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## Latam Daily: Impeachment Efforts in Peru; Hawkish BCB Minutes

- **Peru: Now it's the left that wants to impeach the president**

Range-bound markets amid limited overnight developments are heading into the Americas trading day with a minor risk-off feeling that began with the European open. Searches of a handful of banks by financial prosecutors in France on alleged tax fraud may be contributing to the somewhat downbeat mood in recent hours. Overall, the underlying risk tone seems more positive this week (despite today's minor 0.3% decline in SPX futures) amid SVB's sale to First Republic and easing (likely misplaced or exaggerated) concerns about Deutsche Bank, and global yields seem on a path to at least a partial recovery of recent losses.

The USD is weaker in a 0.2–5% range against most majors, with only a couple of exceptions (CAD and CHF) recording slight declines, and perhaps better reflecting the global risk mood—though a strong rebound in US yields would act to support the USD. The MXN traded in a very narrow range overnight (18.30–35 roughly) to track a slight gain at writing, as we look ahead to Banxico's rate decision on Thursday when we expect a 25bps hike (and additional hike guidance would act as a currency tailwind).

Brazil's BCB released the minutes to last week's policy decision this morning, with a hawkish message, saying it will not hesitate to hike again if necessary and that there are "relevant chances" of a higher neutral rate (vs currently at 4%)—particularly. On the other hand, it recognized the government's efforts to approve fiscal measures that could reduce upside risks in inflation. The BCB is still not in a position to cut and continues to be worried about inflation expectations, so we don't see tensions between the BCB and government easing soon. Thursday's *Quarterly Inflation Report* that will be accompanied by a Campos Neto presser will likely reinforce the bank's firm stance on monetary policy.

We have little to look forward to today in Latam with no data nor events of note on the schedule; Chile's Marcel's comments at a conference at 13ET may be worth a look. We're keeping an eye on Mexico's AMLO's response to the Supreme Court's decision to temporarily suspend the application of his electoral reform—accepting a challenge by the INE (electoral institute)—to study its constitutionality. The President's office has pledged to challenge the ruling but the Court may not deliver a ruling on the matter before June 1<sup>st</sup>. According to Eurasia Group analysts, this means electoral rules could not be modified in time for next year's elections as these would need to be enacted 90 days before the electoral period begins on September 1. Still, the president may choose to place officials true to his cause to the INE's board.

—Juan Manuel Herrera

### PERU: NOW IT'S THE LEFT THAT WANTS TO IMPEACH THE PRESIDENT

Congress is scheduled to consider on Thursday, March 30 whether to place on the congressional agenda a recent motion to impeach President Dina Boluarte. Note that the vote will not be on the impeachment per se of President Boluarte, but rather on whether include this debate in the debate agenda.

The motion was submitted by a group of 25 lawmakers mainly linked to the left. Although nothing seems impossible in today's Peru, the likelihood that the motion to debate President Boluarte's impeachment will succeed is not high. Having said this, note that President Boluarte has come under additional attacks recently due to accusations of

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cronyism, and this may tilt some votes in favour of debating her impeachment. However, even so, precedent and a back-of-the-envelope vote count suggest that it is unlikely that the proposal to debate the issue will be approved (requiring 52 supporters), and even unlikely that, if debated, there will later be sufficient votes for an impeachment (87 required). The local press appears to share this belief, as Monday's newspapers relegated the issue to their back pages.

Early elections, while not entirely off the table, have ceased to be a topic of discussion in political circles. Part of the political community, mostly on the left, also attempted, but failed, to pressure President Boluarte to resign, mostly during the protests. Now that the protests no longer provide a backdrop for regime change, impeachment appears to be the new road chosen by the left to bring the Boluarte presidency to an early end. It is difficult to see how they will ever manage to get the votes, however.

—Guillermo Arbe

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