LATAM Market Update

- **Colombia: October's Citi survey—Repo rate stability for the rest of 2019, rate hikes are expected in 2020**
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COLOMBIA: OCTOBER'S CITI SURVEY—REPO RATE STABILITY FOR THE REST OF 2019, RATE HIKES ARE EXPECTED IN 2020

October's Citi survey came out. This survey is used by BanRep for measuring inflation expectations, monetary policy rate (MPR), GDP, and COP.

Bottom line:

- BanRep's repo rate will likely remain at 4.25% for the rest of the year. Out of 26 analysts surveyed, none expect a rate movement in October's meeting (Thursday 31st). For year-end, one respondent expects a cut of 25bps, 23 analysts expect the MPR to stay at 4.25% (including us), two expect MPR to end 2019 at 4.5%. For 2020, analysts expect rate hikes between 25 and 75 bps, only one analyst expects 25 bps cut.
- October's monthly inflation on average is expected at 0.15 % m/m and 3.84% y/y, slightly below our expectation of 0.16 %m/m. For December 2019 average projection is 3.80%, 6bps higher than last month.
- Growth forecasts broadly unchanged. Consensus for 2019 GDP growth forecast stands at 3.15% (previously 3.13%), slightly below to our 3.2% expected. Analysts continue to forecast higher growth for 2020 and 2021, GDP growth forecast stands at 3.21% and 3.33%, respectively
- USDCOP forecasts increased by 53 pesos for Dec-2019. On average, respondents expect COP 3354 for 2019 (eop) (previously: 3301) and COP 3325 by the end of 2020. Both increased by around 50 pesos.

—Sergio Olarte & Jackeline Piraján

TRADE BALANCE IN MEXICO PRINTS A DEFICIT FOR THE NINTH CONSECUTIVE TIME IN SEPTEMBER

In September, trade data reported a deficit balance, determined by both diminishing exports and imports, which meant that Mexico total trade (exports + imports) stood again in negative territory. The persistent fall in imports of capital goods could be symptomatic of a continued deterioration of private investment, while the moderation of manufacturing exports could be a reflection of lower external demand. These results might indicate that GDP flash estimate to be released on Wednesday will continue to show a weak stagnant economy.

Trade balance recorded a deficit of US$116 million, compared to deficit of US$301 million a year earlier, versus US$337 million anticipated by the market. The result was determined by both a fall of exports, from 2.2% to -1.3% (vs.

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11.6% in September 2018), as in imports, from -5.9% to -1.7% (vs. 6.4% a year earlier). Total trade (exports + imports) fell for the second consecutive time, from -1.9% to -1.5% (vs. 9.0% a year ago). Thus, in the first nine months of the year, the cumulative trade balance reported a deficit of US$2.69 billion in contrast with US$10.23 billion in a similar period in 2018.

Regarding exports, performance of non-oil exports slowed down from 4.6% to 1.0% y/y (vs. 9.7% in September 2018). Manufacturing component of exports moderated from 3.7% to 0.8% (vs. 10.5% in September 2018), also determined by a contraction in vehicles sales abroad, from 9.7% to -2.8% (vs. 17.8% last year), which offset the acceleration of the rest of exports, from 0.4% to 3.1% (6.3% in 2018). In terms of oil sales abroad, they added up eleven months of setbacks, further contracting from -29.1% to -29.3% (vs. 43.4% in September 2018), its slowest pace in more than 3 years.

Within imports, capital goods contracted for the fifth consecutive time, from -14.0% to -13.5% y/y (vs 9.1% in 2018), while consumption imports also stood in negative territory, from -11.9% to 3.8% (vs 1.8% in a similar month in 2018) and intermediate good rose from -3.7% to 0.2% (7.0% in 2018). In line with these results, oil imports fell for the fourth consecutive time from -22.6% to -17.8% on a yearly basis.

Finally, trade balance with seasonally adjusted figures printed a surplus of US$449 million, from a surplus of US$1.639 billion in august; caused by a lower non-oil balance that moderated from US$3.493 billion to US$2.12 billion; while the oil trade deficit fell from US$1.854 billion to US$1.683 billion.

—Miguel Saldaña

PERU: POLITICS CALMER, AS PARTIES ORGANIZE FOR ELECTIONS

Thursday is the deadline for political alliances to register for the January 26th Congressional elections. There are 24 parties in the current registry. The 24 parties, should they choose to participate, may opt to form an alliance by Thursday, or go alone. So far, only the left, led by Veronika Mendoza, has chosen to form an alliance, a move that has divided her party, and which may actually end up counterproductive at the polls. More interestingly, parties must submit their Congressional candidate lists on November 18th. This will tell us a lot of what the next Congress may look like. For the time being, however, major political parties are organizing for the next elections, which is contributing significantly to a much calmer domestic political environment.