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Latam Daily: Banxico MPR; Peru CPI Preview**Peru: Inflation would remain close to the upper limit of the target range**

Rangebound Treasury markets stand in contrast to risk-off equities, currencies, and commodities on limited global drivers. Assets may be hurting from a slide in Chinese equities that over the past week have failed to extend their February rally. Month-end flows may be playing a role here as well after a strong February for EU and US equities—but the USD strength and rates selloff over the month is not being obviously challenged today. G10 markets await Q4 US GDP/PCE revisions at 8.30ET and Fed and BoE speakers.

A dovish RBNZ and a miss in Australian inflation had little impact on broad trading but sharply hit the NZD and AUD that lag all majors in a sea of red against the USD; the MXN is down 0.2%, reversing Tuesday's gains. Global rates curves are little changed with small bids, especially in the short-end, digesting EGB and gilt supply. Crude oil prices are down about 1% after China's CNPC said it expects a significant slowdown in domestic oil demand growth on EVs' growing share and a normalization of post-pandemic demand growth. Iron ore is down 1.2% and copper is off 0.6%.

Today's Latam calendar has January Chilean unemployment data at 7ET and the release of Banxico's quarterly report at 14ET as the highlights; meaning, it's relatively quiet. We expect Chile's jobless rate to hold at 8.5%, with little consequences for markets on a small beat or miss (the median sees it at 8.6%). Colombia's FinMin/BanRep's Bonilla and BanRep Gov Villar give testimony to the lower house on fiscal and economy matters. We've heard plenty of them of late, however, so don't expect many surprises regarding the possible monetary policy path.

Banxico's quarterly report will help us get a better sense of how officials perceive the risks to their inflation goal, presenting their outlook for the economy after a disappointing end to 2023 on the growth front. Aside from Banxico's assessment, we're keeping an eye out for reports on possible policy announcements ahead of tomorrow's visit by Biden and Trump to the US-Mexico border, as US (and Canadian) officials are pressured to tighten immigration/visa requirements on the southernmost USMCA partner. Rhetoric and tit-for-tat trade and immigration moves may ramp up ahead of the June and November Mexican and US elections, respectively, with Mexican assets the most at risk.

—Juan Manuel Herrera

PERU: INFLATION WOULD REMAIN CLOSE TO THE UPPER LIMIT OF THE TARGET RANGE

We expect February inflation to be close to +0.50% m/m in our updated approach, above the average of the last 20 years (+0.30%), so the inflation trend would point to 3.2%, close to upper limit of the target range (between 1% and 3%). Core inflation would remain within the target range, at the upper limit (3.0% y/y).

Although inflation is under control, we still do not see enough slack to think about a scenario of faster declines in interest rates. At least not for now. We believe that the BCRP will prioritize a cautious attitude, since starting in March we expect inflation to enter the target range with greater conviction. Likewise, we see that liquidity and loans began the year with tighter pace.

February inflation would reflect the impact of a new supply shock, such as the presence of avian flu again, which has been putting upward pressure on poultry prices and moderate increases in local fuel prices. The climatic conditions associated with El Niño, which had a weak intensity in January, have changed to a moderate intensity in February, which has been reflected in increases in vegetable prices, although contrasted with a decrease in the prices of fruits. We are keeping our inflation forecast of 2.4% for the year-end.

—Mario Guerrero

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