

LATAM Market Update

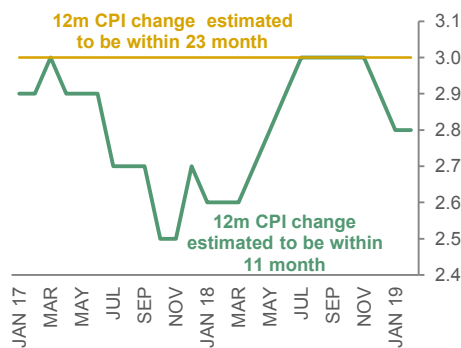
- **Chile: Lower growth plus lower inflation implies lower MPR, but does not imply lower asset prices**

The BCCh monthly survey about forecasts of several macro and financial variables was released yesterday. I think the most interesting part is the view of the market about inflation, monetary policy and activity growth. Though is far from being foolproof, it marks the mood of the market, which is later considered by private forecasters and even policy makers. What's new this month?

First, to note that dispersion of inflation estimated for the current year remains relatively high with the median at 2.7% (vs. 2.8% a month ago). Diverging from this, inflation deduced from market process has been showing an expectation closer to 2.5%. Part of the correction, as said, may have to be with the change in the basket used to calculate inflation and the relative low result last month. Though most of the market continues expecting 3% inflation for 2020, the percentage of that decreased to 61.5% (from 73% in January) with a shift to a lower level (those thinking of 2.9% or less are 27% vs. 19% last month). In an even more general view, considering the monetary policy standard horizon (close to 24 months in Chile) ¾ of those surveyed think annual inflation is going to reach 3%, a smidgen higher than the 73.1% that supported that call last month.

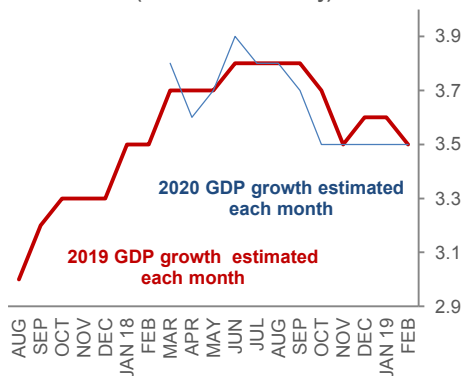
As far as growth is concerned, there is a less optimistic perspective. The median estimated for the current year was reduced from 3.6% to 3.5%. Most of the market (28%) continues expecting growth of 3.5%, but proportion forecasting less than that increased from 25% to 36%. For 2020 the median continues at 3.5%.

12 month Expected Inflation within 11m & 23m
(median of the monthly survey)



Sources: Scotiabank Economics, Central Bank of Chile (BCCh).

Expected Economic Growth for 2019 & 2020
(median of the survey)



Sources: Scotiabank Economics, Central Bank of Chile (BCCh).

CONTACTS

Eduardo Suárez, VP, Latin America Economics
52.55.9179.5174 (Mexico)
Scotiabank Economics
eduardo.suarez@scotiabank.com

Guillermo Arbe
511.211.6052 (Peru)
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

Mario Correa
52.55.5123.2683 (Mexico)
Scotiabank Mexico
mcorrea@scotiabank.com.mx

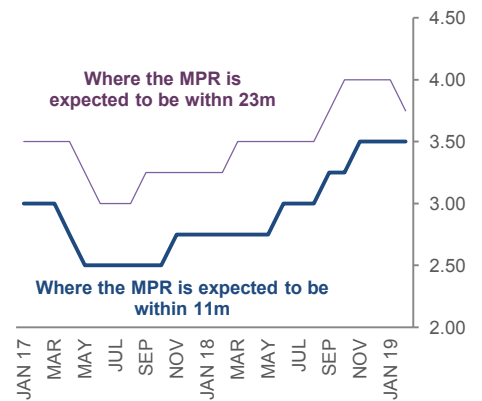
Sergio Olarte
57.1.745.6300 (Colombia)
Scotiabank Colombia
sergio.olarte@co.scotiabank.com

Benjamin Sierra
56.2.2619.4974 (Chile)
Scotiabank Chile
benjamin.sierra@scotiabank.cl

About monetary policy, 98% expects no change in the MPR (currently at 3%) on March 29th. Percentage expecting a rise in coming 5 months decreased from 56% to 50%. The median for the year-end MPR fell from 3.5% to 3.25%. In a 23 months horizon, the median decreased from 4% to 3.75%.

Summing up, the market became softer, which seems pretty consistent with moderation in international conditions, domestic growth expectation and lower inflation pressures (including those coming from the new basket). Accordingly, though volatility coming from the monetary policy has not quite faded, should be less intense and if that is not happening with a backdrop of plunging growth, it usually is a plus for most assets prices.

MPR Level Expected within 11m & 23m



Sources: Scotiabank Economics, Central Bank of Chile (BCCh).

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.