mni

All Signal, No Noise

MARKET ANALYSIS

# LatAm Week Ahead: Mex/Brazil Mid-Month CPI, Banxico QIR

**Primary attention across LatAm next week will be on mid-month inflation data from both Mexico and Brazil, both critical inputs into the upcoming central bank policy decisions in March. Elsewhere, December economic activity data in both Mexico and Argentina are scheduled, as well as Peru fourth-quarter GDP. Separately, the regional responses to the latest SCOTUS tariff ruling will be eagerly awaited amid industry bodies warning of increased uncertainty ahead.**

## Monday 23rd Feb

- **BCB Focus Survey**

Ahead of the March 18 Copom meeting, incoming Brazil inflation and inflation expectations data will be key for determining whether the BCB starts its easing cycle with a 25bp or 50bp cut. Last week's Focus survey of economists showed a further marginal decline in 2026 year-end CPI expectations to 3.95%, although this will not materially shift the monetary policy outlook. Analysts continue to expect the Selic rate to reach 12.25% by year-end, broadly consistent with market pricing.

- **Mexico Q4 GDP, Final (Est: +0.8% M/M; Prov: +0.8% M/M)**
- **Mexico Q4 GDP, Final (Est: +1.6% Y/Y; Prov: +1.6% Y/Y)**
- **Mexico December Economic Activity (Est: +0.25% M/M, Prior: -0.16% M/M)**
- **Mexico December Economic Activity (Est: +2.86% Y/Y, Prior: -0.08% Y/Y)**

The final estimate for Mexico Q4 GDP is expected to confirm that the economy rebounded in the final quarter of the year, with growth rising to 1.6% y/y, from -0.1% in Q3, taking full year-year growth to +0.5%. Looking ahead, the central bank expects the economy to grow at a faster pace this year, although it sees investment remaining weak until at least the second half amid uncertainty over the USMCA outlook. With growth remaining below potential, Banxico is still expected to resume its easing cycle in the coming meetings.

- **Peru Q4 GDP (Est: +2.8% Y/Y; Prior +3.4% Y/Y)**

After Peru economic activity rose by a better-than-expected 3.83% y/y in December, real GDP looks to have increased by 3.2% y/y in Q4, slightly above consensus expectations. This would take full-year GDP growth to 3.4% last year, down slightly from 3.5% in 2024, but still around potential. Growth has been driven by manufacturing, construction and trade, offsetting weakness in the mining sector. With mining investment expected to pick up ahead, the economy is seen expanding ~3% this year, still around trend, helping to keep the BCRP on hold.

## Tuesday 24th Feb

- **Chile January PPI Inflation (Prior +3.8% M/M)**
- **Mexico Mid-February Bi-weekly CPI Inflation (Est: 3.89% Y/Y, Prior +3.82% Y/Y)**
- **Mexico Mid-February Bi-weekly Core CPI Inflation (Est: 4.56% Y/Y, Prior +4.56% Y/Y)**

After leaving rates on hold earlier this month, incoming Mexico inflation data will be key for determining when Banxico resumes its easing cycle. Although several Board members sound confident about the lack of second-round effects from recent tax and tariff increases so far, Deputy Governor Heath is more concerned about worsening inflation dynamics. He has said that core inflation (which remains stuck above the central bank's 4% target range ceiling) must show a clear downward trend before the central bank can begin to cut again.

- **Argentina December Economic Activity (Prior: -0.3% Y/Y)**

## Wednesday 25th Feb

- **Brazil December Total Outstanding Loans (Prior: +1.8% M/M)**
- **Mexico Q4 Current Account (Prior: +$2,325mn)**

- **Colombia January Industrial Confidence (Prior: -0.7)**

## Thursday 26th Feb

- **Mexico January Unemployment Rate (Prior: 2.39%)**
- **Banxico Quarterly Inflation Report**

Banxico's Q1 26 inflation report will include updated inflation and GDP forecasts following Q4 GDP and biweekly CPI data. Compared with the Q4 25 report, CPI inflation forecasts are likely to be revised higher, consistent with those seen in the February 5 MPC meeting. With inflation remaining above expectations, the Board has pushed back the projected convergence to target to Q2 2027, from Q3 2026 previously.

- **Brazil January Central Government Budget Balance (Prior: +BRL22.1bn)**

## Friday 27th Feb

- **Brazil January Primary Budget Balance (Prior: +BRL6.3bn)**
- **Brazil Mid-February IPCA-15 Inflation (Prior: +4.50 Y/Y)**

Brazil IPCA inflation edged up in January amid higher transport prices, taking the headline rate to around the top of the BCB's target range. Despite this, core inflation eased to 4.44% y/y, helped by a moderation in services inflation, paving the way for the Copom to start an easing cycle next month. A further moderation in demand-driven services inflation in February could potentially open the door to a 50bp Selic rate cut on March 18.

