Latam Weekly: Confronting a Sudden Stop

FORECAST UPDATES

Rapidly evolving developments with more countries implementing COVID-19-related restrictions on individuals and businesses have driven Scotiabank Economics to make three revisions to its global forecasts in March. We detail our updated projections on growth, inflation, central bank policy rates, and exchange rates for Latam from the March 25 *Forecast Update*.

ECONOMIC OVERVIEW

Identified new incidences of COVID-19 are only beginning to spike across Latam, but extensive policy measures continue to be implemented in response to the pandemic. We provide a comprehensive review of actions to date, assess their early and likely economic impact across the region, and look at how Latam is set to weather a global slowdown in both growth and demand.

MARKETS REPORT

Emerging markets are facing an unprecedented reversal in international capital flows. Latam's major markets haven't been exempted from this pullback, but this sudden stop is hitting the region's major asset classes in differentiated ways. We analyze recent developments and near-term implications in FX, equity, fixed-income, and credit markets.

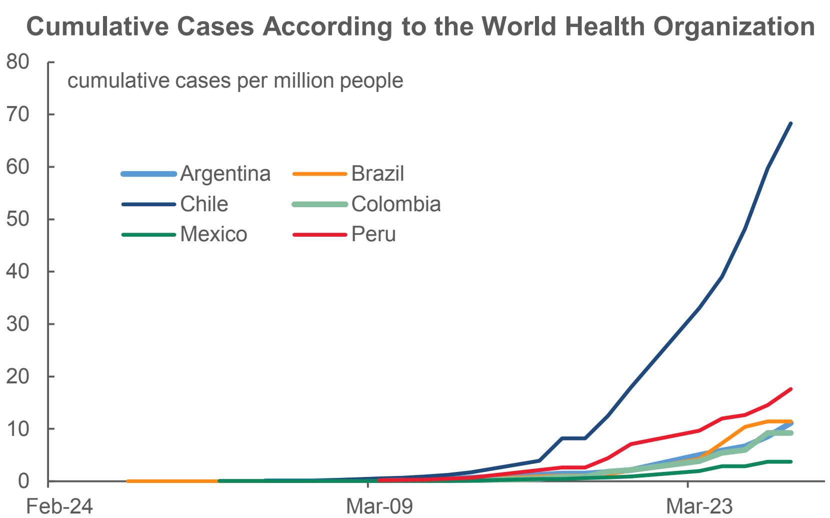
COUNTRY UPDATES

Concise reviews of developments in the week just past and a guide to the week ahead in Argentina, Brazil, Chile, Colombia, Mexico, and Peru.

MARKET EVENTS & INDICATORS

Risk calendars for the week of March 30–April 3 across Latam.

Chart of the Week: Population-Adjusted COVID-19 Numbers in Latam



Sources: Scotiabank Economics, WHO, United Nations.

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Forecast Updates: March 25

Argentina	19Q4	20Q1f	20Q2f	20Q3f	20Q4f	21Q1f	21Q2f	21Q3f	21Q4f	2019	2020f	2021f
Real GDP (y/y % change)	-0.5	-1.7	-5.2	-1.6	-2.4	1.3	2.0	1.6	1.7	-2.2	-2.4	1.7
CPI (y/y %, eop)	53.8	--	--	--	66.0	--	--	--	42.0	53.8	66.0	42.0
Central bank policy rate (%, eop)	55.00	--	--	--	42.00	--	--	--	38.00	55.00	42.00	38.00
Foreign exchange (USDARS, eop)	59.9	--	--	--	82.0	--	--	--	76.0	59.9	82.0	76.0

Brazil	19Q4	20Q1f	20Q2f	20Q3f	20Q4f	21Q1f	21Q2f	21Q3f	21Q4f	2019	2020f	2021f
Real GDP (y/y % change)	1.7	-0.7	-5.2	4.3	-1.8	0.2	1.4	1.8	2.7	1.1	-3.0	1.5
CPI (y/y %, eop)	3.8	4.4	5.4	6.7	7.3	7.8	8.1	8.3	8.2	4.3	7.3	8.2
Central bank policy rate (%, eop)	6.50	3.75	3.75	4.25	4.75	5.75	6.75	7.75	8.25	4.50	4.75	8.25
Foreign exchange (USDBRL, eop)	3.88	5.37	5.12	4.72	4.84	5.11	4.64	4.52	4.49	4.02	4.84	4.49

Chile	19Q4	20Q1f	20Q2f	20Q3f	20Q4f	21Q1f	21Q2f	21Q3f	21Q4f	2019	2020f	2021f
Real GDP (y/y % change)	-2.4	-0.6	-6.6	-2.6	1.3	0.9	6.6	2.1	2.2	1.1	-2.1	2.9
CPI (y/y %, eop)	2.6	3.8	3.3	3.2	3.0	2.5	2.9	3.3	3.0	3.0	3.0	3.0
Central bank policy rate (%, eop)	2.75	1.00	0.50	0.50	0.50	1.00	1.25	1.75	2.00	1.75	0.50	2.00
Foreign exchange (USDCLP, eop)	694	860	820	800	790	780	760	740	720	753	790	720

Colombia	19Q4	20Q1f	20Q2f	20Q3f	20Q4f	21Q1f	21Q2f	21Q3f	21Q4f	2019	2020f	2021f
Real GDP (y/y % change)	3.4	3.6	-0.8	0.2	1.8	2.5	2.8	2.9	3.0	3.3	1.2	2.8
CPI (y/y %, eop)	3.2	3.3	3.0	2.9	2.9	3.4	3.1	3.0	3.0	3.8	2.9	3.0
Central bank policy rate (%, eop)	4.25	3.75	3.50	3.50	3.50	3.75	4.25	4.25	4.25	4.25	3.50	4.25
Foreign exchange (USDCOP, eop)	3,254	4,050	3,950	3,851	3,654	3,473	3,465	3,458	3,450	3,287	3,654	3,450

Mexico	19Q4	20Q1f	20Q2f	20Q3f	20Q4f	21Q1f	21Q2f	21Q3f	21Q4f	2019	2020f	2021f
Real GDP (y/y % change)	-0.4	-3.2	-9.4	-6.9	-3.6	0.3	3.6	2.5	0.9	-0.1	-5.8	1.8
CPI (y/y %, eop)	2.8	3.5	3.7	4.4	4.4	4.2	4.1	4.2	4.1	2.8	4.4	4.1
Central bank policy rate (%, eop)	7.25	6.25	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.25	6.00	6.00
Foreign exchange (USDMXN, eop)	18.93	23.90	23.13	22.66	22.84	22.93	22.75	22.68	22.74	18.93	22.84	22.74

Peru	19Q4	20Q1f	20Q2f	20Q3f	20Q4f	21Q1f	21Q2f	21Q3f	21Q4f	2019	2020f	2021f
Real GDP (y/y % change)	1.7	-1.0	-3.0	1.5	3.3	4.3	6.2	2.3	1.6	2.2	0.3	3.5
CPI (y/y %, eop)	2.2	1.9	1.8	1.7	1.4	1.5	1.4	1.8	2.0	1.9	1.4	2.0
Central bank policy rate (%, eop)	2.75	1.25	0.75	0.75	1.00	1.25	1.50	1.75	1.75	2.25	1.00	1.75
Foreign exchange (USDPEN, eop)	3.37	3.57	3.56	3.47	3.45	3.42	3.43	3.39	3.40	3.31	3.45	3.40

United States	19Q4	20Q1f	20Q2f	20Q3f	20Q4f	21Q1f	21Q2f	21Q3f	21Q4f	2019	2020f	2021f
Real GDP (y/y % change)	2.3	1.0	-5.2	-2.6	-1.3	0.5	7.5	5.0	3.9	2.3	-2.0	4.1
CPI (y/y %, eop)	2.0	2.1	0.8	0.6	0.8	1.7	2.4	2.6	2.8	2.0	0.8	2.8
Central bank policy rate (%, eop)	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1.75	0.25	0.25
Foreign exchange (EURUSD, eop)	1.12	1.08	1.09	1.10	1.12	1.13	1.14	1.15	1.16	1.12	1.12	1.16

Source: Scotiabank Economics.

