




## Latam Week Ahead: Chile, Brazil, Colombia Rate Decisions, Mexico Q4 GDP

Monetary policy is in focus in Latam next week, with key decisions due in Chile, Brazil and Colombia. On the data front, Brazil IPCA-15 inflation and Mexico Q4 GDP are the highlights. In Chile, the BCCh is widely expected to keep its reference rate unchanged at 4.50% on Tuesday, as it gives itself time to assess incoming data and ensure that inflation remains on track to converge to target, before cutting again. In Brazil, the Copom is expected to leave the Selic rate unchanged at 15.00% for a fifth successive meeting, with focus on the forward guidance for any signals that it is opening the door to a potential rate cut at the subsequent meeting in March. Meanwhile, BanRep is expected to deliver a 50bp hike to 9.75% in Colombia as it begins what is expected to be a front-loaded hiking cycle in the face of mounting inflation pressures.

### Monday 26<sup>th</sup>

-  **BCB Focus Survey**
-  **Brazil December Current Account Balance (Prior: -\$4,943mn)**
-  **Mexico December Unemployment Rate (Prior: 2.66%)**

### Tuesday 27<sup>th</sup>

-  **Brazil H1 January IPCA-15 Inflation (Prior: 4.41% Y/Y)**

Coming just ahead of Wednesday's Copom meeting, Brazil IPCA-15 inflation data for the first half of January may show a small uptick in headline inflation on the back of higher food prices. Core inflation may also edge slightly higher too, putting it around the BCB's target range ceiling, bolstering expectations that the Copom will likely remain cautious for now.

-  **Mexico December Trade Balance (Prior: +\$662.8mn)**
-  **BCCh Interest Rate Decision (Est: 4.50%; Prior 4.50%)**

The BCCh is widely expected to keep its reference rate unchanged at 4.50% on Tuesday, as it gives itself time to assess incoming data and ensure that inflation remains on track to converge to the 3% target as expected. Inflation pressures have been moderating, with both the headline and policy relevant ex-volatiles measures within the central bank's 2-4% target range, and longer-term inflation expectations remain anchored around target. With the policy rate already close to the neutral estimate, policymakers have room to take their time before delivering a potentially final 25bp cut later in H1.

### Wednesday 28<sup>th</sup>

-  **BCB Interest Rate Decision (Est: 15.00%; Prior 15.00%)**

The Copom is expected to leave the Selic rate unchanged at 15.00% for a fifth successive meeting on Wednesday, as recent robust economic activity and services inflation data may keep the central bank cautious for now as they prepare to embark on an easing cycle. However, the very restrictive stance appears to be having the desired effect, with inflation and inflation expectations now on a gradual downward trend. This will keep focus on the forward guidance, and any signals that the Copom is opening the door to a potential rate cut at the subsequent meeting in March.

### Thursday 29<sup>th</sup>

-  **Brazil December Outstanding Loans (Prior +0.9% M/M)**
-  **Chile December Unemployment Rate (Prior 8.4%)**

Friday 30<sup>th</sup>

- 🇧🇷 **Brazil December Primary Budget Balance (Prior -BRL14.4bn)**
- 🇧🇷 **Brazil December Unemployment Rate (Prior 5.2%)**

Brazil's unemployment rate looks set to have remained close to record lows in December, reinforcing the central bank's concerns about the robust labour market, which has remained resilient in spite of the very restrictive monetary policy stance.

- 🇲🇷 **Mexico Q4 GDP Preliminary Estimate (Est: +1.3% Y/Y; Prior: -0.1% Y/Y)**

After contracting in the third quarter, Mexico's economy is expected to have rebounded somewhat in Q4, led by a recovery in services. Industrial activity may also have edged higher, after a weak Q3, although uncertainty over the US tariff backdrop and USMCA negotiations is still weighing on the manufacturing sector. Overall, the economy is seen growing by 1.3% y/y, which would still be sub-trend, keeping pressure on Banxico to cut rates further later this year. For now, however, elevated core CPI inflation looks set to prompt a pause in the easing cycle next month. This week's Banxico Monetary Programme for 2026 should give more colour on this year's guidance.

