50%, respectively, before the start of the Iran conflict. Year-end Selic rate expectations have risen over that period as well, from 12.00% to 13.00% for this year, and from 10.50% to 11.00% for end-2027.

- **Chile March Economic Activity (Est: +0.50%; Prior: -0.3% Y/Y)**

After unexpectedly contracting in February, Chile economic activity is expected to have edged up by 0.1% m/m in March, according to latest consensus forecasts, bringing annual growth up to +0.5% y/y, from -0.3%. Robust retail sales data suggest that consumer spending is holding up. However, industrial sector activity disappointed again in March, amid weakness in manufacturing and mining. The BCCh has said that weaker-than-expected activity in Q1 was mainly due to supply-side factors related to natural resources. However, it also noted that the investment pipeline for the coming years has risen significantly, suggesting scope for a recovery in activity ahead.

- **Brazil April Manufacturing PMI (Prior: 49.0)**
- **Mexico March Remittances (Est: $5,299mn; Prior: $4,468mn)**
- **Colombia April Manufacturing PMI (Prior: 51.4)**
- **Mexico April Manufacturing PMI (Prior: 48.9)**
- **Banxico Economist Survey**
- **Mexico Citi Survey of Economists**
- **Argentina April Government Tax Revenue (Prior: ARS 16.071tn)**

## Tuesday 5th May

- **Copom Minutes**

The monetary policy committee of the BCB (Copom) decided unanimously to cut the Selic rate by 25bp to 14.50%, in line with expectations, on April 29. The minutes to that meeting will be watched for any clues on the potential depth of the easing cycle after the committee remained cautious amid unanchored inflation expectations and heightened uncertainty and did not provide any guidance on the size of the next rate cut. Looking ahead, most analysts expect another 25bp cut in June, with some looking for a 50bp move, but risks of a shallower easing cycle beyond that are increasing.

- **Colombia March Exports (Est: $4,600mn; Prior: $4,212mn)**
- **BanRep Quarterly Monetary Policy Report**

## Wednesday 6th May

- **Mexico February Gross Fixed Investment (Est: -1.3% Y/Y; Prior: -3.3% Y/Y)**
- **Mexico February Private Consumption (Prior: +1.5% Y/Y)**
- **Brazil April Services PMI (Prior: 50.1)**
- **Brazil April Composite PMI (Prior: 49.9)**
- **BanRep Minutes**

After Colombia's central bank surprised the market by staying on hold at its April 30 MPC meeting, the minutes to that meeting will be of great interest for the colour they will provide on the differing views of the Board members. The minutes are likely to show that some Directors initially voted for a hike, before they reached a consensus to leave the benchmark rate unchanged, in an effort to find agreement after recent rate hikes. As noted, those previous hikes have driven deep divisions within the committee, prompting Finance Minister Avila to withdraw from the Board briefly last month. The policy statement emphasised that "members of the Board of Directors hold diverse views on monetary policy", which suggests that the risk of renewed rate hikes remains if the inflation outlook deteriorates further ahead.

## Thursday 7th May

- **Brazil March Industrial Production (Est: +3.7% Y/Y; Prior: -0.7% Y/Y)**
- **Mexico April Headline CPI Inflation (Est: +4.51% Y/Y; Prior: +4.59% Y/Y)**
- **Mexico April Core CPI Inflation (Est: +4.26% Y/Y; Prior: +4.45% Y/Y)**

Mexico headline CPI inflation continues to track above the central bank's forecasts due to a jump in fruit and veg prices amid adverse weather conditions. As a result, non-core inflation looks set to remain above 5% y/y, leaving the headline rate around 4.5% y/y in April. Importantly, however, core inflation is moderating in line with expectations, with data for H1 April suggesting that the full-month core rate will decline by around 20bp to 4.26% y/y, keeping the door open to a rate cut later on Thursday. While Banxico Deputy Governor Heath still thinks that the central bank should not cut rates, he told MNI recently that the majority of the board is considering a rate cut in May if April inflation improves. If it does not, he said that they are still likely to vote for a cut in June.

- **BCCh Minutes**

The minutes to BCCh's April 28 monetary policy meeting are likely to show that the Board discussed options for remaining on hold or hiking by 25bp. Ultimately, the Board left the monetary policy interest rate unchanged at 4.50%, as expected, in a unanimous decision. However, it maintained a cautious tone amid heightened uncertainty, which it said requires it to maintain its meeting-by-meeting approach to monetary policy. Going forward, the Board remains in a data dependent mode and reiterated that it will be particularly watchful for any second-round effects or persistence of inflation from the oil shock. Many analysts expect the policy rate to be left on hold ahead, with the risk of hikes if the inflation outlook worsens further.