Forecast Updates: March Revisions

	March 11		March 20		March 25	
	2020f	2021f	2020f	2021f	2020f	2021f
Argentina						
Real GDP (annual % change)	--	--	-2.4	1.7	-2.4	1.7
CPI (y/y %, eop)	--	--	66.0	42.0	66.0	42.0
Central bank policy rate (%, eop)	--	--	42.00	38.00	42.00	38.00
Argentine Peso (USDARS, eop)	--	--	82.0	76.0	82.0	76.0
Brazil						
Real GDP (annual % change)	1.8	2.1	-3.0	1.5	-3.0	1.5
CPI (y/y %, eop)	4.2	4.1	7.3	8.2	7.3	8.2
Central bank policy rate (%, eop)	3.50	5.25	4.75	8.25	4.75	8.25
Brazilian real (USDBRL, eop)	4.37	4.11	4.84	4.49	4.84	4.49
Chile						
Real GDP (annual % change)	1.4	2.5	-0.1	3.6	-2.1	2.9
CPI (y/y %, eop)	3.0	3.0	3.0	3.0	3.0	3.0
Central bank policy rate (%, eop)	1.00	2.00	0.75	2.00	0.50	2.00
Chilean peso (USDCLP, eop)	760	700	790	720	790	720
Colombia						
Real GDP (annual % change)	3.3	3.6	2.9	3.2	1.2	2.8
CPI (y/y %, eop)	3.5	3.1	3.2	3.0	2.9	3.0
Central bank policy rate (%, eop)	4.25	4.50	3.50	4.25	3.50	4.25
Colombian peso (USDCOP, eop)	3,357	3,180	3,480	3,450	3,654	3,450
Mexico						
Real GDP (annual % change)	0.4	1.6	-5.8	1.8	-5.8	1.8
CPI (y/y %, eop)	3.8	3.7	4.4	4.1	4.4	4.1
Central bank policy rate (%, eop)	6.00	6.00	6.00	6.00	6.00	6.00
Mexican peso (USDMXN, eop)	20.94	21.87	22.84	22.74	22.84	22.74
Peru						
Real GDP (annual % change)	2.4	3.5	0.3	3.5	0.3	3.5
CPI (y/y %, eop)	1.7	2.0	1.4	2.0	1.4	2.0
Central bank policy rate (%, eop)	2.00	2.00	1.00	1.75	1.00	1.75
Peruvian sol (USDPEN, eop)	3.40	3.35	3.45	3.40	3.45	3.40

Source: Scotiabank Economics.

Economic Overview: Sudden Stops at Home and from Abroad

- **Substantial additional quarantine and isolation measures have been enacted over the past week that imply a sharp contraction in economic activity in Q2. Scotiabank Economics' March 25 *Forecast Update* adjusts our projections accordingly; we detail some of the major revisions here and look at remaining downside risks to our outlook.**

- **The combination of local shutdowns, the global growth shock, and the oil-price war are together imposing a sudden stop on capital flows and economic activity across the world, and Latam is no exception. Relatively strong fundamentals in the Pacific Alliance countries, particularly Peru, can help mitigate the impact of the sudden stop and provide room for policy makers to use monetary and fiscal stimulus to support their domestic economies.**

COVID-19 NUMBERS RISE IN LATAM

In the course of the last week, the COVID-19 pandemic has entered a new phase, where official data, with all the caveats that official Chinese data carry, say that China has succeeded in "flattening the curve", while identified new incidences in Europe and the US have hit the explosive phase of exponential growth (chart 1). Note that the WHO's data confirmation process lags numbers reported by Johns Hopkins Corona Resource Center; hence, in the WHO data reported here, US incidences have not yet exceeded China's numbers, as has been widely reported elsewhere.

Cross-country experiences imply that the numbers are set to get substantially worse in Europe and the Americas, with numbers doubling every few days over the next couple weeks. So far, Japan, South Korea, Hong Kong, and Singapore stand out as the only major exceptions to this broad pattern. All four have benefitted from different combinations of local practices and lessons learned from the 2003 SARS epidemic to flatten their cumulative incidence curves. The rest of the world is past the point where replicating their examples would produce similar incidence profiles, but adopting testing and masks could still help bend COVID-19 curves.

Latam's identified COVID-19 numbers are beginning to lift off as the infection spreads and testing to identify it begins in earnest (chart 2). WHO incidence data in Latam remains consistent with the early stages of the pandemic in other countries and offers little immediate hope that a looming period of explosive growth in new numbers will be avoided. Brazil's identified cases, for instance, nearly doubled in the course of this past week and Johns Hopkins' numbers say they will double gain. At this stage, it is difficult to infer much from the relatively high population-adjusted numbers in Chile (chart 3) compared with the rest of Latam. They may reflect Chile's relatively strong per capita access to international travel and high per capita income, which has translated into comparatively strong rates of testing—rather than pointing to a differentiated disease vector or gaps in the country's public health response.

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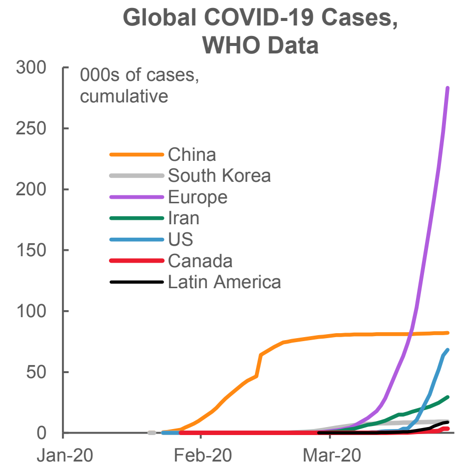
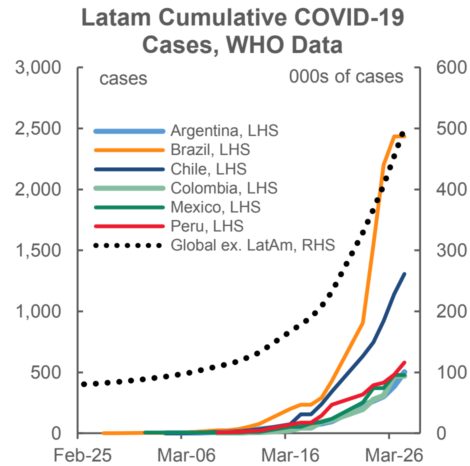
Chart 1



Sources: Scotiabank Economics, WHO.

Chart 2



Sources: Scotiabank Economics, WHO.

POLICY MEASURES STEP UP

Policy makers across Latam are enacting various forms of quarantine and a combination of fiscal and monetary measures to sustain households and businesses through extended lockdowns. A suite of new initiatives over the last week have been added to policies brought forward earlier this month (table 1). Mandated shutdowns are now in place in Argentina, Chile, and Peru; in Brazil, Colombia, and Mexico, controls are to this point less intense, but are likely to be stepped up as incidence numbers rise and the contrast with surrounding countries becomes starker. These moves will begin to translate into quick and deep declines in high-frequency economic activity indicators over the coming weeks.

Latam finance ministries are showing a resolve to mitigate the economic impact of public-health measures. Fiscal initiatives in Latam countries that have shut down parts of their economies are proportionately as great as efforts underway in Europe and North America. Argentina has announced a fiscal package worth 3% GDP, Chile's plan is worth 4% GDP, and Peru's fiscal support efforts amount to 2% GDP; Brazil's fiscal measures are still under review in Congress, but could also add up to between 1% and 2% GDP. So far, the scale of fiscal responses across Latam has been directly tied to the extent of the local shutdown imposed. When control measures intensify in the region's other major economies, expect further enhanced tax and spending initiatives to follow.

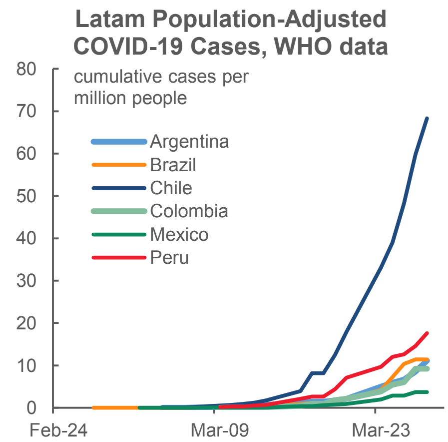
With the exception of Argentina's BCRA, Latam's major central banks have all cut their policy rates by between 50 bps and 100 bps over the last two weeks, in some cases through expedited off-calendar moves to ease borrowing conditions for households and businesses. Rate cuts by the Fed and other developed-market central banks have opened up room for Latam's monetary authorities to follow them to sustain domestic demand. These cuts have brought real policy rates down to near zero, with the major exception of Mexico where financial conditions remain relatively tight (chart 4). Nevertheless, real rates in Latam are well above levels prevailing in most developed markets (chart 5).

FORECAST REVISIONS: FALLING TARGETS

Scotiabank Economics has continued to update its forecasts in line with the deepening gravity of the COVID-19 pandemic and the policy responses to it. Our most recent *Forecast Update* on March 25 took global growth in 2020 down to 0% y/y, which would make for one of the quickest-ever recorded downturns and the weakest year in the global economy since the -0.3% y/y contraction in 2009. The negative economic impact of pandemic control measures are set to dominate the compensatory effects of newly announced fiscal and monetary policies at least through Q2 and Q3.

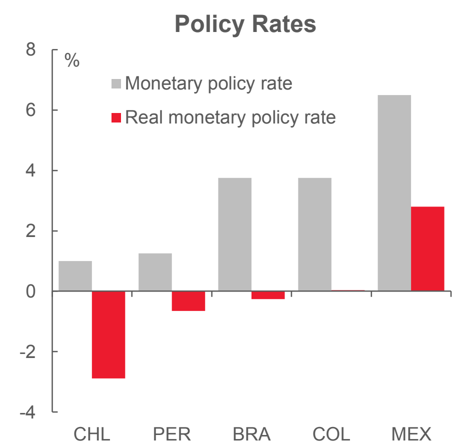
The six Latam economies we cover are now all expected to see a sharp shift to contractions in Q2-2020, with activity projected to remain compromised into Q3 (Forecast Update tables above). The deepening sudden stop in global demand is being matched by domestic shutdowns inside Latam. Our growth expectations for 2020 have been progressively cut over the course of our three March forecast updates (chart 6). Mexico is expected to see the worst recession amongst Latam's majors, with economic activity forecast to shrink by -5.8% in 2020, compared with only -1.6% in 2009. Contractions on the order of -2% to -3% y/y are projected for Argentina, Brazil, and Chile, far deeper slowdowns than any of these economies saw

Chart 3



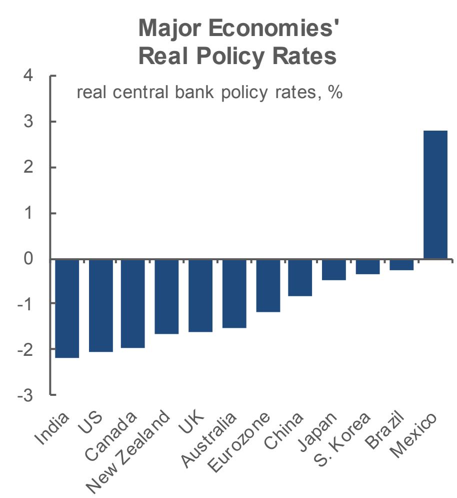
Sources: Scotiabank Economics, WHO, United Nations.

