

## Latam Charts: Keeping Perspective

As the COVID-19 pandemic and Latam's response to it continue to evolve, we are also shifting our coverage of the region in response to requests from our readers. This report marks the first edition of our new *Latam Charts Weekly*. This pack of figures formerly appeared as an appendix to our flagship *Latam Weekly* report; it will henceforth be published as a standalone on a fortnightly basis between editions of the parent publication to provide an interim update to institutional investors and corporate clients. Both *Weekly* reports will continue to be posted on [ScotiaView](#) and on our public [website](#).

- We highlight six key things about the Latam-6 economies to keep in mind at the midpoint of Q4 as thoughts start turning toward 2021: (1) new COVID-19 numbers are declining in most of the region; (2) economic activity is set to continue recovering into 2021; (3) inflation should remain muted across the Latam-5 inflation targetters; (4) monetary policy is expected to remain stimulative well into next year; (5) the external balance of payments in most Latam countries has weathered the crisis well; and (6) the region's rates markets have come through 2020 with admirable resilience.

### SIX KEY THEMES ON THE LATAM-6

As we sit at the mid-point of Q4-2020 and begin looking ahead to 2021, our charts highlight six key themes that look set to animate the transition in Latam from this most unusual year to the new one ahead.

1. **COVID-19 numbers are surging in second and third waves in Europe, parts of Asia, and North America, but new case numbers are declining in much of Latin America.** Our Key COVID-19 charts on p. 9 show that Latam's COVID-19 curves are now substantially flatter than those in the US and Europe. Argentina's surge in COVID-19 cases during Q3 stands as the outlier amongst its Latam peers, though numbers have also moved up recently in Colombia.
2. **Economic activity is set to continue recovering robustly into 2021 in most Latam economies.** Our Key Economic Charts on pp. 3 and 4 show that monthly GDP proxies put the annual contraction in economic activity at less than -10% y/y in each of the Latam-6 as of September, with Brazil closest to a full recovery at -0.8% y/y. In 2021, we forecast growth to average 4.8% y/y in the Latam-6 compared with 4.0% y/y in the US.
3. **Inflation is forecast to remain muted in 2021 across the Latam-5 inflation targetters.** Headline inflation is set to average 3.35% y/y in the Latam-5, well below the group's average of 5.33% y/y for 2000 to the present. See chart 3 on p. 3. Argentina is, of course, the exception, with headline inflation set to stay at nearly 43% y/y in 2021.
4. **Monetary-policy rates in the Latam-5 inflation targetters should be on hold well into 2021.** Although real rates are now well into negative territory in four of the Latam-5, with Mexico the one exception (see p. 3), muted price

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pressures mean that we expect the region's inflation-targeting central banks to keep their key policy rates unchanged until at least Q2-2021, with Brazil's BCB expected to lead the normalization of policy with a first hike at that point. Colombia's data-dependent BanRep is projected to make a first rate increase in Q3-2021; central banks in Chile and Peru are forecast to remain on hold until Q4-2021; and Mexico's Banxico isn't expected to hike until early-2022. See our November 14 [Latam Weekly](#) for our full forecasts. Again, Argentina is an outlier having just implemented a 200 bps increase in the BCRA's benchmark Leliq rate in response to headline inflation at over 3% m/m.

5. **External accounts have weathered the crisis fairly well as currencies been allowed to act as shock absorbers.** In contrast with past crises, Latam's authorities allowed their currencies to depreciate by as much as -25% (see chart 21, p. 8) this year as international capital flows pulled back and global commodity demand fell. As a result, current account balances and FX reserves have remained stable, as our charts on p. 4 highlight. That said, part of the stability in reserve coverage has been a by-product of much reduced domestic demand and smaller import flows even with substantial fiscal support.
6. **Latam's rates markets have come through 2020 with admirable resilience.** Across the Latam-5 inflation targetters, our Key Markets Charts on pp. 5 through 8 underscore that long-term rates remained well-anchored this year as curves bull-steepened in response to policy-rate cuts. Across the Latam-5, 2s10s spreads have pulled back notably from their widest points at the onset of the pandemic; even with the recent onset of political turmoil in Peru, its 2s10s spread has remained just under its average of the last five years. CDS spreads have retraced about three-quarters of their H1-2020 sell-off (chart 18, p. 7) and even 10-year credit spreads have narrowed by up to 80% from their widest levels in Q2-2020 (chart 24, p. 8).