- **Mexico January Trade Balance (Prior: +$2,430mn)**
- **Chile January Retail Sales (Prior: +4.5% Y/Y)**
- **Chile January Industrial Production (Prior: -1.9% Y/Y)**
- **Chile January Copper Production (Prior: -540.2K Metric Tonnes)**
- **Chile January Unemployment Rate (Prior: 8.0%)**

After remaining on hold in January, the BCCh noted that demand is evolving as expected, with short-term indicators linked to consumption and investment pointing to growth "in line with expectations". January activity data are unlikely to have a major bearing on the monetary policy outlook, with incoming inflation data key after recent CPI figures came in slightly softer-than-expected. Latest survey data suggest that analysts still expect the central bank to deliver one final rate cut next month, bringing the policy rate down to a neutral 4.25%.

- **Colombia January Urban Unemployment Rate (Prior: 7.8%)**
- **BanRep Non-Monetary Policy Board Meeting**

*N.B. All estimates via the Bloomberg analyst survey as of 20/02/26*

## Key Technical Levels:

**USDMXN: Fresh Cycle Low**

• RES 2: 17.5836 50-day EMA and key resistance

• RES 1: 17.3078 20-day EMA

• PRICE: 17.1602 @ 16:30GMT 20/02/26

• SUP 1: 16.9806 3.000 projection of the Nov 5 - 13 - 21 price swing

• SUP 2: 16.5282 May 21 '24 Low

### USDBRL: Bearish Trend Still Intact

• RES 2: 5.3109 50-day EMA and key resistance

• RES 1: 5.2497 20-day EMA

• PRICE: 5.1860 @ 16:30GMT 20/02/26

• SUP 1: 5.0787 76.4% retracement of the 2023 - 2024 bull leg

### USDCLP: Trend Condition Remains Bearish

• RES 1: 882.76 50-day EMA

• PRICE: 866.23 @ 16:30GMT 20/02/26

• SUP 1: 845.72 1.618 projection of the Apr 9 - Jul 2 - Jul 30 2025 price swing

• SUP 2: 833.73 76.4% retracement of the 2023 - 2025 bull phase

## MNI Macro Insights

## Mexico: Banxico Minutes Reiterate Dovish Bias, But Incoming CPI Data Key

- The minutes to Banxico's Feb 5 MPC meeting reiterated the dovish tone of the policy statement which kept the door open to renewed rate cuts as soon as the next meeting in March. However, Deputy Governor Heath's dissenting view on the policy statement was notable, highlighting his concerns about the worsening inflation dynamics and large forecast error last year.
- Aside from Heath's dissension, most other members sounded more confident regarding the impact of recent tax and tariff increases and lack of subsequent second-round effects so far. One member said that the pause could be "even shorter than expected" as a result, although generally there was a view that the Board needs to remain vigilant to subsequent inflation readings to confirm the lack of second-round effects.
- This emphasises the importance of incoming CPI data and possibility that core inflation will need to show a clear downward trend before the easing cycle can be resumed. As noted previously, MNI understands that Banxico might not cut in H1, with some members seeing room for possibly only one or two further 25bp cuts if the outlook allows. Bi-weekly CPI data for H1 Feb cross on Feb 24, followed by full-month inflation on March 9.
- The Mexican peso traded moderately firmer post minutes, although it is still slightly in the red against the dollar as the USD index consolidates recent gains in the wake of firmer US data and US/Iran tensions. Nonetheless, MXN remains resilient overall, with USDMXN still hovering just 1% above this week's cycle lows.
- The easing cycle pause, and optimism over US-Mex relations, continues to help anchor the peso for now, and scope is seen for a move in USDMXN towards 16.9806 next, the 3.000 projection of the Nov 5 - 13 - 21 price swing. Resistance at the 20-day EMA is at 17.3072.

## Mexico: Peso Resilient to Broader Dollar Strength

- Broader greenback strength has been on show, assisted by the generally favourable US data which has helped lift the Bloomberg USD Index to new daily highs and 1.1% above January's cycle lows.
- Despite this, the Mexican peso continues to trade in a resilient manner, with the notable outperformance keeping USDMXN in very close range of the earlier session lows and lowest level for the cycle at 17.0866. Latest price action confirms a continuation of the downtrend and maintains the sequence of lower lows and lower highs. Scope is seen for a move towards 16.9806 next, the 3.000 projection of the Nov 5 - 13 - 21 price swing.
- Further out, more significant medium-term targets for the move are located at 16.5282 and 16.2616, key daily lows from before the election in 2024.
- It is also worth noting that EURMXN weakness has seen the cross extend its 2026 decline to around 4.3%, further narrowing the gap to the psychological 20.00 mark.

