

LATAM Market Update

- **Mexico: Banxico holds rates steady at 8.25%**
- **Peru: Conflict around MMG's Las Bambas copper mine heats up**

MEXICO: BANXICO HOLDS RATES STEADY AT 8.25%

On Thursday, Banxico's Board of Governors decided, in a unanimous decision, to hold the overnight interbank rate at 8.25%, in line with market expectations. According to Banco de México's press release, Mexican output continued to show a modest growth at the beginning of 2019, due to a persistent slowdown in world economic activity, a weaker domestic demand and some transitory factors that could have affected growth in the first quarter of the year. Even though annual headline inflation decelerated from 4.37% in January to 3.95% in the first fortnight of March, due to a decrease in the non-core component; the Board continues to assess that the balance of risks regarding inflation is skewed to the upside in an environment of marked uncertainty. The Central Bank will keep a close eye on the potential exchange rate pass-through to prices; on the relative monetary position between Mexico and the United States; and on the future evolution of economic tightening.

PERU: CONFLICT AROUND MMG'S LAS BAMBAS COPPER MINE HEATS UP

This was to be expected, after two authorities from the local community of Fuerabamba, and two lawyers hired by Fuerabamba, were detained by prosecuting attorneys and the courts late last week on charges of extortion. Yesterday, Salvador del Solar, the head of cabinet, made statements suggesting that the detained lawyers had been stalling talks with the government and inducing the community to increase the level of conflict in order to obtain greater financial gains. Del Solar also stated that the government wished to resume talks with community leaders, but that it was not in the government's hands to comply with the demands by the community to release those detained. Meanwhile, a helicopter with three cabinet members was damaged by stones hurled at it by community members when it tried to take off from the nearby zone of conflict. It is not clear what the next step will be on the part of the government, as the community appears to have no intention of unblocking road access to the Las Bambas mine or resuming talks unless those detained are released. However, there is one upcoming window. According to law, those detained must be released after 15 days—half of which are already up—unless the judge presiding over the case finds cause to fear that those detained would not comply with appearing before the courts, if they are released. Thus, there is a fairly large probability that the detainees will be released in a week's time, which would presumably allow for talks to resume. It is less clear whether the community will also unblock road access to Las Bambas when, and if, talks do resume, and less clear still if and when the talks will bear fruit.

Julio Velarde, president of the Central Bank, stated that GDP growth for February was over 3%, y/y. This is in line with our 3% estimate. Normally, CB officials do not mention precise monthly figures unless they already have enough information to be assured that the actual figure will come close.

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