## Key Economic Charts

Chart 1

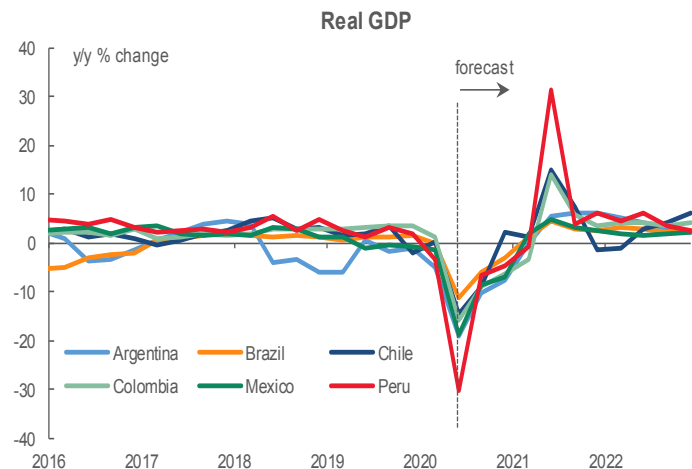


Chart 2

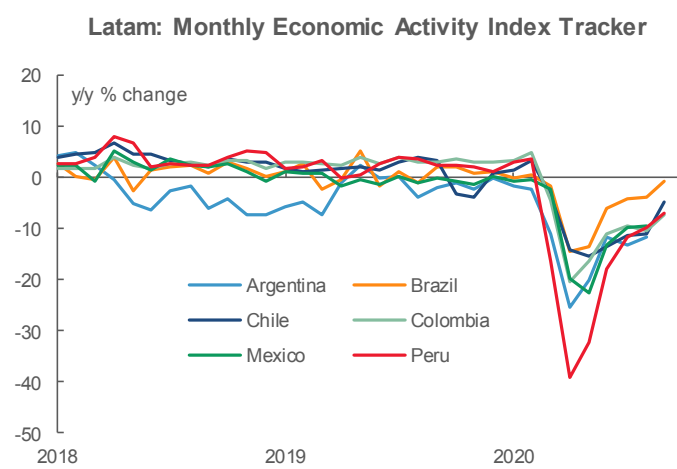


Chart 3

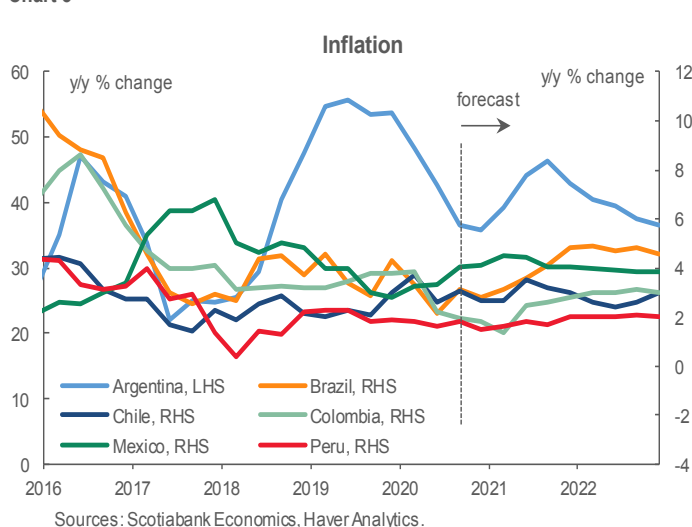


Chart 4

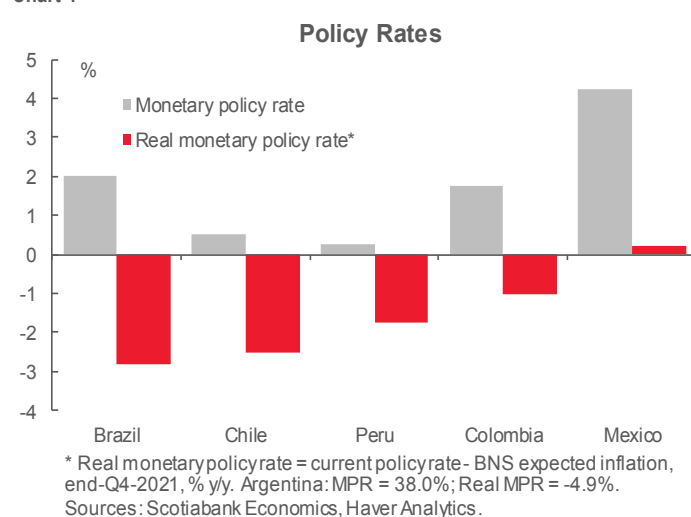


Chart 5

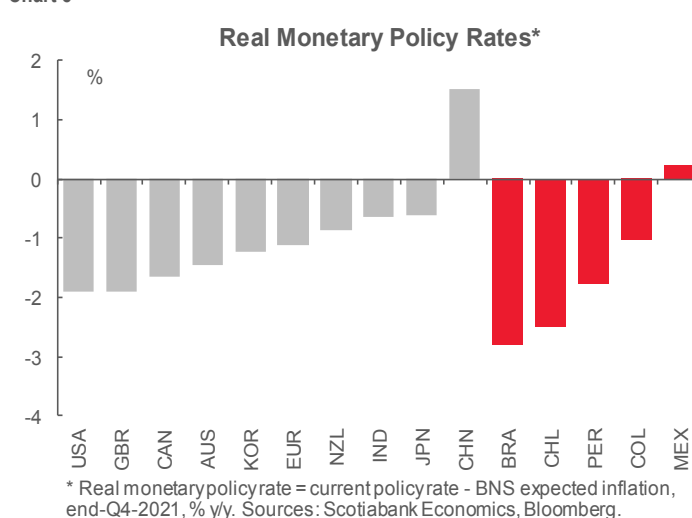
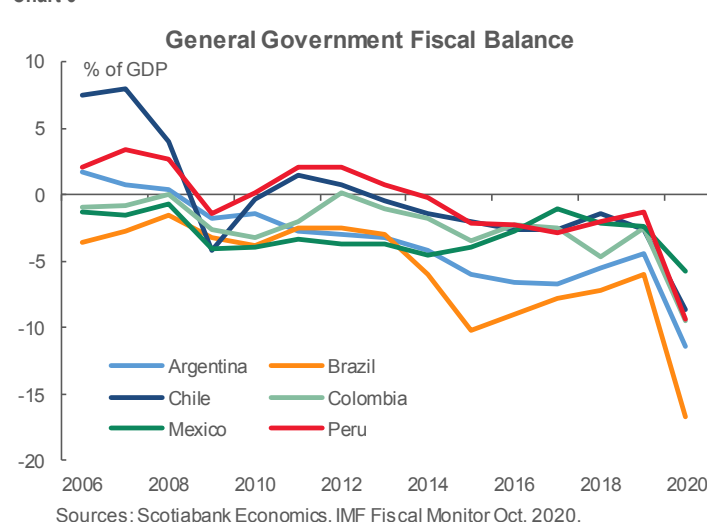