- 🇨🇱 **Chile December Retail Sales (Prior: +5.8% Y/Y)**
- 🇨🇱 **Chile December Industrial Production (Prior: -0.8% Y/Y)**

Chile retail sales growth is likely to have remained steady in December, holding close to the previous pace, buoyed by robust wage growth and the feed through from lower interest rates. Industrial production likely contracted again, however, due to unhelpful base effects, which will weigh on mining and manufacturing production.

- 🇨🇴 **Colombia December Urban Unemployment Rate (Prior: 7.3%)**
- 🇨🇴 **BanRep Interest Rate Decision (Est: 9.75%; Prior: 9.25%)**

BanRep looks set to start an aggressive front-loaded hiking cycle on Friday, as concerns over the inflation outlook have risen significantly following the much larger-than-expected 2026 minimum wage hike. This may add as much as 2pp to CPI inflation over the coming months, keeping it far above target. In addition, the stronger-than-expected recovery of domestic demand and loose fiscal stance are also adding to inflation pressures. BanRep is expected to hike its policy rate by at least 50bp to 9.75% at the start of what may be a 200bp hiking cycle, according to latest survey data. The vote is likely to be split once again, however, with the more dovish Board members potentially still voting for a rate cut.

*N.B. All estimates via the Bloomberg analyst survey as of 23/01/26*

## Key Technical Levels:

🇲🇷 **USDMXN: Trend Needle Still Points South**

- RES 2: 17.9742 50-day EMA
- RES 1: 17.7502 20-day EMA
- PRICE: 17.4589 @ 16:00GMT 23/01/26
- SUP 1: 17.3759 2.236 projection of the Nov 5 - 13 - 21 price swing
- SUP 2: 17.2393 2.5 projection of the Nov 5 - 13 - 21 price swing

**🇧🇷 USDBRL: Bear Cycle Remains Intact**

- RES 2: 5.6064 Dec 22 high and bull trigger
- RES 1: 5.3968 50-day EMA
- PRICE: 5.2850 @ 16:00GMT 23/01/26
- SUP 1: 5.2638 Nov 11 2025 low and a key support
- SUP 2: 5.2000

**🇺🇸 USDCLP: Trend Condition Remains Bearish**

- RES 2: 906.89 50-day EMA
- RES 1: 889.35 20-day EMA
- PRICE: 869.15 @ 16:00GMT 23/01/26
- SUP 1: 865.80 1.382 projection of the Apr 9 - Jul 2 - Jul 30 2025 price swing
- SUP 2: 855.76 1.5 projection of the Apr 9 - Jul 2 - Jul 30 2025 price swing

