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Latam Daily: China COVID-19 Casualties Curb Commodities Confidence; Quiet Latam Day

China reported this weekend the first coronavirus-related deaths in the country since May, denting market optimism and commodity prices. Minor signals of loosening virus limits and a path towards a reopening next year had buoyed global markets last week, but renewed lockdowns amid the country's most severe wave in about six months have checked this optimism—though we still believe China will take reopening steps in Q2-2023.

Iron ore, copper, aluminum, gold, and crude oil prices are all weaker on the day though with the exception of iron ore (down 3.5% in Singapore), losses are relatively muted. **US equity futures are on the backfoot** and setting up losses in the Americas at the open.

With the USD trading broadly stronger, the MXN is recording a 0.4% loss which sees it in the middle of the pack among the majors. **The CLP is the second worst performing major currency today, down 1.5%, weighed by metals weakness.** Truckers have also partially blocked routes today in Chile in protest of fuel price increases and driver safety.

Meanwhile, the BRL is leading the majors (up 1%) supported by last week's comments by BCB Gov Campos Neto with teeing up a resumption of the bank's hiking cycle. The BCB's weekly survey published this morning also showed economists revising their end-22 Selic rate forecast by 25bps higher at 11.50%. The BRL's strength comes despite news that **former Sao Paulo Mayor Haddad is the leading candidate for Finance Minister under Lula** (though this had been reported on Thursday night) while Lula will begin interviewing candidates this week to lead and overhaul Petrobras. Haddad is broadly considered as 'leftist', and market-unfriendly so his would-be confirmation could place additional pressure on Brazilian assets.

Brazil's former central bank Gov Goldfajn was chosen as head of the IADB, beating Mexico's nominee, Banxico's Dep Gov Esquivel whose term at the bank ends next month. The clock is ticking for AMLO to clearly state whether Esquivel, a known dove, is staying at Banxico (which seems unlikely), and if not, who will replace him. In response to the vote, Mexico's finance ministry published a brief letter which noted that "the 'more of the same' politics continue", with Goldfajn's candidacy "supported by the United States."

The day ahead is quiet in Latin America as we look ahead to bi-weekly inflation prints on Wednesday out of Mexico and Brazil (see [Latam Weekly](#)) while we monitor political developments. Banxico also publishes its meeting minutes on Thursday—when trading should be light with the US out for Thanksgiving.

—Juan Manuel Herrera

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