Latam Week Ahead: Mexico/Brazil CPI Inflation, Peru Rate Decision, Colombia Congressional Elections

Ahead of key monetary policy meetings later this month, Mexico and Brazil inflation data will be in focus next week, alongside the latest interest rate decision in Peru. In Mexico, core inflation is likely to remain above the target range ceiling in February, although a slight moderation may keep a possible March rate cut on the table. Meanwhile, Brazil CPI inflation is expected to fall back below 4% y/y, supporting a start to the BCB's easing cycle later this month. In Peru, the BCRP looks set to leave its benchmark interest rate unchanged again, with inflation tracking close to the 2% target and economic activity around potential. Elsewhere, congressional elections and presidential primaries will also be in focus in Colombia over the weekend.

Sunday 8th Mar

- **Colombia Congressional Election and Presidential Primaries**

Colombian congressional elections will be held on Sunday, with voting for all the seats in the Senate and Lower House set to take place. Presidential primaries will also be held, ahead of the May presidential election. With left-wing candidate Senator Ivan Cepeda leading in most presidential polls, focus in Congress will be on how much ground the left-wing parties make. However, expectations are that Congress will remain fractured. The first-round presidential vote takes place May 31.

Monday 9th Mar

- **BCB Focus Survey**

Ahead of the March 18 Copom meeting, incoming Brazil inflation expectations data remain in focus, after BCB director Nilton David reiterated that inflation expectations are improving, but remain unanchored and still far from target. Last week's Focus survey of economists showed that 2026 year-end CPI expectations held at 3.91%, while the end-26 Selic rate forecast was trimmed to 12.00%, from 12.13%.

- **Chile February Trade Balance (Prior +$3,811mn)**
- **Mexico February Headline CPI Inflation (Est: 3.98% Y/Y; Prior: +3.79% Y/Y)**
- **Mexico February Core CPI Inflation (4.49% Y/Y; Prior: +4.52% Y/Y)**

Persistent Mexico core inflation pressures prompted Banxico to pause its easing cycle last month to give it time to assess more data. Hawkish Banxico board member Jonathan Heath emphasised the need for core inflation to show a clear downward trend before rate cuts can be resumed. However, other members have struck a more dovish tone recently, noting the weakness of activity and previously strong MXN as factors supporting renewed rate cuts. That said, MXN developments this week will be important in assessing whether Banxico can restart rate cuts on March 26, and an increase in headline inflation to the 4% target range ceiling and sticky core inflation in February could prompt an extension of the pause.

Tuesday 10th Mar

- **BCCh Economist Survey**

Last month's BCCh survey indicated that analysts saw the final BCCh rate cut to 4.25% coming at this month's MPC meeting. However, the developments in the middle east may prompt the central bank to adopt a more cautious stance and delay that cut for now.

Wednesday 11th Mar

- **Brazil January Retail Sales (Prior: +2.3% Y/Y)**
- **Colombia February Consumer Confidence (Prior: 18.2)**

Thursday 12th Mar

- **Brazil February IPCA Inflation (Prior: +4.44% Y/Y)**

February IPCA inflation data in Brazil will be the last major inflation input ahead of the March 18 Copom meeting. Although a seasonal increase in education and higher fuel and transportation costs will likely push up the monthly inflation rate, favourable base effects should bring the annual rate back down below 4% y/y. This will therefore keep the door wide open for a Selic rate cut later this month, after BCB director Nilton David said this week that the Copom's guidance for a start to the easing cycle in March remains valid. For now, market pressures following the outbreak of conflict in the middle east, appear to be skewing risks toward an initial 25bp cut, rather than 50bp.

- **Banxico Regional Economy Report**
- **Argentina February CPI Inflation (Prior: +32.4% Y/Y)**

Argentina CPI inflation surprised to the upside in January, with prices rising by 2.9% m/m on the back of a jump in food costs. Subsequently, analysts' inflation expectations have risen further, with headline inflation now seen ending this year at 26.1% y/y, vs. 22.4% expected previously. Economy minister Caputo has said that he expects monthly inflation in February to come in below last month's print, although the annual rate is likely to remain around 32.5% y/y.