Chart 6



## Key Economic Charts

Chart 7

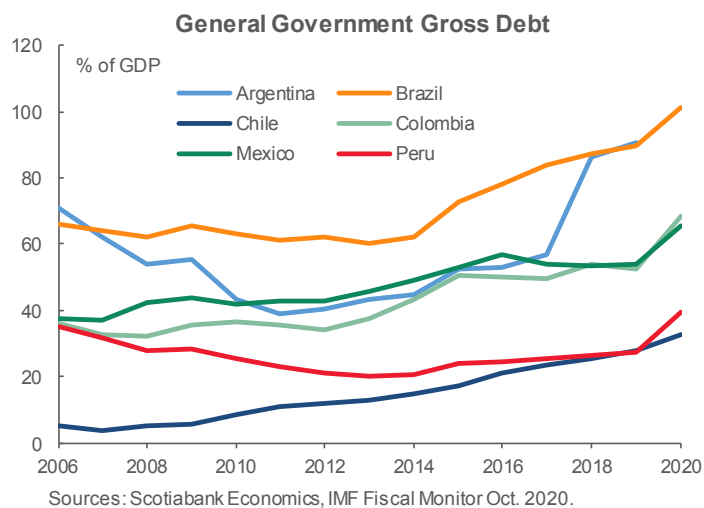


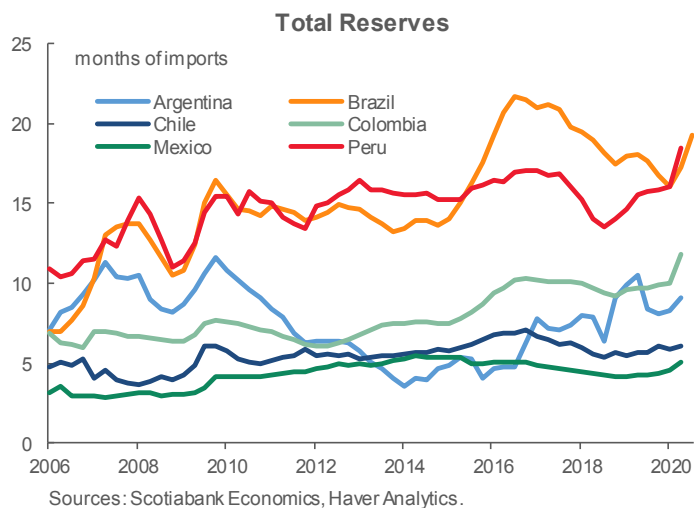
Chart 8



Chart 9



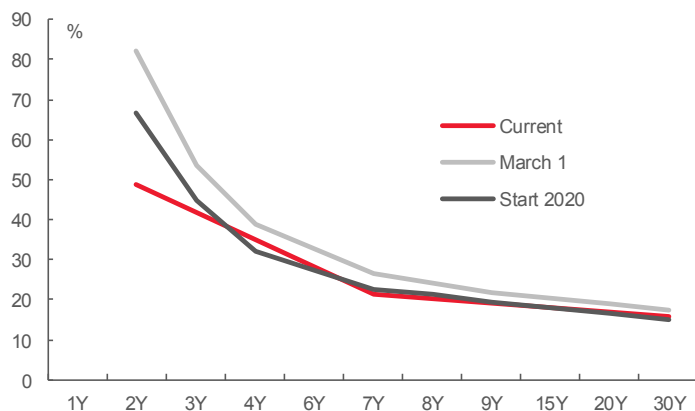
Chart 10



## Key Market Charts

Chart 1

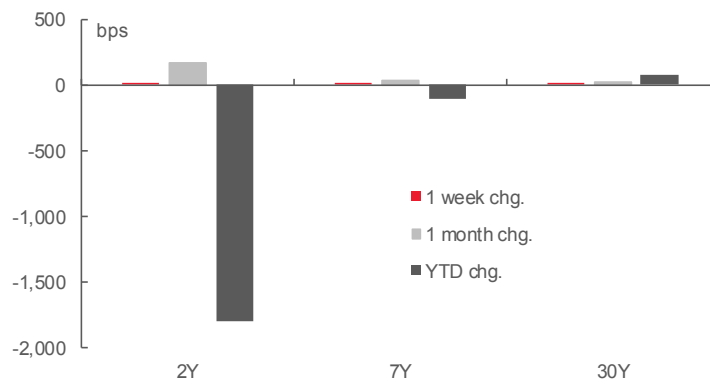
Argentina: USD Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 2