**MNI Macro Insights****LATAM FX: Can The Super Peso Carry On Going? (1/2)**

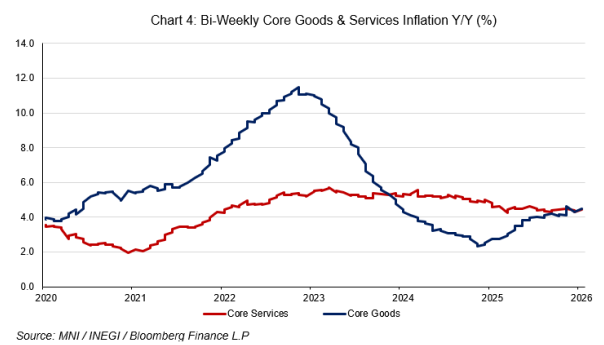
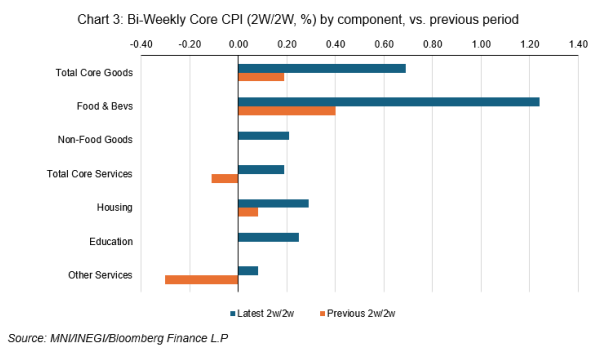
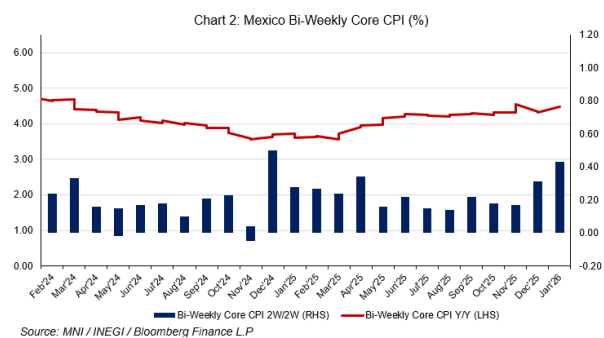
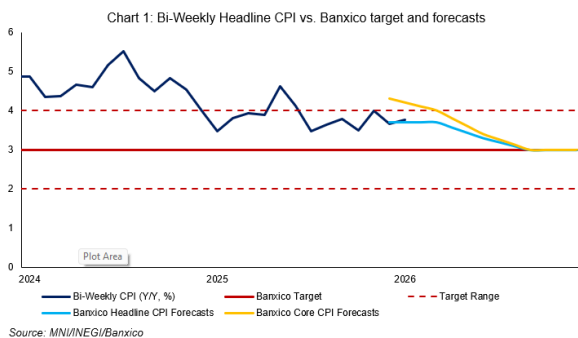
- While the broad dollar weakness has continued to work in favour of the Mexican peso, its resilience in the face of the sharp upswing for longer-term US yields and significant pressure on major equity indices has been even more impressive, potentially signalling this trend is showing few signs of abating.
- Additionally, while analysts continue to cite the plethora of risks surrounding US/Mex tensions, Mexico's pessimistic growth profile, potential dovish Banxico surprises and broader geopolitical risks, all have had little effect on the impressive 6.8% MXN rally from the November lows.
- Furthermore, and on a longer-term basis, the initial concerns following the 2024 election regarding the Morena supermajority and potential changes to the constitution/judiciary have never really manifested, potentially bolstering the peso as it continues to erode the sharp selloff from June '24.
- An extension of USDMXN weakness has placed spot at a fresh cycle low, below the 17.50 mark. The primary technical target of 17.6067 was met and has been breached, bolstering the dominant downtrend in place.
- We have noted 17.3759 as the next downside level, although there appears growing potential for a move to 17.2393, the 2.5 projection of the Nov 5 - 13 - 21 price swing, and 17.00, which would represent an entire reversal to pre-election levels.

**🇲🇽 MXN: Potential Threats Derailing the MXN Momentum (2/2)**

- Despite the strong trend conditions noted above, analysts have cited that speculative long MXN positioning has been approaching the 2024 highs, which could obviously exacerbate short-term squeezes for USDMXN.
- Threats that could derail the peso momentum do remain, and the market will remain particularly vigilant for a significant narrative shift on the following three issues:
- **Banxico Terminal Rate** – The recent shift in the committee's guidance, plus confirmation from a recent MNI interview with Deputy Governor Cuadra, has all but cemented an easing cycle pause in Feb. Inflation/growth data will remain key in deciphering how low this cycle's terminal rate may be.
- **Politics** – Sheinbaum's popularity and amicable relationship with Trump might be severely tested amid the US' more aggressive rhetoric towards drug trafficking nations, emphasised by the recent conflict with Venezuela.
- **Tariff Policy** – Mexico's recent approval of up to 50% tariffs on more than 1400 goods (many from China) appears to have been a step in the right direction for a smooth USMCA review process. However, uncertainty regarding the agreement will likely remain high across H1.