- **Chile April Trade Balance (Prior: +$3,061mn)**
- **Chile March Nominal Wage (Prior: +5.1% Y/Y)**
- **Brazil April Trade Balance (Est: +$10,900mn; Prior: +$6,405mn)**
- **Banxico Interest Rate Decision (Est: 6.50%; Prior: 6.75%)**

Banxico is widely expected to deliver a further 25bp interest rate cut to 6.50% on Thursday, after recent data confirmed a moderation of core inflation in early April and a contraction of the economy in the first quarter. Governor Rodriguez said recently that the weak economy, strong currency and limited impact of the Iran war so far give the central bank room to consider a final rate cut in May. Any decision to cut is likely to be split, however, with at least one Board member dissenting in favour of a hold, as inflation remains above the 4% ceiling of the central bank's target range.

- **Argentina March Industrial Production (Prior: -8.7% Y/Y)**

## Friday 8th May

- **Chile April CPI Inflation (Est: +4.2% Y/Y; Prior: +2.8% Y/Y)**

Chile CPI inflation is expected to rise sharply in April due to the rise in domestic fuel prices following the outbreak of the Iran conflict. Analysts see the headline rate rising to 4.2% y/y, from 2.8%, slightly above the ceiling of the central bank's 2-4% target range. The central bank also sees inflation rising to around 4% in Q2 and has indicated that it remains particularly watchful for any second-round effects or unexpected persistence of inflation from the shock. This will keep focus on the central bank's preferred core ex-volatiles measure which inched up by 6bp to 3.41% y/y in March, broadly as expected. Any unexpected pass-through from the oil shock to core inflation could prompt a rate hike in the coming meetings.

- **Mexico April Consumer Confidence (Prior: 44.1)**

*N.B. All estimates via the Bloomberg analyst survey as of 01/05/26*

## Key Technical Levels:

**USDMXN: Peso Dips Continue to be Supported**

• RES 2: 17.5312 50-day EMA

• RES 1: 17.4505 20-day EMA

• PRICE: 17.3957 @ 16:00BST 01/05/26

• SUP 1: 17.0866 Feb 18 low and key support

• SUP 2: 17.0000 Psychological support

**USDBRL: Medium-Term Bearish Theme Intact**

• RES 2: 5.1207 50-day EMA

• RES 1: 5.0314 20-day EMA and initial firm resistance

• PRICE: 4.9554 @ 16:00BST 01/05/26

• SUP 1: 4.9401 April 23 Low

• SUP 2: 4.8032 Medium-term support at December 2023 low

**USDCLP: Recent Weakness Undermines Bull Theme**

• RES 1: 939.70 Mar 20 high and key resistance

• PRICE: 899.17 @ 16:00BST 01/05/26

• SUP 1: 872.20 76.4% retracement of the bull leg between Feb 9 - Mar 20

• SUP 2: 851.35 Feb 9 low and key support

# MNI Macro Insights

## Mexico: Banxico's Rodriguez Says Final Rate Cut Will Be Considered Next Week

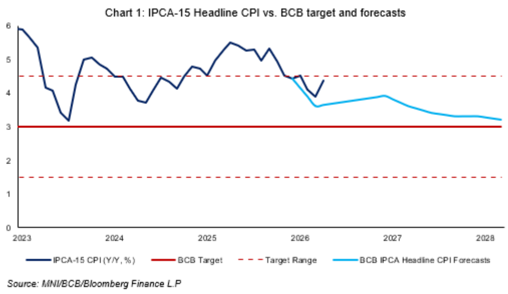
- Banxico Governor Rodriguez said at a Senate hearing this week that the central bank will consider a final rate cut to 6.5% at next week's MPC meeting. According to a report on Bloomberg, she said that the weak economy, strong currency and limited impact of the Iran war so far give the central bank room to cut further. She reiterated that the current policy stance is adequate to bring inflation to target.
- Her remarks came ahead of key GDP data, where weak data at the start of the year suggest that the economy contracted in the first quarter. As such, the data are likely to bolster the views of the dovish majority on the Banxico board, raising the probability of a cut on May 7.
- Meanwhile, the government continues to act to contain fuel costs, with President Sheinbaum confirming in a post on X that an agreement has been made with gas station representatives to cap the diesel price at MXN 27/litre next week.