- **BCRP Interest Rate Decision (Prior 4.25%)**

The BCRP is likely to leave its benchmark reference rate unchanged at 4.25% for a sixth consecutive meeting next Thursday after CPI inflation surprised to the upside in February. With inflation now close to the BCRP's 2% target and the economy still growing around its potential rate, there is little urgency to move at this juncture. In addition, the outbreak of conflict in the middle east and subsequent surge in oil prices warrants a cautious stance at this time.

Friday 13th Mar

- **Brazil January Services Volume (Prior: +3.4% Y/Y)**
- **Mexico January Industrial Production (Prior: +2.4% Y/Y)**

Mexico industrial production is expected to have edged higher on the month in January, supported by an uptick in manufacturing production. On an annual basis, however, industrial production looks set to have moderated slightly, keeping growth around 2% y/y.

N.B. All estimates via the Bloomberg analyst survey as of 06/03/26

Key Technical Levels:

USDMXN: USDMXN Corrective Bounce Extends

• RES 2: 18.0409 Jan 09 high
• RES 1: 17.9286 50.0% retracement of the Nov 5 '25 - Feb 18 bear leg
• PRICE: 17.7515 @ 16:30GMT 06/03/26
• SUP 1: 17.5233 50-day EMA and initial support
• SUP 2: 17.0866 Feb 18 low and key support

USDBRL: Bounce Highlights Start of Corrective Cycle

- RES 1: 5.4237 Jan 14 high
- PRICE: 5.2692 @ 16:30GMT 06/03/26
- SUP 1: 5.1157 Feb 27 low and key support

USDCLP: Breach of 50-day EMA Signals Start of Corrective Phase

- RES 2: 952.22 76.4% retracement of the Jul 30 '25 - Feb 9 bear leg
- RES 1: 932.94 61.8% retracement of the Jul 30 '25 - Feb 9 bear leg
- PRICE: 905.85 @ 16:30GMT 06/03/26
- SUP 1: 883.15 50-day EMA and initial firm support
- SUP 2: 851.35 Feb 9 low and key support

MNI Macro Insights

LATAM FX: Breach of 50-day EMA Resistance Signals Start of Corrective Phase

- Soaring core yields and weakness in major equity indices this week have put pressure on Latam currencies, with major USD/Latam pairs clearing key resistance at their respective 50-day EMAs.
- The Chilean peso has underperformed amid pressure on copper, with USDCLP rising to around two-month highs, taking weekly gains to ~4%. Although the medium-term trend condition in USDCLP remains bearish, the breach of the 50-day EMA signals the start of a corrective phase, suggesting potential for a climb towards 932.94, the 61.8% retracement of the Jul 30 '25 - Feb 9 bear leg.
- It's a similar story for USDMXN where recent gains highlight a corrective cycle. The breach of the 50-day EMA here also signals scope for a stronger recovery and potential climb towards 17. 9286, the 50.0% retracement of the Nov 5 '25 - Feb 18 bear leg.
- Meanwhile, the latest bounce in USDBRL highlights the start of a corrective phase, even as a medium-term bearish theme remains intact. Resistance at the 50-day EMA has been pierced and a clear break would signal scope for a stronger recovery, towards 5.4237, the Jan 14 high.

Brazil: Mounting Mid-East Tensions Raise Prospect of Cautious Start to BCB Easing Cycle

- Weak Q4 GDP data show that the economy is increasingly feeling the effects of the highly restrictive monetary policy stance. However, latest market pressures and the surge in crude oil prices in the wake of the middle east conflict mean that the Copom may take a cautious approach as it prepares to embark on an easing cycle later this month.
- The tight monetary policy stance is weighing most on the industrial sector, where output contracted in Q4, driven by weakness in construction. In contrast, service sector activity remained relatively resilient, with output there rising 0.8% over the quarter. By expenditure, the weakness was concentrated in investment, which fell by 3.5% q/q in Q4, while private consumption was steady, offsetting a positive contribution from net exports.
- Despite the weak growth backdrop, mounting uncertainty over the global outlook and risks to inflation from surging oil prices clouds the interest rate outlook somewhat. DI swap rates have underperformed, with yields rising ~60bp over the week, leaving a 25bp initial Selic rate cut on March 18 looking more likely at this juncture.
- Indeed, amid the fallout from the US/Iran conflict, Citi have closed their receiver recommendation in Brazil swap-rate contracts due in January 2029, according to reports on Bloomberg. They have also reduced their BRL recommendation to neutral, from OW. Citi believes that rising geopolitical tensions leave BRL particularly

vulnerable, given heavy long positioning, while the recent upside surprise in IPCA-15 inflation increases prospects that the BCB starts its easing cycle cautiously, in their view.