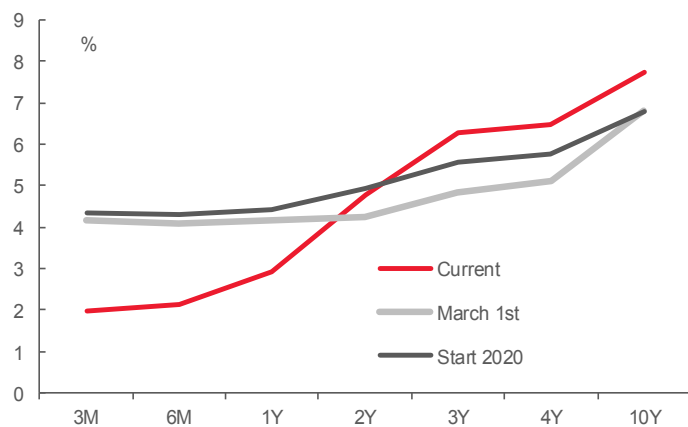
Argentina: USD Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 3

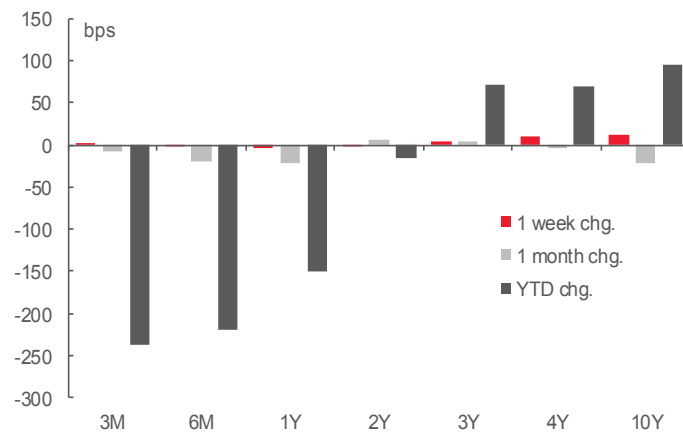
Brazil: NTN Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 4

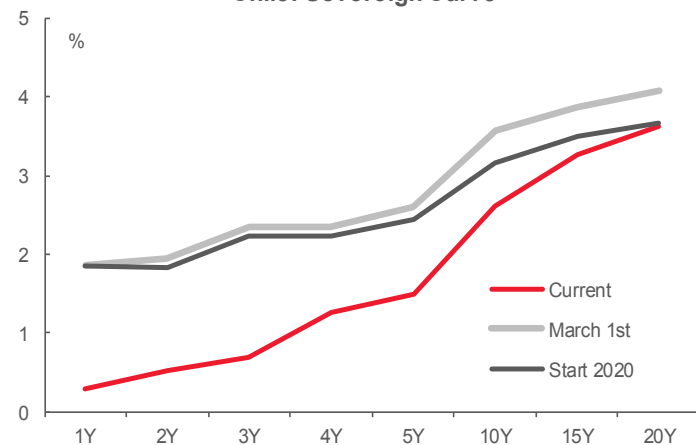
Brazil: NTN Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 5

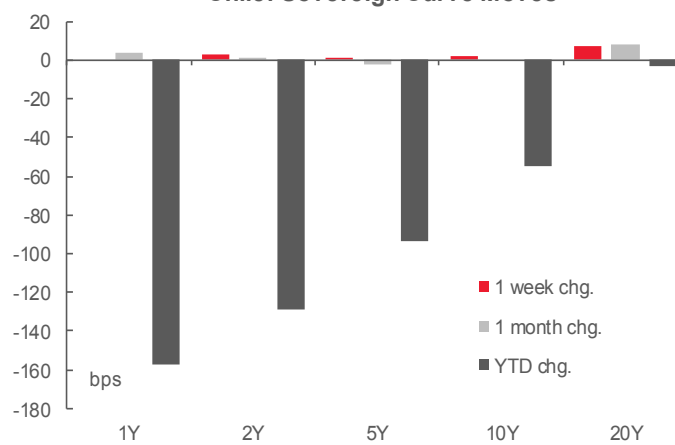
Chile: Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 6

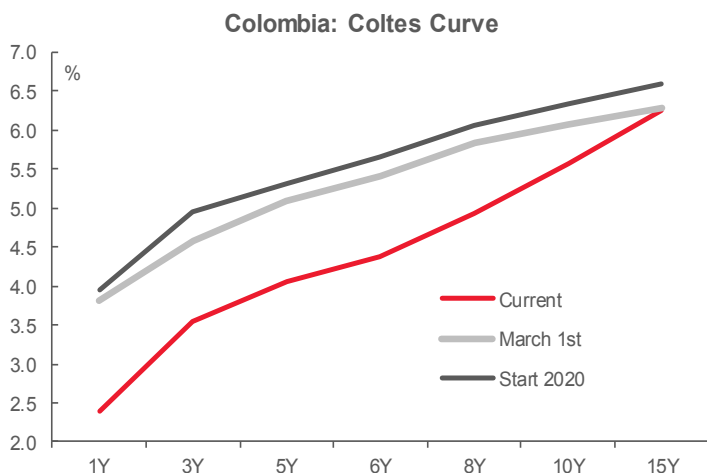
Chile: Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