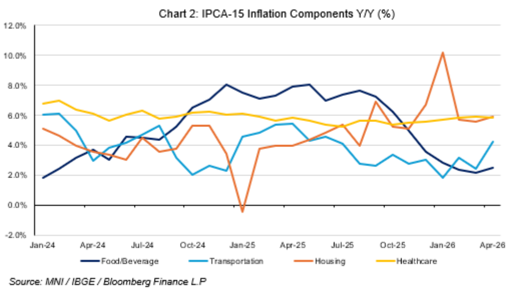
## Mexico: Weak GDP Data Support Case for Final Rate Cut in May

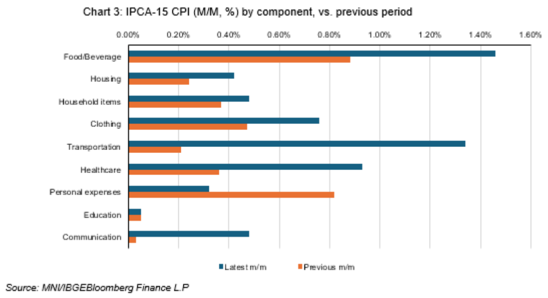
- Weak Q1 GDP data will bolster the views of the dovish majority on the Banxico board, raising the probability of a further interest rate cut next week. The 0.8% q/q contraction in the economy in the first quarter was the largest since Q4 2024 and it left growth broadly flat on a y/y basis.
- Banxico Governor Rodriguez said this week that the central bank has room to consider a final rate cut on May 7. This follows remarks from Deputy Governor Heath earlier this month, who told MNI that although he still thinks that the central bank should not cut, the majority of the board is considering a rate cut next month if April inflation improves. April CPI data are due just ahead of the rate decision next week, but H1 April data last week did show a further decline in core inflation to its lowest level since last October.
- JP Morgan now expects Banixco to cut 25bp and signal the end of the easing cycle next week, rather than in June. They see a divided decision, with at least one dissenter still arguing that the continuation of the easing cycle is jeopardising the credibility of the bank and risks losing the anchoring of expectations. Beyond that, with inflation struggling to return to target, they see the board staying on hold at least until end-27.
- SocGen also now expects a 25bp cut in May, vs. their previous call for rates on hold through year-end. Looking ahead, they think Banxico's dovish bias may persist, opening scope for one further 25bp cut in 2027 once oil and inflation pressures recede.

## Brazil: Copom Likely to Maintain Cautious Easing Pace Despite Inflation Rebound

- IPCA-15 inflation data should do little to shift wide expectations that the BCB will remain cautious in its easing cycle and deliver a second consecutive 25bp Selic rate cut to 14.50%. Although annual inflation came in marginally below expectations in H1 April, it still rose to its highest level since January, leaving the headline rate just below the 4.5% ceiling of the BCB's target range.
- As expected, prices rose sharply on the month (+0.89% m/m, the largest monthly gain since Feb 2025) on the back of higher food and fuel costs, which lifted the food/beverages component 1.46% m/m and transport component 1.34% m/m, respectively. Together, these two contributed 65% of the monthly increase of the IPCA index.
- The move leaves inflation tracking above the central bank's projections, which has the headline rate ending the year at 3.9% y/y, before moderating to 3.3% in Q3 27 under its reference scenario. As a result, the Copom is likely to raise its inflation forecasts, with several analysts expecting an increase to 3.4% in Q4 27, which becomes the relevant policy horizon.
- While monetary policy remains highly restrictive, rising inflation and still unanchored inflation expectations (which have also risen again recently amid the surge in global energy prices), warrants a cautious stance at this juncture. As such, the Copom is likely to stick to the current 25bp easing pace for now, with limited forward guidance. Analysts see the Selic rate falling to 13.00% by year-end, according to the latest BCB Focus survey. (See the MNI preview of the Copom meeting **here**.)




## 🇧🇷 Brazil: MNI BCB Review – Apr 2026: Another Cautious 25bp Cut

- At its April meeting, the Copom decided unanimously to cut the Selic rate by 25bp to 14.50%, in line with expectations.
- In a largely unchanged statement, the committee remained cautious amid unanchored inflation expectations and uncertainty around the conflict in the Middle East and did not provide any guidance on the size of the next rate cut.
- Most analysts expect another 25bp cut in June, with some looking for a 50bp move, but risks of a shallower easing cycle beyond that are increasing.
    - The full MNI review with analyst views is **here**.

## 🇨🇱 Chile: MNI BCCh Review – Apr 2026: Further Hold Amid High Uncertainty

- The Board of the Central Bank of Chile left the monetary policy interest rate unchanged at 4.50%, as expected, in a unanimous decision.
- The statement continued to strike a cautious tone, emphasising the heightened uncertainty, which the Board said requires it to maintain its meeting-by-meeting approach to monetary policy. Going forward, it remains in a data dependent mode and reiterates that it will be particularly watchful for any second-round effects or persistence of inflation from the oil shock.
- Many analysts expect the policy rate to be left on hold ahead, with the risk of rate hikes if the inflation outlook worsens further.
    - The full MNI review with analyst views is **here**.