## MEXICO: Persistent Core CPI Pressures Bolster Banxico Rate Hold Expectations

- Despite the slight downside surprise in H1 January, core inflation still rose further above Banxico's 4% target ceiling, which is likely to reinforce expectations that Banxico will pause its easing cycle next month. The shift in the committee's guidance, and indication from Deputy Governor Cuadra that the board needs to adopt a "wait-and-see" approach going forward, has all but confirmed a rate hold on Feb 5.
- Inflation rose on the back of the increase in excise taxes in January, which pushed up processed food prices. This offset a moderation in non-food goods inflation, lifting overall core goods inflation by 20bp to 4.51% y/y. Elsewhere, core services inflation also ticked up to 4.4% y/y amid higher housing costs and a seasonal increase in education prices.
- Looking ahead, the increase in tariffs on some Asian imports is likely to feed through to some non-food goods prices in the coming months, potentially lifting inflation higher near-term. However, weak domestic activity is still likely to weigh on services inflation later in the year, which should bring overall inflation gradually lower.
- Banxico will likely take time to assess whether this will ensure a convergence of inflation to the 3% target by Q3 26, however. According to the latest Citi survey, economists see it remaining on hold for the next two meetings, before cutting again in May.
- Prospects for a pause should continue to support the peso for now, with USDMXN holding near cycle lows below 17.50. Scope is seen for move towards 17.2393, a Fibonacci projection, and 17.00, which would represent an entire reversal to pre-election levels.



## BRAZIL: Lula Vows To Deepen Bilateral Ties With China

- President Lula has spoken with President Xi Jinping in a phone call, where they vowed to deepen bilateral ties, according to a report on Bloomberg. Lula said that Brazil is willing to promote greater development in relations with China, and said that the two countries are important forces for free trade. Meanwhile, Xi said that China's opening-up will create fresh opportunities for Brazil, according to Xinhua.
- In others news, Supreme Court justice Moraes has authorised Sao Paulo Governor Tarcisio de Freitas to visit former president Jair Bolsonaro in prison on Jan 29, according to local media. The visit comes as Freitas reiterated yesterday that he will run for re-election in Sao Paulo, adding that suggestions that he may run for the presidency are speculation. Recently, reports have suggested that Jair Bolsonaro sees Freitas' re-election as fundamental to the campaign against the PT party.
- Meanwhile, reports that Finance Minister Haddad would like his Deputy, Dario Durigan, to succeed him once he leaves the post in the coming weeks, has eased concerns about fiscal policy continuity.

- Against this backdrop, and with geopolitical tensions on Greenland easing, local assets remain buoyant, with the IBOVESPA rallying a further 7.5% this week and swap rates edging lower. USDBRL has also fallen to 7-week lows, testing support at 5.2880, the Dec 4 low. Below here, sights are on cycle lows around 5.26 and the 5.20 handle.

## CHILE: Another Cycle Low Reinforces USDCLP Bear Theme

- The Chilean peso has continued its impressive rally this week, prompting USDCLP to fall to its lowest levels since December 2023. The move leaves the pair 3.7% lower year-to-date and down by 10% over the last three months.
- The latest move saw the pair fall to as low as 866.40, just above next support at 865.80, the 1.382 projection of the Apr 9 - Jul 2 - Jul 30 2025 price swing. A clearance of this level would open the next support at 855.76, the 2.5 projection.
- Tailwinds for the peso have been well noted, including buoyant copper prices and optimism around the business-friendly policies of the incoming government. This week, incoming Finance Minister Quiroz said that his top priorities will include cutting corporate taxes, simplifying regulations and putting the public accounts in order.
- In addition, the central bank looks to be close to the end of its easing cycle, with the latest BCCh traders survey confirming expectations that it will remain on hold next week, with a final 25bp cut to 4.25% seen coming in April.

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