## Peru: Congress Elects Lawmaker Balcazar as Interim President

- Congress has elected lawmaker Jose Maria Balcazar as interim President following the ousting of former President Jeri earlier in the week. Balcazar will hold the position until July this year, when a newly elected President will take over after the April general elections. Balcazar will not be able to run in the April elections.
- Balcazar, a left-wing congressman and former Supreme Court judge, was elected with 64 votes in a run-off against right-wing Maria del Carmen Alva, who recovered 46 votes (with three spoiled ballots). After his election, Balcazar pledged to maintain current economic policies through the remainder of the administration's term and said that he would continue the fight against crime. He also said he would speak with BCRP governor Velarde to see what can be done to improve the economy.
- Balcazar takes office after Congress voted earlier this week to censure former President Jeri following his unregistered meetings with Chinese businessmen and actions to hire unqualified young people to work for his office. Jeri had himself only been interim President for four months, after his predecessor, former President Boluarte, had been impeached late last year.

## Colombia: Swap Rates Underperform As Gov't Committed to 23% Min Wage Hike

- Colombia swap rates underperformed, with yields up by as much as 12bp in the 3Y segment after Minister of Labour, Antonio Sanguino, confirmed that the government will seek to maintain and defend the 23.7% min wage increase. As a result, the market is still pricing in over 200bp of rate hikes over the next six months, bringing the policy rate to at least 12.25%.
- As a comparison, analysts still expect a further 75bp rate hike to 11.00% at the next MPC meeting in March, according to last week's BanRep survey, followed by 50bp and 25bp hikes to an 11.75% peak by mid-year.
- The government now has four days to publish a new transitional decree, which will remain in force until the court makes a final decision on whether or not to maintain the 23.7% increase.
- According to a report in El Espectador, Sanguino said that the new decree will include a clearer explanation of the relationship with the minimum living wage and its association with other elements such as economic growth, inflation and productivity.

## Colombia: Petro Confirms Intention to Maintain 23% Min Wage Hike

- Colombia's government will maintain the 23% increase in the minimum wage for 2026, President Gustavo Petro said in a speech from Bogotá's Plaza Bolívar after calling for marches in support of the hike. As a remainder, the Council of State temporarily suspended the government's minimum wage decree last Friday, ordering the administration to issue a new temporary minimum wage this week.
- Petro's comments were broadly expected given that labour Minister Sanguino said that the government will maintain the 23% min wage increase after speaking with business leaders earlier this week. Sanguino added the administration will use all available legal actions to preserve workers' purchasing power. Finance Minister Avila has also said that reversing the increase would be unconstitutional as it would undermine workers' rights.
- Additionally, Petro again warned of possible electoral fraud in March, this time pointing to flaws in the system provided by the company Thomas Greg & Sons, in a post on his X account.
- The outcome of these developments will have a significant bearing on the interest rate outlook, after BanRep delivered an aggressive 100bp hike at the end of January. For now, the market continues to price over 200bp of further BanRep rate hikes over the next six months, as swaps have unwound much of last Friday's rally.
- Meanwhile, analysts also expect another 150bp of tightening by mid-year, according to this week's BanRep survey. COP has come under some pressure this week, although USDCOP is holding below 3700, as rising oil prices help to provide a buffer against the policy uncertainty.

## Chile: Kast's Economic Team Reiterates Commitment to Fiscal Consolidation

- A 1.5% pullback in copper weighed slightly on the Chilean peso, taking USDCLP just above the 20-day EMA (865.92). Short-term gains in the pair are still considered corrective, for now, with key resistance seen at the 50-day EMA at 882.81.
- Despite the dip in copper, Chile's terms of trade are still very favourable and optimism over the pro-growth policies of the new government, which takes office next month, continue to provide a supportive backdrop for the peso. On the downside, potential is still seen for an extension in USDCLP towards 845.72, the 1.618 projection of the Apr 9 - Jul 2 - Jul 30 2025 price swing.

- Ahead of the March 11 inauguration of the new government, President-elect Kast's economic team have reinforced their commitment to the fiscal roadmap, according to reports in local media. The team has reiterated that the administration will pursue fiscal consolidation from day one of its term, after inheriting a larger 3.55% of GDP structural fiscal deficit last year. The Finance Ministry said recently that it expects the fiscal deficit to be 1.8% of GDP this year, with the primary deficit at 0.8% of GDP, the lowest since 2013.