Brazil: BCB's David Says Guidance for March Rate Cut Remains Valid

- This week, BCB director Nilton David reiterated the Copom's guidance for a calibration of monetary policy in March. David said that the guidance remains valid, as the signs that monetary policy is working continue to show. However, uncertainty remains high and David added that the central bank may change course if the scenario changes.
- Other than that, David continued to sound cautious about the inflation outlook. He reiterated that inflation expectations are improving, but they remain unanchored and still far from target. Overall, his comments remained consistent with the start to a cautious easing cycle on March 18, although monetary policy will remain in contractionary territory for some time.
- Carry dynamics should therefore remain favourable for the BRL for the immediate future, although as David noted, developments in the middle east have the potential to be very relevant and long-lasting. He said that the next steps for the central bank will be considered carefully.

Colombia: Fiscal Uncertainties Remain a Headwind for COP

- The surge in oil prices following the US military action in the middle east provided some insulation to the Colombian peso this week, which has outperformed regional peers. Despite this, USDCOP remains around two-month highs, after the peso underperformed last week amid election and fiscal concerns. Uncertainty over the near-term policy and fiscal outlook remains a headwind to the peso, especially with congressional and presidential primaries coming up on March 8, ahead of Presidential elections in May.
- This week, the Fiscal Rule Committee said that Colombia posted a 3.5% of GDP primary fiscal deficit last year, the widest in 30 years, outside of crises. This was driven by both weaker-than-expected revenues and larger-than-expected expenditures. The committee also said that the government's 2.1% of GDP primary deficit target for this year is unlikely to be met, as it would require a 1.6% of GDP fiscal adjustment.
- This is less likely if left-wing Presidential candidate Cepeda wins the May election, as the majority of polls suggest he is slight favourite to do. Cepeda has already said that he would continue President Petro's social policies, which implies robust fiscal spending in the next term.
- Ahead of the March 8 primaries, JP Morgan sees little space for sizeable COP moves, barring an extreme outcome. They remain MW COP and MW TES. However, they are UW local equities and see limited upside even if a candidate with pro-market policies should advance, given the significant macro challenges faced.

Colombia: BanRep's Moisa Strikes Dovish Tone Amid Concerns on Growth Outlook

- BanRep co-director Laura Moisa expects the Colombian to grow at a slower 2-2.5% pace this year, according to comments made in an interview with Reuters, below the central bank's official 2.6% estimate. She also expressed concern about the sharp increase in interest rates at the January MPC meeting, which she fears could weigh on corporate investment decisions this year.
- Meanwhile, Moisa said that she was not too concerned about the inflation outlook, according to Reuters, adding that the supply shocks that are generating inflationary pressures (particularly for food) won't be resolved with an interest rate hike. She expects incoming inflation data to allow BanRep to be less strict in terms of rate hikes.
- She also thinks that a discussion should be had on adopting a more flexible inflation target in the future, similar to Brazil. However, she doesn't expect this in the short-term.

Chile: BCCh's Naudon Says Persistence of Iran Shock Key for Chile

- Speaking in a webcast this week, BCCh Vice President Alberto Naudon said that the key element for the central bank amid the conflict in the middle east is how persistent the Iran shock is. Naudon added that the issue for Chile is how Iran affects global financial conditions, as well as the impact on commodity prices and investor sentiment.
- Naudon's comments come ahead of the March 24 BCCh MPC meeting, when the central bank had been expected to deliver a final 25bp rate cut to a neutral 4.25%, according to survey data from before the middle east conflict.

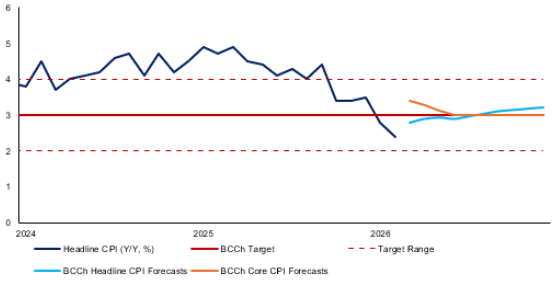
Naudon said that rate decisions are taken on a meeting-by-meeting basis, but that latest developments are a clear risk-off scenario.