Chart 4



Argentina: MPR = 38.0%; Real MPR = -12.3%.
Sources: Scotiabank Economics, Haver Analytics.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

during 2008–09. Colombia and Peru are still projected narrowly to eke out slim expansions, but risks are strongly tilted to the downside. Though Colombia is a relatively closed economy compared with other countries in the region, which could insulate it somewhat from the sudden stop in global growth, it faces a double whammy from both COVID-19 and the global oil price shock, as is the case for Mexico.

Recent policy-rate cuts are quickly catching up with even our revised forecasts and there's a material risk that central banks will move their policy rates below the levels we've set for end-2020 (chart 7). Policy rates in Brazil and Colombia, have already hit our forecast lows for the year; Peru's BCRP is forecast to take its reference rate to its lowest-ever level at 0.75% at mid-year and Chile's BCCh is expected to revisit its record low at 0.5%. Latam's central bankers are likely to prioritize support for domestic demand over the coming weeks.

EXPOSURE TO THE GLOBAL SUDDEN STOP

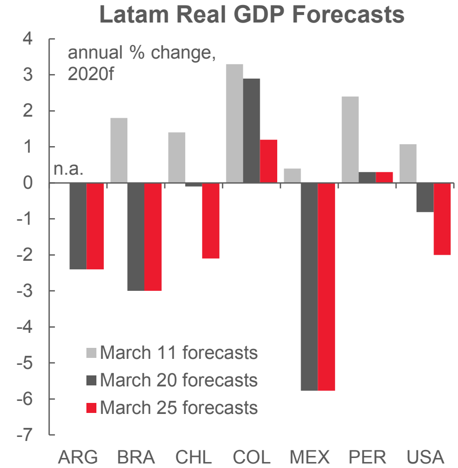
Rudiger Dornbusch once noted that "It isn't speed that kills, it's the sudden stop." As IIF data show (chart 8), this time it's both: investors are imposing a sudden stop in capital flows to emerging markets at unprecedented speed and scale at the same time as demand for exports from these economies is set to stall. Sudden stops are nothing new for emerging markets: building on work by [Eichengreen and Gupta (2016)](), the last three decades have seen over 50 episodes of sudden stops that have extended across nearly every emerging economy that has had access to international capital markets.

Sudden stops in capital flows have transformed from reactions to country-specific vulnerabilities to reflections of global factors that affect all countries. Sudden stops increasingly hit emerging markets in clusters in response to global developments, such as the late-1990s Asian financial crisis, the dot-com burst (2002), and the global financial crisis (2008). Eichengreen and Gupta found that sudden stops tend to persist for about a year, see capital outflows that average 3% GDP, and feature contractions in GDP of about 4% in the first year of the stop owing to a plunge in investment.

A strong balance of payments and solid fiscal framework can help a country respond more nimbly to a sudden stop. Consistent growth, large FX reserve coverage, low fiscal deficits, strong external current accounts, limited FX debt burdens, and flexible exchange rates can all help a country deal with a sudden stop in external financial flows. But as Eichengreen and Gupta have found, none of these things can fully insulate an individual economy from a generic pullback of capital from emerging markets—particularly when this is compounded by a concurrent sudden stop in demand for emerging countries' major exports. Strong country fundamentals are helpful, but they tend to be outweighed by larger global shocks.

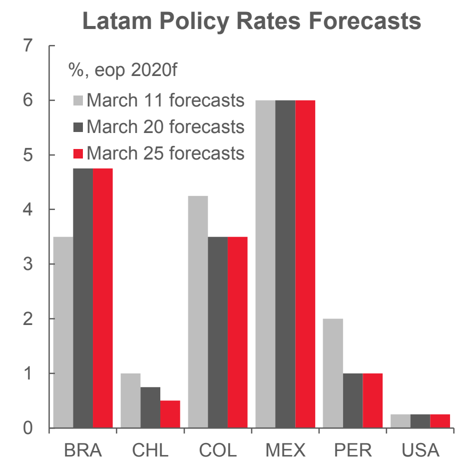
Nevertheless, Eichengreen and Gupta note that strong fundamentals coming into a crisis give countries more room to loosen monetary and fiscal policy to support domestic economic activity and reduce the burden of adjustment. Latam's six major economies came into the COVID-10-induced sudden stop in domestic activity, export demand, and international capital flows with differentiated fundamentals. Broadly speaking, the four Pacific Alliance countries—Chile, Colombia, Mexico, and Peru—entered the crisis somewhat better positioned than their regional

Chart 6



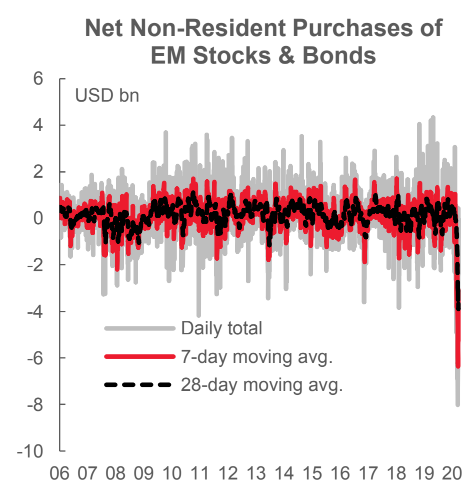
Source: Scotiabank Economics.

Chart 7



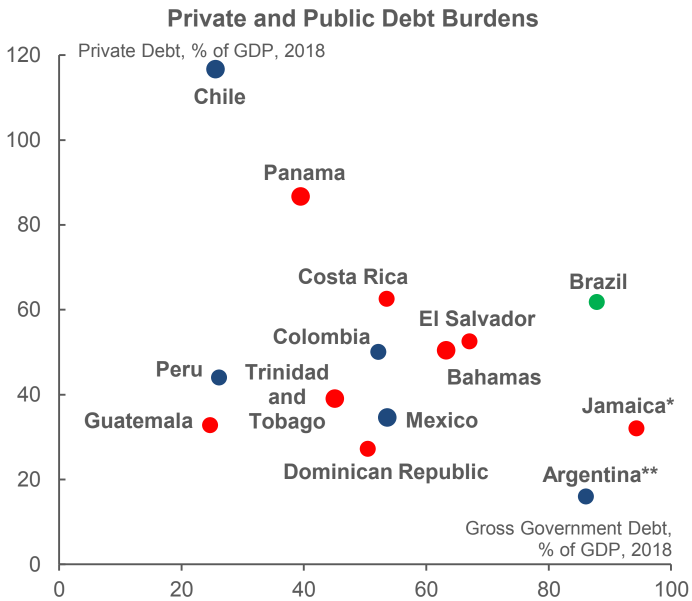
Argentina: 42%.Source: Scotiabank Economics.

Chart 8



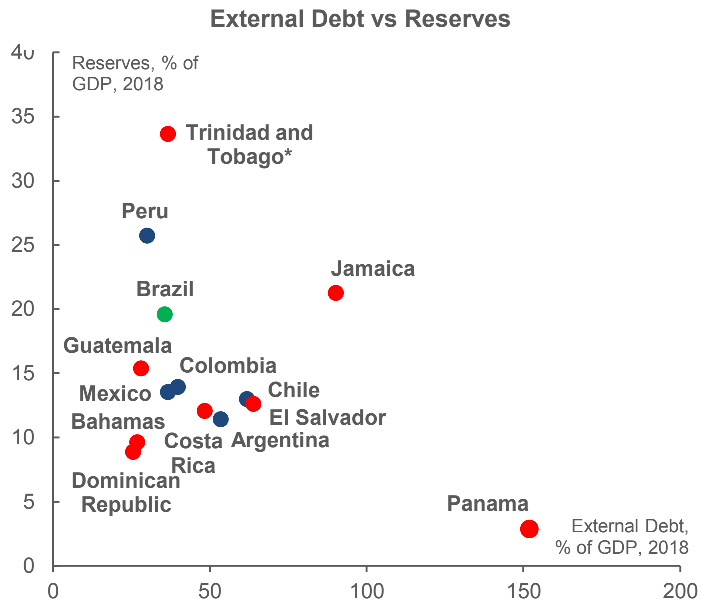
Sources: Scotiabank Economics, IIF.