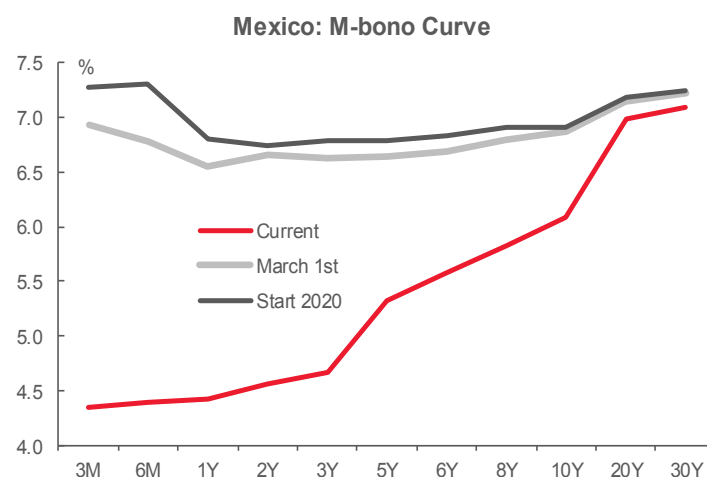
## Key Market Charts

Chart 7



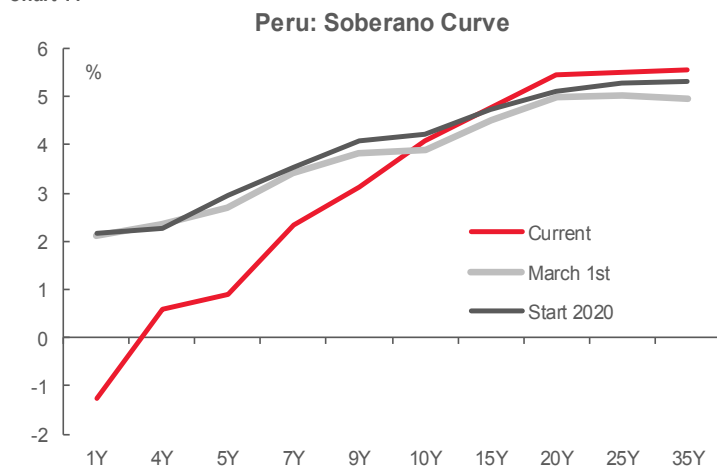
Sources: Scotiabank Economics, Bloomberg.

Chart 9



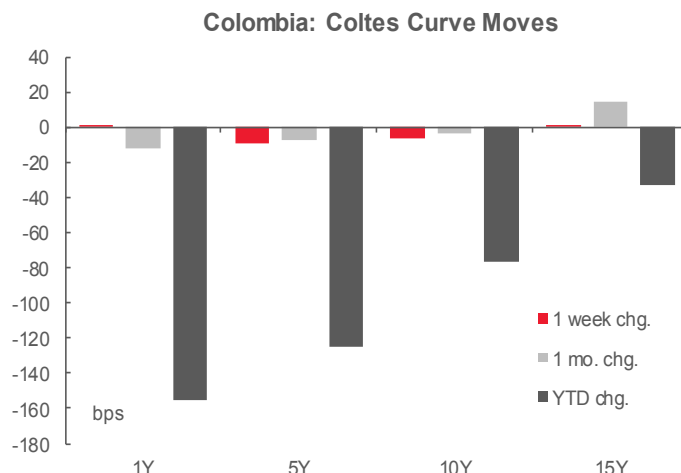
Sources: Scotiabank Economics, Bloomberg.

Chart 11



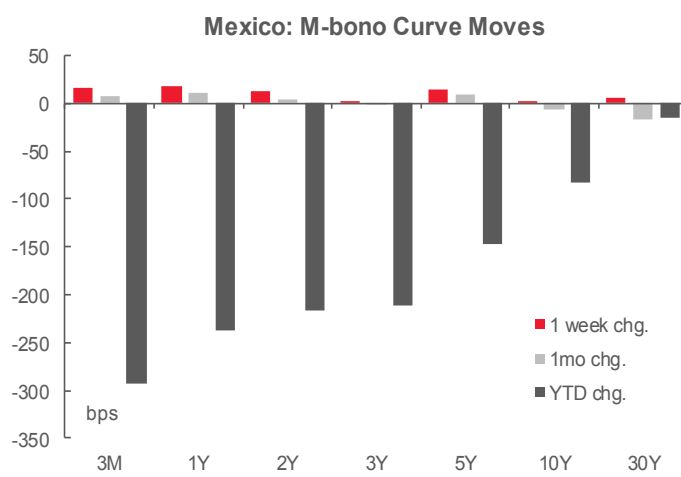
Sources: Scotiabank Economics, Bloomberg.

Chart 8



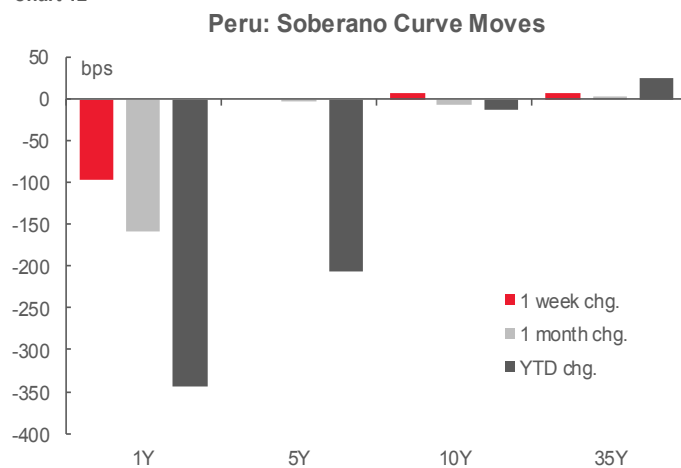
Sources: Scotiabank Economics, Bloomberg.

Chart 10



Sources: Scotiabank Economics, Bloomberg.

Chart 12



Sources: Scotiabank Economics, Bloomberg.