## 🇨🇱 Chile: Weak Activity Data Reinforce Rate Hold Prospects

- While weaker-than-expected March activity data add to concerns over the growth outlook following the disappointing start to the year, the central bank will continue to prioritise the deteriorating inflation outlook amid rising short-term inflation expectations. Overall, the data are likely to reinforce expectations that the central bank will remain on hold for the foreseeable future, although risks are still skewed towards the possibility of a hike if the inflation outlook worsens further.
- The weakness in March was centred in the industrial sector, where manufacturing production fell by 4.5% y/y and mining output declined 3.7% y/y amid a 9.0% y/y drop in copper production. Earlier this week, the BCCh said that weaker-than-expected activity was mainly due to supply-side factors related to natural resources. However, it also noted that the investment pipeline for the coming years has risen significantly.
- Following the MPC meeting this week, Itaú said that they see the BCCh on hold at 4.5% for a prolonged period. However, should inflation expectations at the policy-relevant horizon begin to move persistently above target, rate hikes would come into play, in their view.

- However, Scotiabank believes the probability of a policy rate hike at the June 16 meeting has increased meaningfully should high inflation prints be confirmed and, in particular, clear signs of inflation expectations de-anchoring emerge after the April and May CPI releases.

## Colombia: MNI BanRep Review – Apr 2026: Surprise Pause to Ease Tensions

- The Colombian central bank unexpectedly left its overnight lending rate unchanged at 11.25% in a unanimous decision in April, against expectations for a further 50bp hike.
- Amid deep divisions within the Board, the decision to hold was described as an effort to reach agreement after recent rate hikes. The members of the Board still have diverse views on the interest rate outlook, however, and risks of renewed rate hikes remain if the inflation outlook deteriorates further.
- Against this backdrop, analysts still expect the tightening cycle to continue after the elections, with terminal rate forecasts remaining in a 12.00-12.25% range for this year.
  - The full MNI review with analyst views is **here**.

## Peru: USDPEN at 7-Month High Amid Election Uncertainty

- Elections concerns weighed on the Peruvian sol this week, which underperformed after the latest Ipsos presidential election poll in Peru showed that leftist presidential candidate Roberto Sanchez is tied with right-wing candidate Keiko Fujimori on 38% in a potential run-off scenario. USDPEN rallied 0.5% on the news, closing at its highest level since last September.
- Although Sanchez hasn't yet secured his place in a run-off against Fujimori, he maintains a slender lead over right-wing candidate Rafael Lopez Aliaga in the race for that second spot. With 96.3% of first-round ballots counted, Sanchez is on 12.042%, vs. 11.891% for Lopez Aliaga (and 17.073% for Fujimori). As noted, a tight left-right second-round could extend political uncertainties through until June, potentially weighing on local assets until then.
- In other news, BCRP Governor Julio Velarde said that private investment rose by 10% in 2025, driven by strong mining investment on the back of high commodity prices. However, Velarde flagged concerns over the weak fiscal position, which he said was due to high current spending, rather than investment, and doesn't have as much impact on production.

## Peru: Consumer Prices Rise 0.52% M/M In April, Above Expectations

- The 0.52% m/m increase in headline consumer prices reported on Reuters is around 30bp above consensus forecasts on BBG and follows a much larger than expected 2.38% m/m jump last month amid the impact of various supply shocks on the local economy (oil, food prices following heavy rains, domestic gas prices following a major local pipeline leak). It would lift the annual rate to around 4% y/y, from 3.80% in March, further above the ceiling of the BCRP's 1-3% target range.
- BCRP Governor Velarde said recently that it would be premature to hike rates due to the Iran war impact as he still believes that the spike of inflation will be temporary, and that the headline rate will converge back to the 2% target over the projected horizon. However, he added that he could change his mind quickly. The next BCRP interest rate decision will be on May 14.

## Argentina: Chief of Staff Adorni Resists Pressure to Resign, Milei's Approval Declines

- Chief of staff Manuel Adorni defended himself against accusations of alleged illicit enrichment and foreign travel in the lower house of Congress this week, asserting that he did not commit a crime and was not going to resign. Clarin reports that although he navigated the opposition's questions almost unscathed, near the end of the session he received a message from the Kirchnerist faction announcing that they would use all constitutional means to remove him from office.
- For now, Adorni has the support of President Milei, who attended the session with other government officials to lend his backing. However, Bloomberg notes that the probe into Adorni comes as Milei's approval rating is falling sharply amid concerns over corruption.
- The latest LatAm Pulse survey by AtlasIntel showed that Milei's approval fell to 35.5% in April, from 36.4% in March and 44% at the end of last year, the lowest since he took office. Besides concerns about corruption, the decline also comes against a backdrop of weakening growth, with the economy unexpectedly contracting by 2.6% m/m (-2.1% y/y) in February. Milei has said that strong tax revenue data suggest that the economy recovered in March, but sticky inflation pressures remain a concern for consumption ahead.