Chart 9



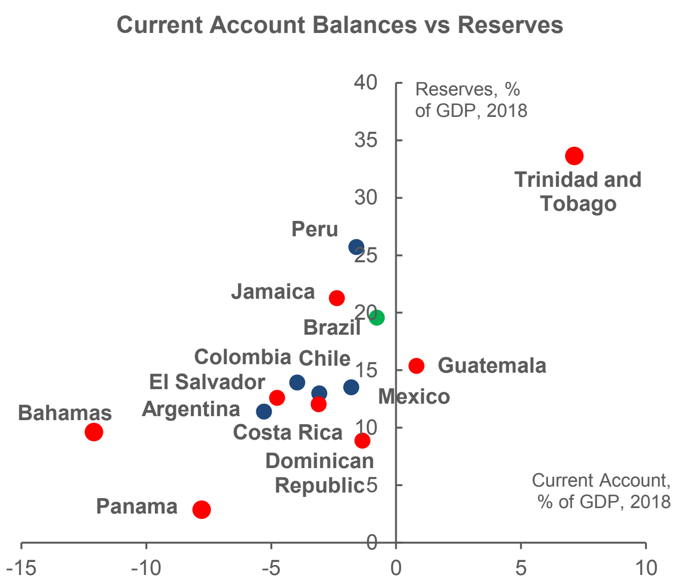
* 2016 Private Debt. ** 2017 Private Debt.
Sources: Scotiabank Economics, IMF.

Chart 10



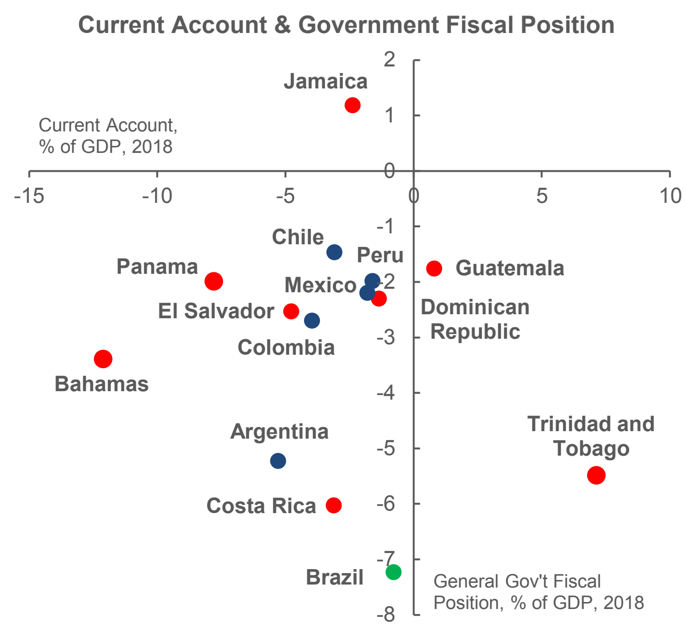
* 2017 External Debt. Sources: Scotiabank Economics, IMF, World Bank, CIA World Fact Book.

Chart 11



Sources: Scotiabank Economics, IMF.

Chart 12



Sources: Scotiabank Economics, IMF.

peers. Peru is a particular stand out, with relatively low debt burdens (chart 9) and high FX reserves that cover most of its external debt (chart 10) and are the equivalent of several multiples of its current account deficit (chart 11). Low fiscal deficits and public debt in Peru and Chile give them the most space to use fiscal policy. Argentina and Brazil came into the COVID-19 crisis with large deficits (chart 12) and particularly heavy public debt burdens. Brazil's external debt is, however, fully covered by its FX reserves and it has a USD swap line with the Fed. Similarly, Mexico benefits from not just its USD swap line with the Fed, but also a USD 61 bn precautionary Flexible Credit Line (FCL) with the IMF that received a two-year renewal in November 2019. Chile's high private debt levels (chart 9, again) are backstopped by low public debt and the well-funded pension system.

Watch for the IMF Spring Meetings, now occurring virtually during April 17–19, to bring forward new financing facilities for emerging-markets and low-income countries, with the possibility of a new SDR allocation that would boost countries' FX reserves, particularly for emerging and frontier markets. An SDR allocation would provide a significant backstop to the balance of payments and funding markets in countries that have not been granted

USEFUL REFERENCES

Scotiabank Economics public website: https://www.scotiabank.com/ca/en/about/economics.html

WHO data on the novel coronavirus:
https://www.who.int/emergencies/diseases/novel-coronavirus-2019/situation-reports
https://www.worldometers.info/coronavirus/coronavirus-cases/

Johns Hopkins Coronavirus Resource Center: https://coronavirus.jhu.edu/map.html

Institute for International Finance COVID-19 research: https://www.iif.com/covid-19

Primer on sudden stops: https://voxeu.org/content/sudden-stops-primer-balance-payments-crises

Table 1

Policy measures undertaken across Latam in response to the COVID-19 pandemic

Country	Monetary, fiscal, and public-health and security measures
Argentina	· **Monetary.** Argentina's Finance Minister Guzman over the weekend said that the bilateral swap-line agreements should be expanded. Argentina will likely request the kind of USD liquidity support that Mexico and Brazil have received from the Federal Reserve. · **Fiscal support.** On March 17, the government announced an ARS 700 bn (USD 11 bn, 3% GDP) package that includes: ARS 100 bn for infrastructure, ARS 350 bn for business loans, extended subsidies on consumer loans, price controls on a basket of basic goods, enhanced unemployment insurance and other benefits, wage subsidies, payroll-tax deferrals, and new housing credit facilities. Support measures for the informal sector are expected soon. · **Public health.** On March 19, the Argentine government imposed a quarantine on the entire country through at least end-March. The order confines most people to home with the exception of a limited list of essential services, as well as the production and trade of key commodities. Borders are closed, travel restricted, and schools closed.
Brazil	· **Monetary.** The BCB cut the Selic rate by 50 bps to a historic low of 3.75% at its March 18 COPOM meeting. It has also been intervening heavily in the FX spot market and through swaps. The BCB was granted a six-month-plus USD 60 bn swap line with the US Fed on March 19. · On March 23, the BCB announced a broadening of its measures, including reserve requirements adjustments (now cut to 17%, from 25%). The BCB estimates these measures free up BRL 1.2 tn in liquidity. · **Fiscal.** The package under consideration features 50% wage subsidies through unemployment insurance and a basic income equivalent to three months of minimum wage for informal workers. The BNDES plan for airlines should reach BRL 10 bn and will be announced in the next few days. · **Public health.** Borders with 8 other South American countries were shut for 15 days on March 19. Some public gathering spots, such as beaches, have also been closed.
Chile	· **Monetary.** At an off-calendar meeting on March 16, well ahead of its March 31 schedule, the BCCh cut its policy rate by 75 bps to 1.00% and injected liquidity into the financial system. The BCCh also opened up a window in which banks can fund new loans at the O/N CB rate. Finally, the BCCh opened up a programme where it will buy up to USD 4 bn of bank corporate bonds. · On March 23, the central bank announced the details and requirements of its programme of credit lines and liquidity for banks. In addition, the banking regulator announced a package of measures to facilitate the flow of credit to companies and households. · **Fiscal.** On March 19, the President announced a USD 11.5 bn package (4% GDP) targeted at healthcare and jobs. The Bank regulator crated a package that allows the deferral of up to 3-months of mortgage loans, while surplus mortgage guarantees can be used to collateralize SME loans. On top of that a deferral of the closing of rea estate for mortgages is being implemented, and a more gradual implementation of Basel III is being discussed. · Fiscal package announced on March 19 is being discussed at Congress. The financial regulator announced a package of measures to facilitate the flow of credit to businesses and households. Regulatory treatment that facilitates the possibility of deferring up to three installments in the payment of mortgage loans, treatment of the margin of variation of derivatives, among others. · **Public health.** The country closed its borders on March 16 and cut airline operations by 70%. From March 23, an overnight curfew is imposed. · From March 23, the government imposed a curfew from 10pm to 5am. It is also implementing temporary hospitals to deal with the crisis.
Colombia	· **Monetary.** On March 16, BanRep increased repo auctions to COP 20 tn and allowed more entities to participate. BanRep now also receives private bonds as collateral (it previously accepted only TES), and announced USD 1 bn in NDF auctions on the FX market. · On March 23, BanRep announced its own version of QE: 1) Allowing the central bank to purchase private debt from financial entities with maturities up to 3 years. The first action will be on March 24 for COP 2 tn. The total purchase programme would be around COP 10 tn. Authorized counterparties are lending institutions, insurance companies, trusts, stock brokerage firms, and investment management companies; 2) Purchasing TES up to COP 2 tn for the rest of the month, through the SEN platform (Sistema Electrónico de Negociación); and 3) Continue offering of repos backed by private debt for COP 5 bn on those days without regular auctions, with a previously scheduled auction canceled and the next anticipated on April 1. · On March 27, BanRep cut its monetary policy rate by 50 bps from 4.25% to 3.75%. Additionally, Banrep expanded existing measures to guarantee liquidity in the local and FX markets.

Sources: Scotiabank Economics, Latam country authorities.

(continued...)