## Key Market Charts

Chart 13



Chart 14

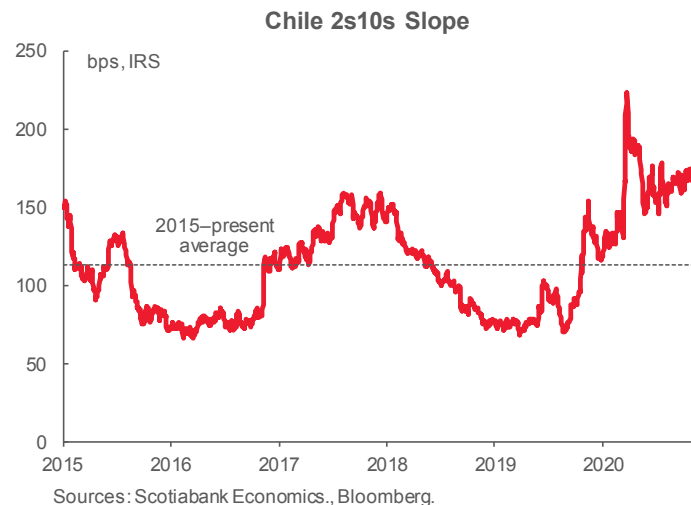


Chart 15



Chart 16

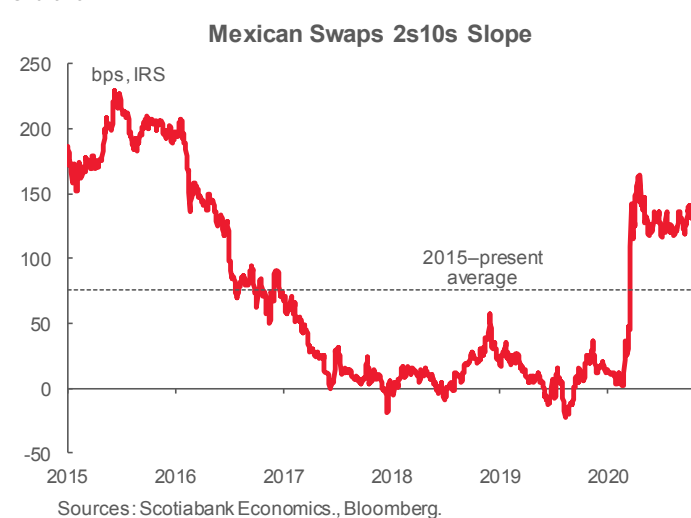
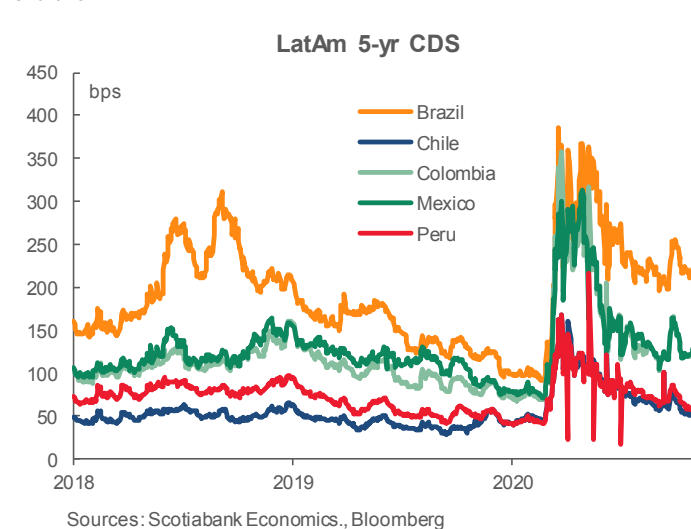


