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Latam Daily: BCRP Decision, Banxico Minutes; Mexico CPI Recap

• Mexico: Headline inflation decelerates in September as food prices pull back

It was a relatively quiet Asia session, going into an uneventful European morning while global markets await the release of US CPI data at 8.30ET. The PBoC opening its swap liquidity facility for stock buying triggered solid gains of about 3% in HK and mainland equities but SPX futures and European indices are trading slightly weaker. In the FX space, there's an even number of winners and losers against the USD with no clear risk-on or -off feeling to overall markets. It's in rates markets that we have the biggest moves today, with gilts cheaper by 3–4bps across the curve (rather evenly) on no obvious catalyst but perhaps just the continued fiscal negativity surrounding UK debt, while EGBs are bear flattening and USTs trade little changed at all tenors.

There's a few items to monitor in Latam today, starting with the BCCh's economists survey at 7.30ET followed by Brazilian retail sales at 13ET, Banxico's September meeting minutes at 11ET, and finally the BCRP's rate announcement at 19ET. Chile's economists survey will likely show the median expecting a 25bps cut next week, though some may now be projecting a 50bps move after Tuesday's 'miss' in inflation—though we see it as mostly volatiles-driven.

As for Banxico's meeting minutes, there will be a clear split between the 4 that supported the 25bps rate cut and the 1 (Heath) that preferred a rate hold. The main thing to watch will be whether there's any appetite among the cutters to upsize rate cuts, but for now a 25bps pace looks the most appropriate. In Mexico, the Lower House approved overnight Pres Sheinbaum's move to reclassify PEMEX and CFE (electricity utility) as "public companies", i.e., turning them from profit maximization to objectives more aligned with the government's social or economic ambitions.

Tonight, we expect that the BCRP will reduce its reference rate by 25bps to 5.00%; only 1 of the 11 economists polled by Bloomberg anticipates a hold. CPI data for September released last week ([see here](#)) surprised to the downside in headline and core terms, clearly allowing additional easing by Peru's central bank. Maybe don't expect a dovish message, however, as September's 1.8% inflation print likely marked the near-term low for prices growth before rebounding into year-end—and as early GDP indicators for August point to another strong month for growth, somewhere between 3.5% and 4.0%.

—Juan Manuel Herrera

MEXICO: HEADLINE INFLATION DECELERATES IN SEPTEMBER AS FOOD PRICES PULL BACK

In September, inflation fell to 4.58% from 4.99% (vs. 4.62% consensus in the Citibanamex Survey), core inflation moderated to 3.91% from 4.0% (vs. 3.94% consensus). Merchandise decelerated to 2.92% (3.02% previously), and services 5.10% (5.18% previously). On the other hand, non-core inflation showed a sharp deceleration of 6.50% (8.03% previously), with agricultural inflation standing out, which fell 6.76% (9.45% previously). In its monthly comparison, general inflation rose just 0.05% (0.01% previously, 0.09% consensus), the core component 0.28% (0.22% previously, 0.31% consensus) and non-core inflation fell -0.72% (-0.70% previously).

This lower-than-expected print is mainly due to the drop in prices of the most volatile components, especially fruits and vegetables (-3.43% m/m), which have been affected by weather phenomena and problems in the local supply chain. Given the recent hurricanes, we could see some rebound in these components in the coming weeks. The good news

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comes from core inflation, which continues to decelerate, albeit at a slow pace, supported by the slowdown in merchandise prices, although services remain high in its three components (housing, education and other services). Despite the slowdown, we expect Banxico to maintain a cautious stance and continue cutting by 25bps for the two meetings remaining this year.

Chart 1

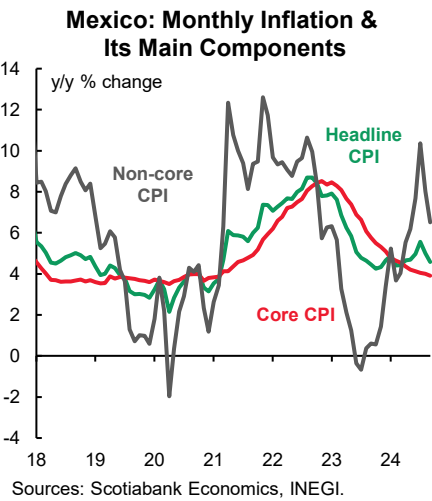


Chart 2

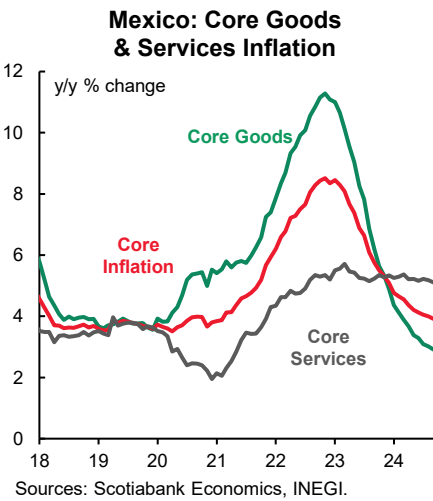
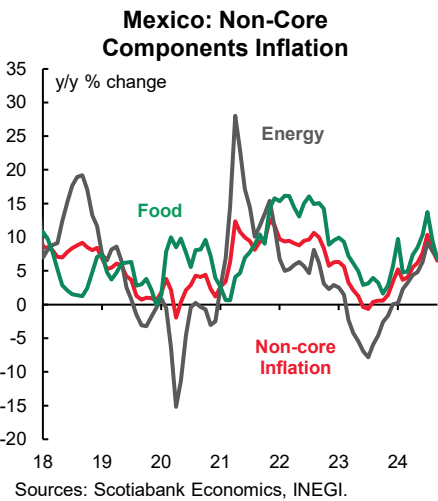


Chart 3



—Brian Pérez & Miguel Saldaña

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