Table 1 (...continued)

Country	Monetary, fiscal, and public-health and security measures
Colombia	· **Fiscal.** The government is providing soft loans to affected sectors, temporary exemptions on VAT and tariffs on health-related imports, credits to small businesses to cover payrolls and maintain employees. Public debt is not expected to increase: the government will use savings from oil and health funds (COP 14.8 tn) to finance these measures and TES auctions are expected to be reduced by COP 1.5 tn in 2020. · **Public health.** Bogota entered a four-day quarantine drill on March 20; the entire country goes on a 19-day quarantine on March 24. The government declared a health emergency on March 12 and a curfew for the elderly, and closed land and sea borders. NGOs were instructed this week to halve their activities on the border with Venezuela.
Mexico	· **Monetary.** Banxico moved forward its March 26 meeting to March 20 and cut by 50 bps to a still-high 6.50%. Two weeks ago it increased the potential size of its NDF program from USD 20 bn to USD 30 bn, and delivered two NDF auctions of USD 2 bn each: only USD 500 mn were placed in the first, USD 1.5 bn in the second. The central bank also re-established on March 19 a USD 60 bn swap line with the US Fed. · **Fiscal.** The FinMin with Banxico modified its debt issuance calendar to relieve pressure on the m-bono curve and executed a form of Operation Twist: it swapped longer-end bonds (m-bonos) with cetes and floating debt to reduce outstanding duration. · The President announced that from March 23, MXN 42 bn in accelerated pension payments for the elderly will be distributed. On March 24, the FinMin announced transfers to the states totalling MXN 25bn to help cope with escalating health related costs. The President also announced that the government would roll out a total of 1 mn loans to support small business. · On March 25, Mexico's Bank Association announced a series of measures that include a four-month deferral of capital and interest payments with a possible extension by two additional months on consumer loans, mortgages, auto-financing, and payroll loans. Other measures will be offered to businesses. · **Public health.** Easter Break has been brought forward with two weeks added to the holidays, creating a four-week school shutdown. Public events have been limited and social distancing encouraged. US border crossing are restricted in both directions from March 21 for 30 days (Mar 23 to April 19). · On March 24, the government moved the alert level to 2, which implies temporarily suspending large events and intensifying basic prevention measures. · On March 26, the government implemented the shutdown of all non/essential government functions (healthcare, tax collection, etc.).
Peru	· **Monetary.** The BCRP cut its policy rate by 100 bps to 1.25% on March 20 in an out-of-calendar meeting. Financial institutions are also encouraged to soften loan terms. The BCRP also injected PEN 400 mn in liquidity to the financial system (through 2-yr repos) for small businesses, refinance and extend retail debt service, and waive penalties. · On March 26, the BCRP cut its reserve requirements in PEN from 5% to 4% and the USD rate for maturities under 2 years from 50% to 9%; it also reduced capital buffers. These measures are expected to free up a total of PEN 1.125 bn and USD 250 mn in capital. · **Fiscal.** The government is planning a USD 4.5 bn fiscal stimulus package (about 2% of GDP), potentially taking the deficit to 4% of GDP. The Vizcarra government announced that it will provide a stipend to compensate families for their forgone income during the announced two-week lockdown (nb, low income families will get PEN 380 income), incapacity payments for novel coronavirus patients, and additional resources to boost spending in the healthcare sector. In addition, the government postponed mandatory tax payments for March, which is the kick-off for Peru's tax season. The government also created a PEN 300 mn fund to support businesses, aiming to help 10,000 SMEs. The tax authority will also accelerate the return of PEN 200 mn in excessive tax payments, to 200,000 tax payers. · **Public health.** On March 16, the government declared an emergency, enacted a two-week quarantine, and halted air travel out of the country. · On March 27, Peru's Congress granted the government legislative powers for the duration of the pandemic, in order to move expiditiously to mitigate the economic fallout.

Sources: Scotiabank Economics, Latam country authorities.

Markets Report: Downgrades & Twist Indigestion

- **In the midst of a sudden pullback in global capital flows from emerging markets, Latam equity markets have underperformed other major EM regions, including EEMEA and Asia. Part of this weak Latam performance could be related to the region's dependence on commodities, which have taken a sharp hit in 2020.**
- **The last week was more constructive for Latam asset prices, although at the end of the week Mexican markets underperformed following a credit rating downgrade by S&P. Colombia received an outlook change from stable to negative that didn't elicit much reaction on Friday.**
- **In Mexico, Banxico's liquidity provisions seem to be stabilizing markets somewhat, but the underperformance of the cetes could be due to indigestion from Banxico's twist operation.**
- **In credit markets, we expect credit rating trends for companies in the region to be the worst of the past 10 years.**

RISK SENTIMENT IMPROVES

Emerging-market capital flows have been showing signs of stress for some time as uncertainty has prompted a scramble for USDs and a general flight away from risk assets. As responses from monetary and financial authorities have become increasingly more aggressive and—at times—more coordinated, we have seen some more constructive price action across many markets. Tuesday evening's news of political agreement on a US fiscal package, which was signed into law by Pres. Trump on Friday, touched off the first consecutive days of price gains for US equities in roughly a month. Similarly, in Latam, we've seen the first week of some positive and broadly -based price firming in about a month (table 1). The March 19 re-establishment of a USD 60 bn swap line with the Fed had an immediate impact on dollar funding markets in Mexico (chart 1). These developments remain, however, fragile and highly contingent on the progress of the COVID-19 pandemic.

LATAM EQUITIES UNDERPERFORMING THE REST OF EM

Despite the late arrival of the coronavirus to Latam, the losses we've seen in equity markets across the region (table 2) are proportionately greater than those suffered in the EEMEA region Asia. Many of the primary equity

Table 2

Equity Market Performance (local currency)

	Year to date	Month to date	Week to date
Argentina	-42.3%	-31.2%	8.9%
Brazil	-36.5%	-29.5%	9.5%
Chile	-30.9%	-21.7%	4.9%
Colombia	-31.0%	-25.9%	27.5%
Mexico	-22.4%	-18.2%	-1.4%
Peru	-32.3%	-23.9%	-3.5%

Sources: Scotiabank Economics, Bloomberg.

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Table 1

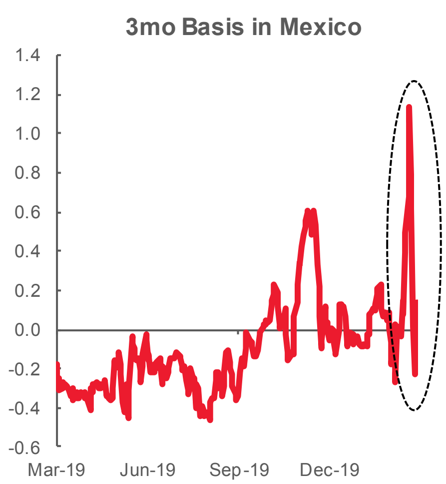
Latam FX Performance: Boosted by US Fiscal Package Announcement

	Year-to-date	1-month	1-week
ARS	-7.0%	-3.4%	-1.0%
BRL	-21.0%	-12.3%	-0.7%
CLP	-9.9%	-1.7%	3.5%
COP	-18.8%	-12.6%	1.4%
MXN	-18.9%	-15.8%	4.6%
PEN	-5.9%	-3.2%	1.5%

Sources: Scotiabank Economics, Bloomberg.

As the table shows, MXN's relative under-performance became more marked during March, but partially reversed this week following progress on the US fiscal package.

Chart 1



Sources: Scotiabank Economics, Bloomberg.

markets in Asia are only down around 10%–20% and in EEMEA by 20–30%, while in Latam, outside of the Mexican Bolsa, which is down just 20%, most markets are trading over 30% softer than at year-end 2019. Part of the reason for Latam's relative underperformance could be the relatively large hit that commodity markets have taken this year. The region's weakest equity markets have been those of Argentina, Colombia and Brazil. In Colombia, the strong links to suffering oil markets are likely one reason; in Brazil, there is probably a deeper correction underway as valuations got a bit stretched in last year's strong run; meanwhile, in Argentina, markets are still struggling with uncertainty over the new government's debt-restructuring strategy.

FX GETS SOME RELIEF

On the FX front, most of our Latam-6 currencies traded positively this past week at the same time as both external and local currency markets saw yield-curve tightening. MXN has exhibited by far the highest volatility in the region, followed by the COP—the two most oil-linked currencies among the Latam-6—both of which bounced in line with the stabilization we saw in oil prices this past week.

CREDIT RATING DOWNGRADES ALREADY OVERWHELMING UPGRADES SO FAR IN 2020

Latam is still in the early stages of the fallout from the novel coronavirus epidemic, but we are already seeing a deterioration in the ratio of credit rating upgrades to downgrades. In 2019, S&P upgraded 71 companies in South America, and downgraded 37, for a roughly 2:1 ratio (chart 2). In 2020, we've already seen only 12 upgrades versus 35 downgrades, a stark reversal to a 1:3 ratio. Given the sharp markdown in our macroeconomic projections for 2020, this picture is likely to worsen in the weeks ahead. We anticipate that we will see a worse balance between upgrades and downgrades than in 2012, the worst year of the last decade, when the ratio hit 1:5.

