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Latam Daily: Quiet Latam; Peru GDP Recap

- **Peru: November GDP growth of 0.3% was encouraging yet unconvincing at the same time**

Markets again have a risk-off feeling to them, but on relatively limited or mixed drivers. Trump smashed the opposition in the Iowa caucus, but that shouldn't be a surprise despite doing better than expected. Middle East/Red Sea risks continue to grow, and central bankers are starting to highlight how this is a risk to recently encouraging inflation data due to supply chain disruptions. Chinese authorities are reportedly readying USD140bn in ultra-long special bond issuance in the second half of the year for stimulus purposes, but these headlines came and went for markets.

The UST curve opened cheaper and then cheapened further in early-Asia and then in early-Europe to have US yields about 6bps higher across the curve with no clear bias, opposed to stronger steepening gilts and EGBs. US equity futures are off about 0.5%, roughly matching the losses in cash FTSE but worse than ESX's 0.3% drop. Crude oil is mixed to stronger, especially in Brent, while copper is up 0.8% and iron ore gains 1.5%.

The USD is having a very strong day where the gains picked up some more over the past hour to have the greenback 0.5% or more stronger against all major currencies. The broad Bloomberg dollar index is now at its strongest since mid-December which was right around when US yields took another dive on the Fed's dovishly-perceived hold.

The MXN is among the worst performers on the day as it tracks a 0.9% drop, weighed by the weakness in high-beta FX on risk-off sentiment but also the rise in US yields. A Pemex board member calling for some of the company's debt to become public may not be helping either. The MXN has been here before since the start of the year, through the 17 pesos mark, to then manage gains as buying pressure emerges above the figure; let's see if that holds again today though the broad dollar backdrop is not encouraging.

There's not much to follow in Latam today. Data-wise, Brazilian services volume figures for November are the only release, with economists expecting a 0.4% m/m rise after a 0.6% contraction in October. BanRep's economists survey results due for publication today may show a greater share of economists favouring a larger cut at the bank's rate decision on the 31st; we expect a 50bps reduction. Colombia's Pres Petro and Fin Min Bonilla speak in Davos today. Canadian CPI and central bank speakers are the G10 highlight.

—Juan Manuel Herrera

PERU: NOVEMBER GDP GROWTH OF 0.3% WAS ENCOURAGING YET UNCONVINCING AT THE SAME TIME

GDP rose 0.3% y/y in November. Yes, that's right, growth was positive. This hasn't happened since April and, although recent data had suggested November growth would be mildly positive, this was not evident until then.

Ironically, the sectors that led in growth included sectors that had been severely affected by severe weather earlier in the year, namely fishing, up 61% y/y (versus -11.4 YTD) and agriculture, which rose 1.2% y/y in November (-3.6% YTD). Mining also contributed, rising 10.6% y/y (8.0% in conjunction with oil & gas), although this was similar to its performance throughout the year.

The fact that GDP growth was up 0.8% in month-on-month terms was also encouraging, although one cannot call this a trend reversal until sectors linked to domestic demand begin to participate. Which is still not happening. In fact, the downside to November's numbers was the persistent decline in sectors linked to domestic demand. Industrial

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manufacturing no longer declined the 8%–9% of previous months, but the improvement has yet to be significant. The decline in construction GDP growth was also persistently high, and just a hair lower than previous months.

In short, growth in November relied nearly exclusively on resource sectors, while those sectors most linked to domestic demand continued weak. Until this changes, GDP growth will continue to be weak. Although, base comparisons will begin to help starting quite early in 2024.

—Guillermo Arbe

Table 1: Peru— GDP Growth by Sector—November		
GDP Growth	%y/y	% m/m
1. PBI	0.3	0.8
2. Agriculture	1.2	4.4
3. Fishing	61.0	-14.3
4. Mining and Oil & Gas	8.0	3.8
5. Industrial Manufacturing	-6.7	na
6. Electricity and Water	0.7	-0.7
7. Construction	-8.1	0.5
8. Retail	1.3	0.1
9. Telecom	-4.5	-0.6
10. Transportation	1.5	0.6
11. Business Services	-0.9	0.0
12. Hospitality	0.0	0.3
13. Financial Services	-5.3	1.1
14. Government Services	3.3	N/A
Sources: Scotiabank Economics, INEI.		

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