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Latam Daily: Colombian Macro, Peru Cabinet Shuffle

US Treasuries are unwinding yesterday's second-round losses post US CPI (remaining very wounded) to bull steepen this morning alongside EGBs and gilts—with the latter massively outperforming on softer-than-expected UK inflation data this morning. Overnight developments were limited, only some jawboning by Japanese officials on the weak JPY and its speed of depreciation. Eurozone Q4 GDP revisions were a non-event, but the release came with an acceptable (but still soft) 0.3% q/q increase in employment. The G10 day ahead is very quiet with no key data out of the US nor Canada, while we await BoE Gov Bailey and other speakers from the ECB and Fed.

The risk tone is in better shape today, but looking mostly like a trimming of losses rather than reflecting a clear improvement in sentiment. SPX futures are up 0.5%, outperforming Eurozone indices but lagging the UK's. The FX space is mixed as the EUR and the GBP lose ground while high-beta FX like the NOK, MXN, and CAD outperform but remain well shy of their pre-US CPI levels. Commodities are mixed, with oil and copper flat against 0.5% higher iron ore.

Today's Colombian data releases kick off a busy two-day period of Latam figures. At 10ET, industrial/manufacturing production, retail sales, and imports/trade balance data (all for December) are due for release—to be followed by Dec/Q4 GDP data on Thursday. Our team expects another couple of sizable negative year-on-year prints for manufacturing output and retail sales, in line with consensus for the former (at -5.1% vs -5.3% median) but much more pessimistic for retail sales (at -6.1% vs -2.3% median). A retail industry survey showed that 80% of businesses polled reported flat or lower sales when compared to December 2022, with cautious consumers—especially in purchases of motor vehicles, furniture, appliances, and computers.

Yesterday evening, Peru's President Boluarte replaced four cabinet ministers, namely Contreras at the Fin and Econ Min and Vera at the Energy and Mines Min for Arista (a very brief holder of the same post in 2020) and Mucho, respectively. The writing has been on the wall for Contreras' resignation, which he presented yesterday, as in early-2024 Boluarte had met with Carranza (Fin Min in 2006-08) and Arista, his now replacement, and there were even reports then that Contreras had tendered his resignation. Contreras leaves behind an economy in recession, ahead of December GDP data out tomorrow that we expect will show little, to no, to slightly negative growth—after eight of eleven negative prints in the year-to-November. We'll see whether Arista can have a material impact on Peru's economic or fiscal path, but Peruvian growth conditions have already begun to look less bad and he may just be set to ride improved momentum already in place. As far as we know with little information at hand, this shouldn't have a material impact on Peru's fiscal trajectory, but we're keeping an eye on whether Arista follows through on Contreras' pledge that the government will make Petroperu's payments to bondholders (he very likely will). Still, the key agent of stability and confidence in Peruvian assets remains in his post, BCRP Pres Velarde.

—Juan Manuel Herrera

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