Pressure on corporates is set to intensify, given that last Thursday, S&P already took action on four regional sovereign ratings:

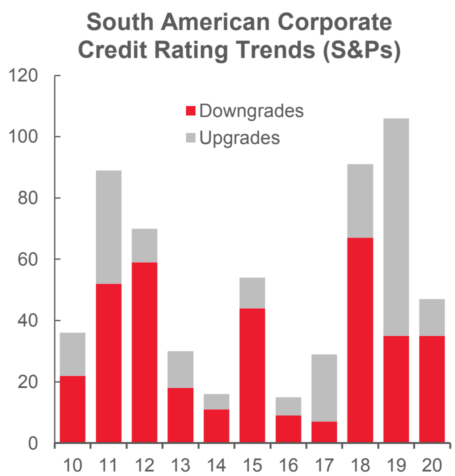
- Colombia's outlook was from stable to negative, while the country rating was left at BBB-;
- Mexico was cut from BBB+ to BBB, but its negative outlook remains in place;
- Costa Rica was affirmed, but a negative outlook was retained, with S&P highlighting still challenging fiscal dynamics; and
- Trinidad & Tobago was cut one notch from BBB to BBB-, although the outlook was held stable;

In terms of sovereign credit spreads, we haven't seen any huge dislocations in spreads between the BBB Latam sovereigns and similarly rated-corporates (chart 3). Of the three largest Latam BBB sovereigns, Colombia has been hit hardest, likely owing to the country's dependency on oil. To the extent it is differentiated from the other three sovereigns, its moves are likely to be guided by the global oil market.

MEXICO: BANXICO'S "OPERATION TWIST" STILL BEING DIGESTED

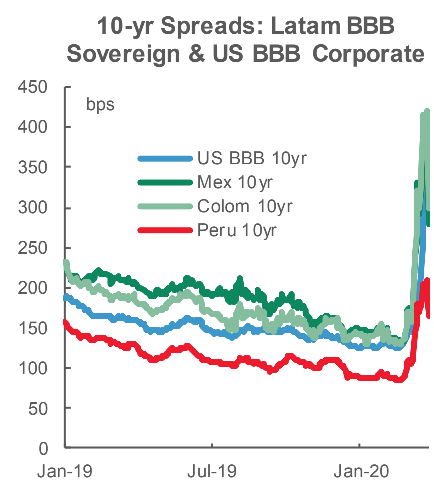
In fixed income, Banxico's foreign holdings data cover only up to March 12, when USDMXN was still just flirting with breaking north of 22, but even at that point, we could see that foreign holdings of both cetes and m-bonos were falling relatively quickly. In line with the rest of the emerging-markets space,

Chart 2



Sources: Scotiabank Economics, Bloomberg.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

pressure on Mexican assets has been quite strong since then. While we don't have real-time holdings data, MXN had been the worst-performing Latam currency over the last couple weeks up until the announcement on Tuesday of agreement on a US fiscal package—which is likely indicative of further cuts in foreign holdings of Mexican MXN-denominated paper. The cash curve, particularly in the short end, is nevertheless trading out of sync with TIIE swaps as cash markets are still absorbing new supplies of bills stemming from Banxico's recent monetary operations.

In order to help relieve stress on local markets, Banxico has implemented three "twist" operations in which it has swapped longer end m-bonos for either cetes or floaters, thus absorbing some of the outstanding duration in Mexican public-debt markets.

- In the first and second "twist" operations, on March 3 and 19. respectively, Banxico absorbed duration from the market, buying back bonds with maturities of between one and 20 years, and placing one-year cetes and three- to five-year floating rate BONDES in return.
- In the third operation, on March 25, Banxico bought back almost all the m-bonos that were tendered, but this third transaction actually added maturity—buying back bonds that matured in 76 days, and replacing them with cetes of 307–363 day maturities.

Banxico acted decisively to reduce signs of emerging stress in local fixed-income markets, but markets will also need some time to digest the ensuing expansion in the supply of short-term paper after three straight weeks of twist operations.

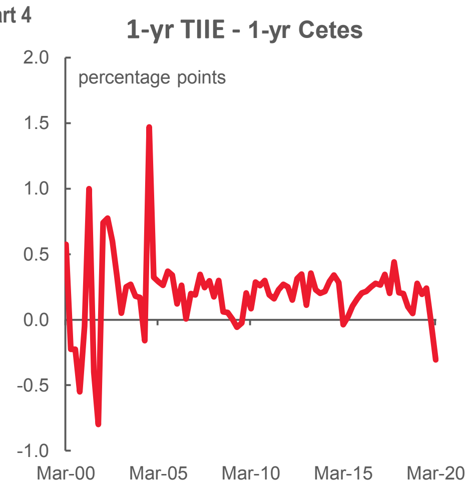
Signs of stress still persist in other parts of the Mexican markets. Typically, TIIE swaps market moves more aggressively and faster than yields on cetes when we have changes in perceptions about monetary policy, but in the wake of Banxico's twist operations, the one-year TIIE-cetes spread is now the most negative it has been for over 15 years (chart 4). We have to go back to 2001 following the 9/11 attacks to find similar behaviour. As the recent increase in short-end debt supply is absorbed, we expect cetes rates to converge towards the TIIE.

MARKETS PRICING MORE POLICY-RATE MOVES BY CENTRAL BANKS

Our forecasts anticipate further rate cuts from the region's central banks, with the exception of Brazil's, where our forecasts anticipate a difficult trade-off as the BCB has to balance a desire to support domestic economic activity with concerns about FX-driven imported inflation. Markets echo this debate, and are pricing a rate-reversal by the BCB with hikes toward end-2020 on an expectation that the worst of the crisis and related controls on activity will have passed by then (table 3).

In Chile, Colombia, and Mexico, markets are pricing slightly deeper cuts than we project, but these pricings are broadly consistent with the downside risks that we have flagged on our forecasts. Peru does not yet have a developed interest-rate swaps market.

Chart 4



Sources: Scotiabank Economics, Bloomberg.

Table 3

Latam Policy Rates		Priced-in changes		BNS Forecasts	
	Current	12 mos.	24 mos.	End-2020	End-2021
Argentina	50.00%	n.a.	n.a.	42.00%	38.00%
Brazil	3.75%	4.56%	8.36%	4.75%	8.25%
Chile	1.00%	0.65%	1.73%	0.75%	2.00%
Colombia	3.75%	3.41%	4.18%	3.50%	4.25%
Mexico	6.50%	5.60%	6.13%	6.00%	6.00%
Peru	2.25%	n.a.	n.a.	1.00%	1.75%

Sources: Scotiabank Economics, Bloomberg.

Country Updates

Argentina—Debt Still Not Sustainable

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National accounts data from Q4-2019 are stale now that nationwide quarantine measures are set to seriously impair the economy, but they provide a sense of the soft footing on which Argentina entered the pandemic. Real GDP shrunk by -1.0% q/q and -1.1% y/y in Q4, slightly worse than the surveys anticipated. Exports were the only bright spot in the data, with growth of 3.2% y/y and 7.4% y/y in Q4, while investment contracted -6.4% q/q and -9.0% y/y. Altogether, 2019 saw a -2.2% y/y decline in real GDP as domestic demand shrank; without the solid export performance, led by agricultural commodities, economic activity in 2019 would have been even bleaker. With such a soft hand-off into 2020 and the economic impact of pandemic-related shutdowns only beginning to bite, Argentina is on track for an even sharper slowdown in 2020 than the -2.4% y/y contraction we currently forecast. The monthly economic activity index, due Monday, recorded a 0.2% gain in December, but is likely to be followed by a negative print for January.

Sources: Scotiabank Economics, INDEC.

Last Thursday, the IMF issued a *Staff Technical Note* that updated its previous findings that Argentina's debt is unsustainable in the context of a "feasible" macroeconomic framework with "meaningful" fiscal consolidation compared with past Argentine restructurings. The Fund's debt-sustainability analysis (DSA) found that Argentina would have to reduce its debt to private creditors by between USD 50 bn and USD 85 bn to restore debt sustainability with the "high probability" required for further IMF financial support. This implies NPV haircuts of at least 40% on debt to private creditors. The authorities in Buenos Aires are due to present a debt restructuring offer to creditors in the next couple weeks and they have repeatedly indicated that they would seek "substantial relief". The IMF's DSA implies not only that they will need it, but given the preliminary assumptions adopted by the IMF with respect to COVID-19, they are likely to seek far more than the low end of the IMF's numbers.

Brazil—Weak Entry to the nCoV Pandemic

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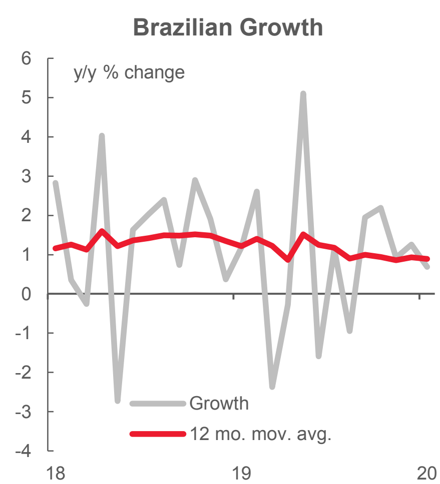
As the COVID-19 pandemic advances into Brazil, Pres. Bolsonaro's handling of the crisis appears to be causing some erosion in his political support—particularly after last Monday's speech (March 23) in which he compared the epidemic to a common cold. The President's son is also pushing a polemical campaign to avoid lockdowns. Weaker popular support could complicate Congressional approval of the President's stimulus package, the so-called Calamity Bill. There is little guidance on a possible date by which passage is expected, but some progress appeared to take place Friday, as support for informal workers increased from USD 41 to USD 120 per month, with USD 249 for mothers. That said, rising infection numbers will intensify the urgency on both the President and lawmakers to act.



