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Latam Daily: Peru GDP and Colombian Macro

Markets are reversing a good deal of Friday's risk-off rally after Iran's barrage on Israel on Saturday was thwarted with limited impact, as attention now turns to how Israel responds and whether we go into a cycle of tit-for-tat retaliation. There were few other weekend/overnight developments of note, while the G10 day ahead only has US retail sales at 8.30ET and a few central banker speeches on tap.

USTs, EGBs, and gilts are all roughly evenly offered across the curve by about 3/4bps, accompanied by a rolling back of the late-week reduction in cut bets. Risk-on with 0.5% gains in US equity futures and a 1% rally in Euro Stoxx are helping currencies gain on the dollar on a relatively broad-based rally that is well shy of undoing Friday action; the MXN is leading the majors, up 0.4%, holding above the mid-16s. A 1%+ decline in crude oil (with WTI at lowest since early-April) is going mostly unanswered in the rates space. At the other end, we have a solid bid of about 1% in iron ore, copper, and aluminium, with the latter two off their best levels in early-trading on UK/US sanctions prohibiting Russian metal supplies to the LME and CME.

We start the Latam week with some important data releases in Peru—February GDP and January unemployment—and Colombia—industrial/manufacturing production, retail sales, and BanRep's economists survey. Our team in Peru outlined their expectations for today's 11ET GDP print in the [Latam Weekly](#), seeing a 2.6% y/y expansion (vs Bloomberg median at 2.1%). Peru's economy does seem to be recovering, but the February GDP print exaggerates the rebound, as an extra day in February 2024 helps, and so does the low base due to social unrest twelve months prior. Pension withdrawals should support aggregate spending, though a non-board BCRP official (Montoro, mon-pol manager) said on Friday that they are not expected to impact inflation as high-income withdrawals may be invested elsewhere instead of spent.

Colombian industry and retail data are expected to show continued improvement in year-on-year readings towards smaller negative prints. However, industrial output levels have remained practically unchanged since last summer and retail volumes only started picking up in late-2024. As for BanRep's economists survey, the March edition had the median expecting an 8.25% policy rate at year-end with estimates skewed towards a higher policy rate; considering recent caution by local and global central bankers, we may see this revised higher. On Friday, BanRep Gov Villar said "big surprises can generate nervousness and significant changes in the direction of capital flows", so we will likely see officials going with what is priced in ahead of its upcoming meetings.

Aside from the data and the survey releases, keep an eye on the reaction in markets to President Petro's latest comments, saying yesterday that private pension funds may go bankrupt in the near term if Congress does not approve the government's pension reform bill—as he claims Colombians would move to the public pension system, Colpensiones.

—Juan Manuel Herrera

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