- Latest domestic economic activity data have been softer than expected, keeping the door open to a possible near-term rate cut. However, recent pressure on CLP, which has fallen to two-month lows against the US dollar this week, skew risks towards a later move for now.

Chile: Pressure on CLP May Delay Next Rate Cut Despite Soft CPI Inflation Data

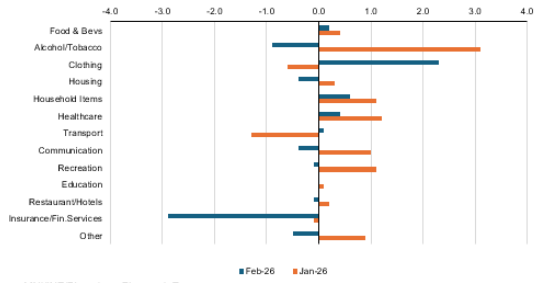
- After recent softer economic activity data, weaker-than-expected CPI inflation figures in February keep the door open to a possibly final BCCh rate cut later this month. However, ongoing pressure on the CLP following the outbreak of the middle east conflict may prompt the central bank to adopt a more cautious approach and delay that next rate cut until later in Q2.
- As expected, the further decline of headline inflation was driven by lower electricity prices, which pushed volatile energy inflation down to -2.6% y/y. Following the surge in global oil prices, however, energy inflation is likely to rebound ahead. Excluding volatile items, the BCCh's preferred core ex-volatiles measure ticked down to 3.3% y/y, broadly in line with BCCh projections. This was driven by a moderation in core services inflation (4.1% y/y vs. 4.3% previously), while core goods inflation held at 2.3% y/y.
- Looking ahead, the central bank expects headline inflation to rebound next month, gradually converging to the 3% target by mid-year, while core inflation slowly falls. Middle east developments add significant uncertainty to the outlook, however, and pressure on the CLP adds upside risks to core goods prices. BCCh deputy Governor Naudon said this week that the key element for the BCCh is how persistent the Iran shock is.

Chart 1: Headline CPI vs. BCCh target and forecasts



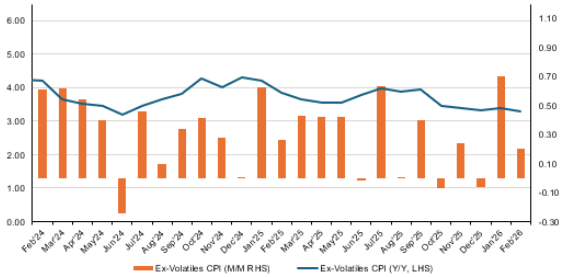
Source: MNI/BCCh/Bloomberg Finance L.P

Chart 2: CPI (M/M, %) by component, compared to previous month



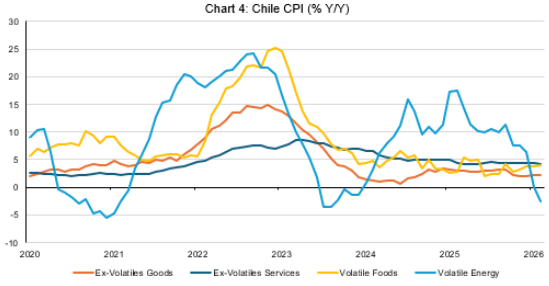
Source: MNI/INE/Bloomberg Finance L.P

Chart 3: Chile Ex-Volatiles CPI (%)



Source: MNI / BCCh / Bloomberg Finance L.P

Chart 4: Chile CPI (% Y/Y)



Source: MNI / BCCh / Bloomberg Finance L.P

Mexico: USDMXN Consolidating Topside Breakout

- Renewed pressure on risk sentiment has boosted dollar indices early Friday, prompting some weakness for the emerging market FX basket. This has taken USDMXN to fresh session highs towards 17.80. Overall, USDMXN has been consolidating its impressive bump higher over the past few session.
- Moves this week were exacerbated by the pair finally breaking above its 20-day and 50-day EMAs, and subsequent price action points to a short-term bullish dynamic shift.
- Questions around the outlook for the peso are one of the main points of disagreement on the Banxico board, and therefore MXN developments will be a very important ingredient in assessing whether the central bank could restart its easing cycle at the March meeting. However, the global hawkish repricing points to the board extending the pause.

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