Sources: Scotiabank Economics., Bloomberg.

The minutes from the March 18 COPOM meeting were published Monday and the BCB's latest inflation report (from Thursday) made important revisions to its baseline forecasts, cutting 2020 growth forecasts from +2.2% y/y to 0.0% y/y. The numbers are still higher than our own forecast of a -3.0% y/y contraction in Brazilian GDP, given our expectation of a severe global shock. On the inflation front, the BCB's baseline forecast for IPCA is at 3.0% by year end, materially lower than our own call for a 7.3% print in IPCA at end-2020, with FX-inflation pass-through being our main concern. Recent growth data were quite soft, with retail sales slowing from 2.6% y/y in December to 1.3% in January (survey 2.5%), and January economic activity printing at +0.69% y/y versus a consensus of +1.05% y/y. The Brazilian economy entered the nCov pandemic in worse shape than we had previously anticipated. On the inflation front, IPCA for the first half of March slowed a bit more than consensus—or we—had expected, coming down from 4.21% in February to 3.67% (survey 3.71%). The week ahead is light on tier 1 economic releases, outside of February unemployment—which we expect to print at 11.3% after posting 11.2% in January. In the second half of the week, March PMIs will give a leading indication of the impact of COVID-19.

Chile—Sharp Contraction in March GDP Coming

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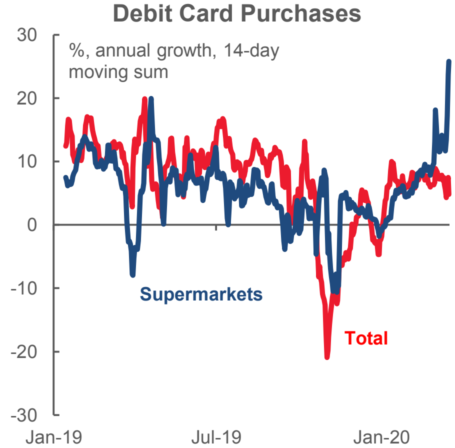
While COVID-19 cases are increasing day by day, the government announced on March 19 a massive fiscal package worth USD 11.75 bn (1.4% GDP) that aims to strengthen the health budget, protect the income of Chilean families, and sustain jobs and the companies that generate them. The fiscal measures are under discussion in Congress. To fund the package, the Finance Minister is seeking to raise the debt limit by USD 4 bn and will withdraw USD 3 bn from Chile's sovereign wealth funds. Additionally the banking regulator announced on March 23 a set of measures to facilitate the flow of credit to companies and households. Consumer credit growth is slowing, while companies are pre-emptively moving to accumulate liquidity as intensely as we saw amidst the tensions during October 2019. Activity indicators such as electricity generation, exports, and imports are already showing declines. Real-time data, such as credit- and debit-card activity, remain stable through mid-March, but a sharp increase in supermarket sales began in February and spiked in the second week of March as precautionary buying began ahead of the quarantine.

Chile Daily Credit & Debit Card Purchases



Source: Scotiabank Economics.

In the week ahead, we expect Congress to flesh out details on the fiscal package. Tuesday sees the publication at 09:00 local of major sectoral data for February and the BCCh's monetary policy decision at 18:00. We expect the monetary policy rate to be held at 1.00% ahead of a coming 50 bps reduction in Q2-2020. February's monthly economic indicator data come out at 08:30 on Wednesday, along with the BCCh's March *Monetary Policy Report*. We expect an increase of 2% y/y for monthly GDP in February, and we adjust our forecast for March to a range of -2% to -4% y/y as more restrictive quarantine measures take a toll on the economy. We expect the BCCh to adjust significantly downward its GDP forecast for 2020 to close to our March 25 *Forecast Update* of -2.1%. For March CPI, due out on April 8, we project a 0.4% m/m rise, unchanged from February and influenced by the yearly adjustment in educational services tuition; for April, we expect 0% m/m on the back of declining fuel prices and challenges for the National Bureau of Statistics to collect data. We maintain our forecast of 3.0% y/y inflation for end-2020.

Colombia—Monetary and Fiscal Responses to COVID-19

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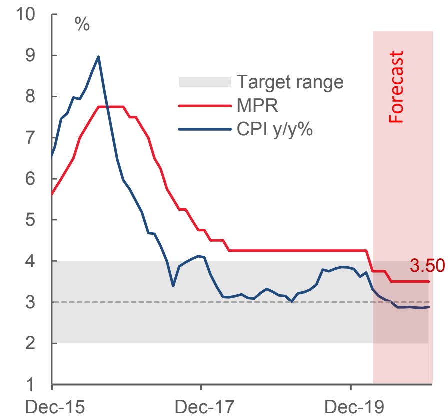
This week in Colombia, the central bank (BanRep) continued to implement liquidity-support measures. On Monday, BanRep decided to enter the QE era and intends to buy private debt issued by financial entities up to 3Y maturity. The first operation for COP 2 tn was on March 24. The total purchase programme would be around COP 10 tn. Authorized counterparties include lending institutions, insurance companies, trusts, stock brokerage firms, and investment management companies.

Also, BanRep will buy TES (public debt in pesos) for COP 2 tn in the regular market. In terms of fiscal and social policy, the Colombian government has imposed mandatory preventive isolation from March 25 until April 13. Decree 457 was signed on March 22 and limits the free movement of people and vehicles across the country, with exceptions for 34 essential activities.



Sources: Scotiabank Economics, Colombian Central Bank.

Furthermore, the government announced Decree 444 to provide financing to face the COVID-19 emergency. Decree 444 creates a special fund—the Fondo de Mitigación de Emergencias (FOME)—which will be financed by the national budget, money borrowed from the Savings and Stabilization Fond of Colombia (FAE—Colombia's sovereign-wealth fund), and additional borrowing from FONPET (the pension fund of Colombia's sub-national governments). FOME will be managed by the Ministry of Finance to contain the economic and social impact of the novel coronavirus.

On the data side, according to Fedesarrollo, industrial and commercial confidence deteriorated a bit in February (4 ppts for industrial and 2.4 ppts for commercial confidence) owing to weaker expectations for the quarter ahead. On March 27, BanRep held its regular monetary policy meeting: we expected a cut of 25 bps in the monetary policy rate to 4.00%, but the Board opted for a more aggressive 50 bps cut to 3.75% owing to the combined coronavirus/oil-price shock and the strong actions that have already been taken by central banks around the world. The minutes of the meeting will be published on Monday, March 30.

In an unexpected announcement on March 26, S&P affirmed a BBB- rating on Colombia's foreign-currency sovereign debt, but revised its outlook to negative from stable. The change in outlook stemmed from the combined effects of the recent drop in oil prices on Colombia's balance of payments and the growing impact of the COVID-19 pandemic on the country's growth outlook. S&P indicated that they could cut the sovereign rating if external shocks dent growth, undermine public finances, or worsen Colombia's external liquidity. On the other hand, the outlook could return to stable if adequate policy measures successfully stabilize the economy and limit growth in the government's net debt burden.

Colombia remains investment grade: Moody's has a rating of Baa2 with a stable outlook, while Fitch rates Colombia BBB with a negative outlook.

Mexico—'Phase 2' of COVID-19 Begins

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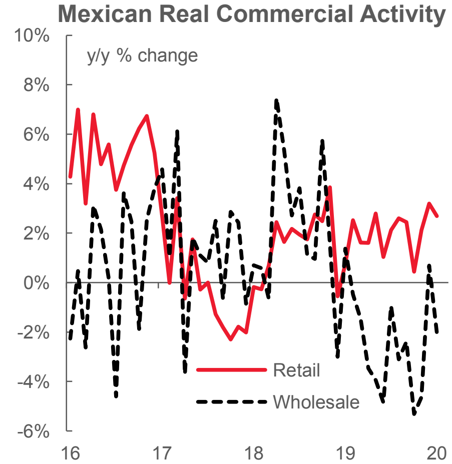
This past week, Mexico moved from 'phase 1' of the COVID-19 pandemic—recognition of the problem—to phase 2, with diverse actions at the local government level, from simple hygiene recommendations to cancellation of public events. In a very controversial development, the President announced the 'people's' decision to stop the construction of a USD 1.4 bn Constellation Brands manufacturing facility in Mexicali, which prompted a negative reaction from the business community and sent a very bad signal for investment. It is worth noting that this was a fully private project that fulfilled all existing legal and regulatory requirements. The public plebiscite on the project was highly irregular: it was called with only two weeks' notice and saw only 3.5% of eligible voters in Mexicali turn out. On other fronts, the President insisted on 'business as usual': he asked the business community to maintain jobs and refrain from firing workers in response to COVID-19-related shutdowns, while he continued to pursue his strategy to build an oil refinery in Tabasco, the Mayan Train, and the Santa Lucia Airport, and maintain all social programmes unchanged.



Sources: Scotiabank Economics, INEGI.

On key data, bi-weekly inflation slowed, as expected, in the first half of March from 0.47% to 0.11% (3.71% y/y) while real retail sales growth slowed from 3.2% y/y in December to 2.7% in January, also in line with consensus. In the week ahead, Banxico's survey of private-sector economic forecasts is expected to show a marked decline in prospects for 2020 growth to -4% y/y as analysts incorporate the possible effects of the coronavirus pandemic. February data on the public budget balance, private lending, and remittances will also be released. As the health emergency progresses in Mexico, more drastic control measures will likely be put in place. Some fiscal efforts to ameliorate the impact on economic activity are still expected, but the space for the authorities to maneuver is very tight: public revenues are set to be hit by both economic contraction and the impact of the oil shock on PEMEX.

