

**LATAM DAILY**

July 12, 2023

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## Latam Daily: Mexican Mfg/IP, Brazilian Services; US CPI/BoC to Call the Shots

Asia and European hours had a clear dollar-negative and bid rates mood, in contrast to narrow commodities (excl. iron ore +3%) and equity futures price action as we count down the hours to US CPI and the BoC's policy announcement. Global curves are strong across all tenors—with the belly outperforming—as the market unwinds part of yesterday's NorthAm session losses.

The USD is being pulled lower by the decline in yields and a rally in the downtrodden JPY and CNY, with the former strengthening through 140 for the first time since H1-Jun as yen shorts possibly trim exposure on risks of policy changes at the BoJ's late-Jul meeting. Though the MXN's 0.1% gain is among the smallest across the key FX, it's enough to pull it near the 17 pesos level again this morning.

Yesterday's BCCh economists survey results were a close match to those of the traders survey. The median economist and the median trader expect a 75bps cut by the BCCh this month, and also an end-2023 policy rate of 8.00%. The other main release of the day, Brazilian CPI for June, came in roughly in line with expectations at 3.16%, its lowest level since Q3-20, but with details showing still stubbornly-high services inflation that trimmed August rate cuts pricing from 39bps to 34bps—i.e., more in favour of a 25bps than a 50bps hike.

Today's Latam data release highlights are Mexican manufacturing/industrial production and Brazil services volume, both for May, out at 8ET. Considering the mostly as expected IPCA data yesterday, we will pay closer attention to Brazil's data to gauge the state of the economy and get a better sense of how large of a cut is needed next month. Today, Galipolo and de Aquino are inaugurated to their BCB board roles.

Half an hour later, (global and) regional markets will be beating to the drum of US inflation data results. These are unlikely to pull the Fed away from a hike in a couple of weeks (24bps priced), but may shape expectations for the September announcement (only 5bps priced). Ninety minutes later, the BoC's policy decision where a 25bps hike is expected by most ([including us](#)) should also play an important part in rates markets action.

—Juan Manuel Herrera

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