Chart 17



Chart 18



## Key Market Charts

Chart 19

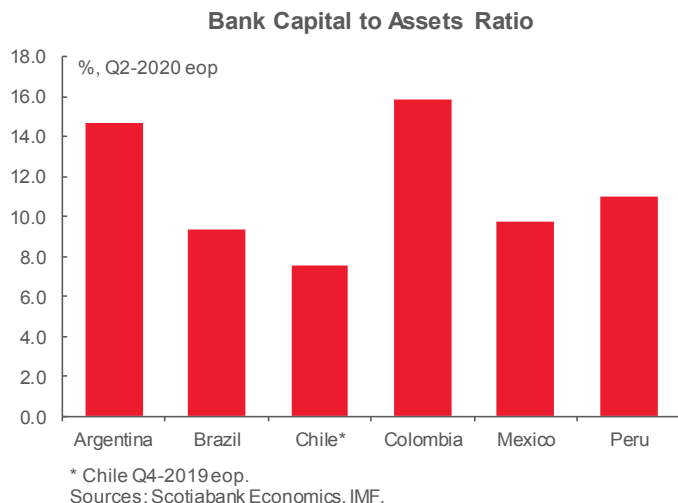


Chart 20

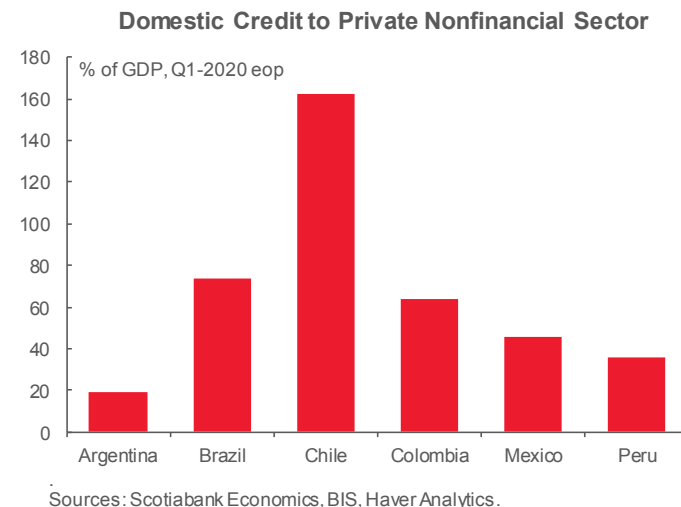


Chart 21

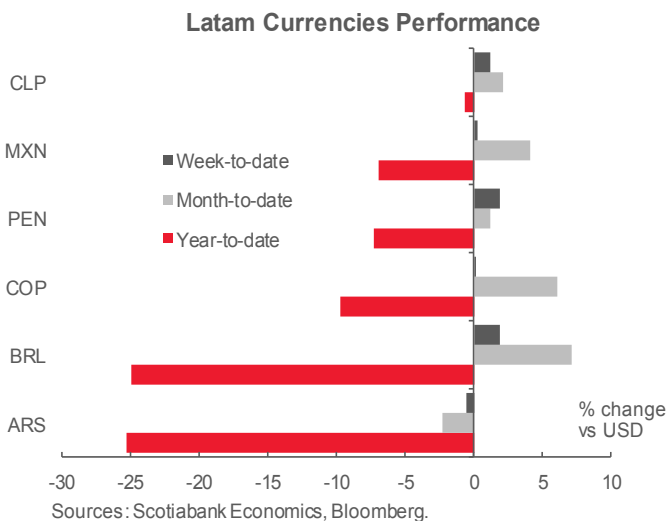


Chart 22

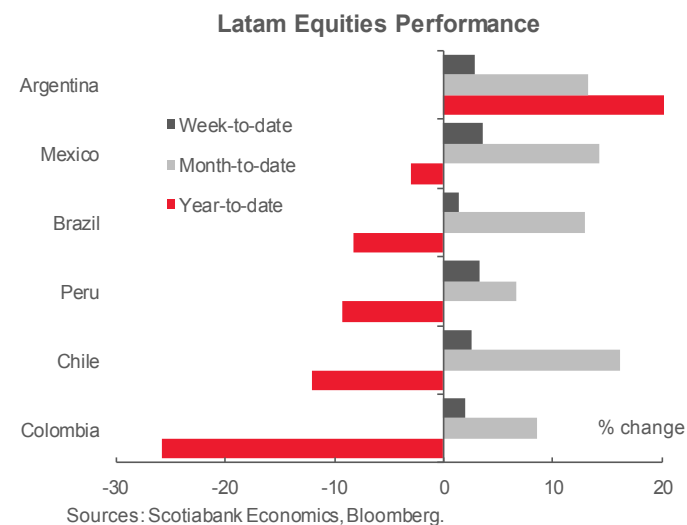


Chart 23

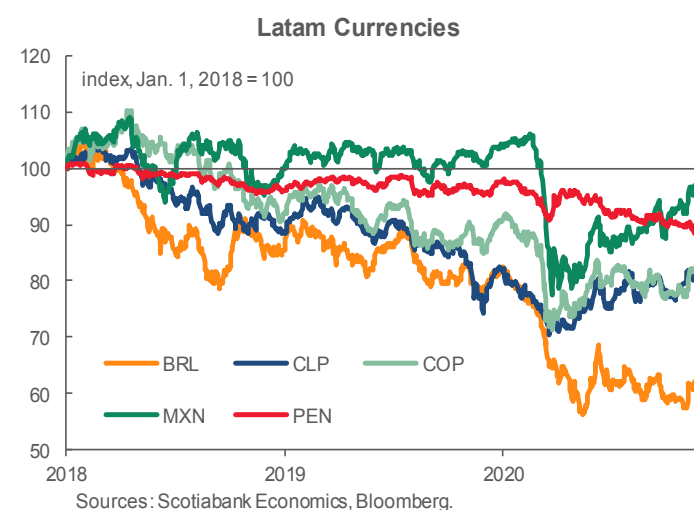
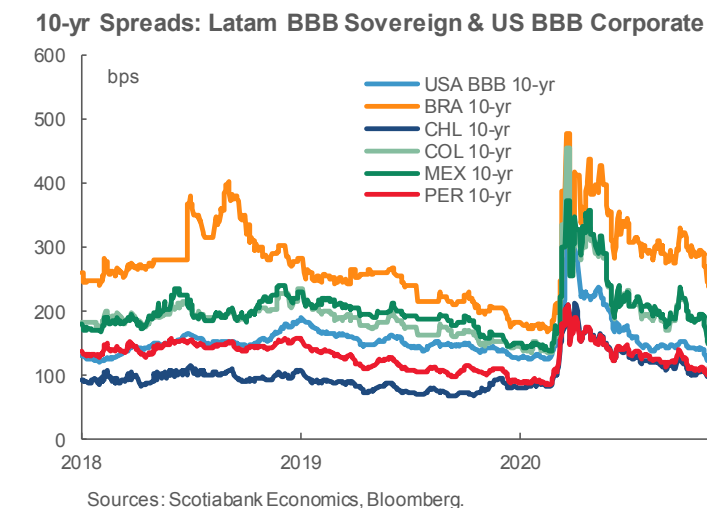


Chart 24

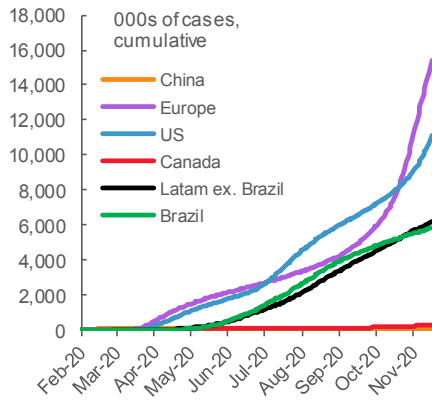




## Key COVID-19 Charts

Chart 1

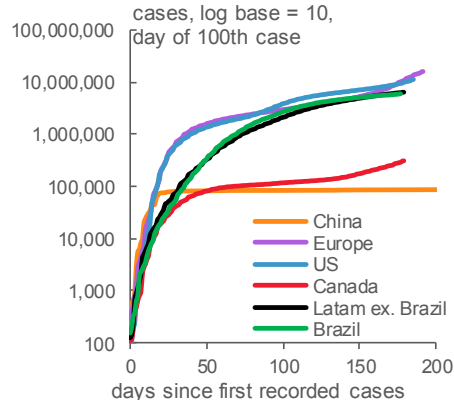
Global COVID-19 Cases, Johns Hopkins Data



Sources: Scotiabank Economics, Johns Hopkins University.

Chart 2

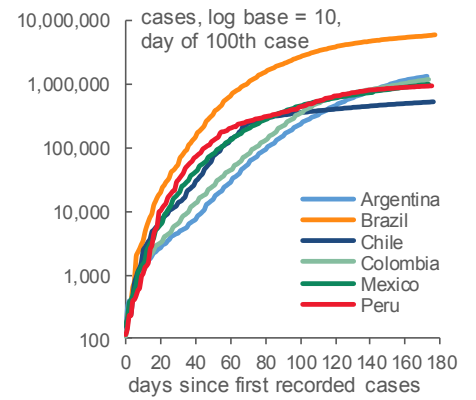
Cumulative COVID-19 Cases: Brazil and Latam in Tandem



Sources: Scotiabank Economics, JHU.

Chart 3

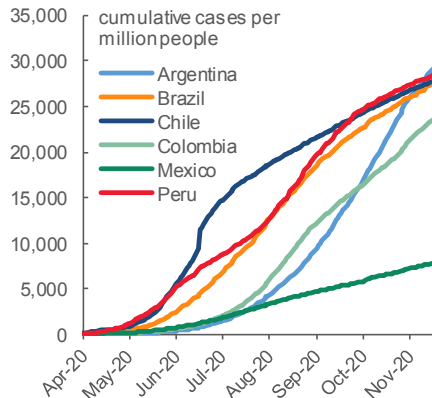
Cumulative COVID-19 Cases: Latam's Divergent Curves



Sources: Scotiabank Economics, JHU.

Chart 4

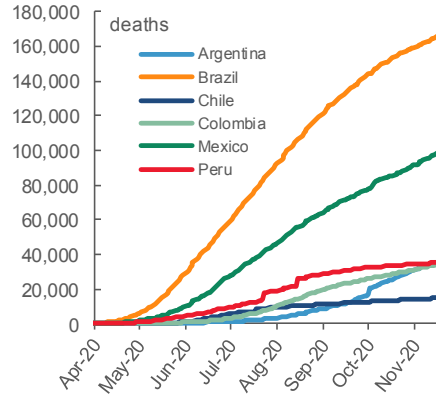
Latam Population-Adjusted COVID-19 Cases, Johns Hopkins Data



Sources: Scotiabank Economics, Johns Hopkins University, United Nations.

Chart 5

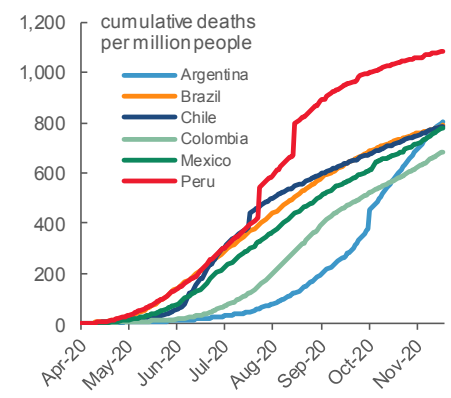
Latam Cumulative COVID-19 Deaths, Johns Hopkins Data



Sources: Scotiabank Economics, Johns Hopkins University.

Chart 6

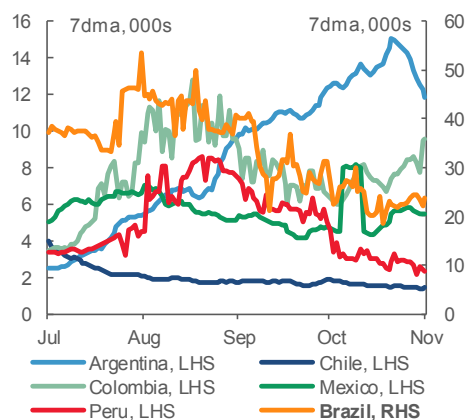
Latam Cumulative COVID-19 Deaths, Johns Hopkins Data



Sources: Scotiabank Economics, Johns Hopkins University.

Chart 7

Trend in Latam Daily COVID-19 Cases



Sources: Scotiabank Economics, Bloomberg.

## Scotiabank Economics Latam Coverage



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