On Friday, S&Ps reduced Mexico's credit ratings from BBB+ to BBB, leaving the ratings outlook as negative. The downgrade was likely fully anticipated, but less clear was whether a negative outlook would be retained, leaving the door open for another move in the next 12 to 24 months. The downgrade was driven by twin shocks from the economic impact of the coronavirus epidemic and the drop in oil prices.

Peru—The Emergency Tightens

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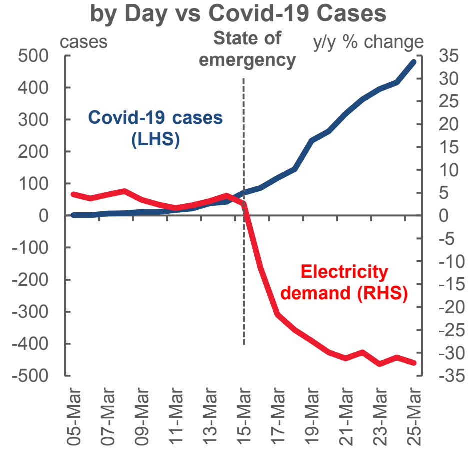
The evolution of Peru's COVID-19 incidences has not turned exponential, but it hasn't quite flattened either. The government has, therefore, announced that the state of emergency would be extended another 13 days, until April 12. That would make for 28 days total since the COVID-19 emergency declaration was made on March 16. Crucially, the extension includes the Easter holidays, so it involves only eight full working days. Schools, borders, and entertainment will remain closed and social gatherings restricted. Only essential businesses will operate. Businesses are already pressuring the government to lift the measures. Plus, there is the risk of exacerbating social tensions if the stay-at-home measures are extended, as the sustenance needs of low-income independent and informal workers may begin to outweigh the COVID-19 risk. Once the government makes an announcement on these issues, we may need to review our growth forecasts for the year.

Peruvian Electricity Demand Growth by Day vs Covid-19 Cases



Sources: Scotiabank Economics, COES, MINSA.

Electricity demand vividly shows the effects of the state of emergency, with declines by 30% y/y or more over the last few days. Furthermore, the state oil company, Petroperú, has revealed that fuel demand has fallen since the emergency measures were implemented on March 15. Average fuel inventories have risen from 26–36 days to 41–52 days, prompting a temporary reduction of operations at Petroperú's Conchan oil refinery.

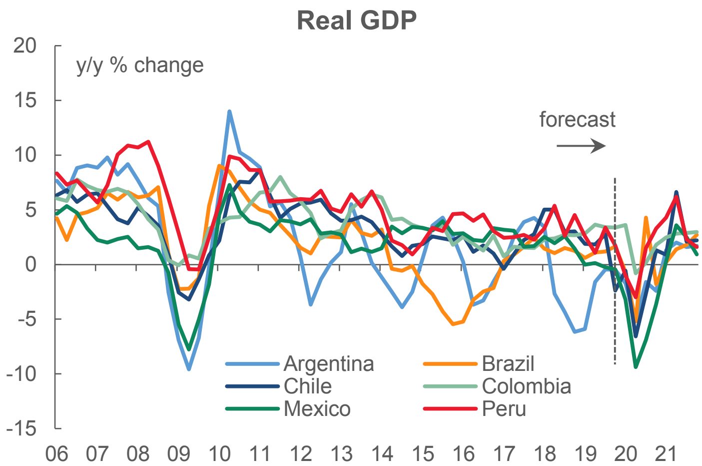
A number of prominent mining companies have reduced operations during the state of emergency, which is a particular concern for growth. Prior to these announcements, we had already reduced our expectations of mining output growth to nil for the year, under the hope that the emergency measures would last for weeks rather than months. We are increasingly doubtful the production curtailments will be this brief.

Finance Minister María Alva has indicated that a major PEN 16 bn (USD 4.5 bn or 2% GDP) fiscal package is under preparation to bolster containment of COVID-19 and provide stimulus once the emergency is past. We assume the headline figure includes the cost of all measures given so far. The current public deficit sits at 2% GDP, which means the package could double the deficit if it were spent all this year, which we view as unlikely.

More containment measures and fiscal stimulus initiatives may still be on their way. On Friday, Peru's Congress granted the government special legislative powers in order to be able to move expeditiously to contain the public-health and economic impact of the pandemic. Congress had not been holding normal sessions since its installation on March 16 in order to avoid large gatherings.

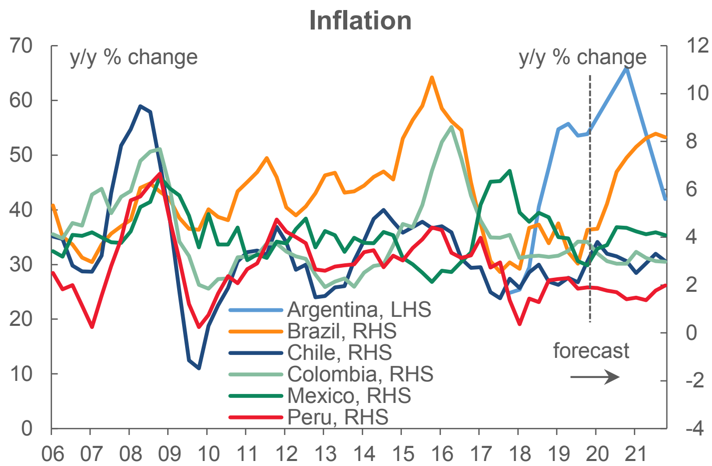
Key Economic Charts

Chart 1



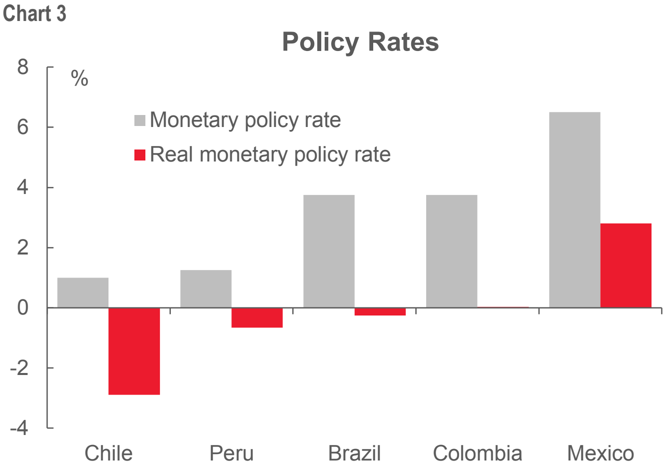
Sources: Scotiabank Economics, Haver Analytics.

Chart 2



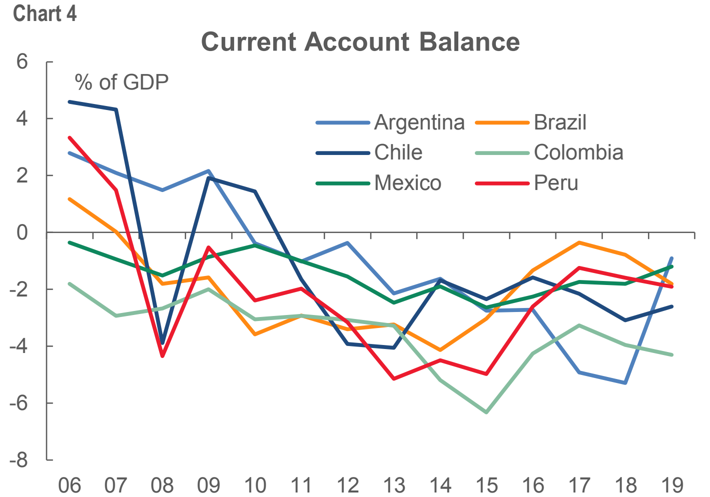
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



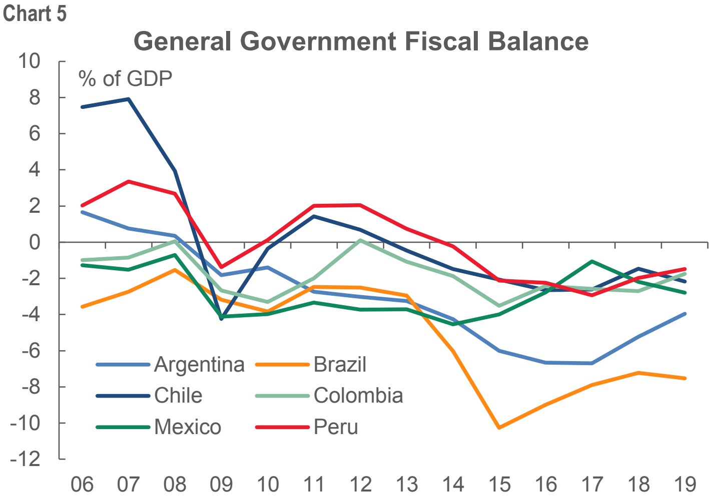
Argentina: MPR = 38.0%; Real MPR = -12.3%.
Sources: Scotiabank Economics, Haver Analytics.

Chart 4



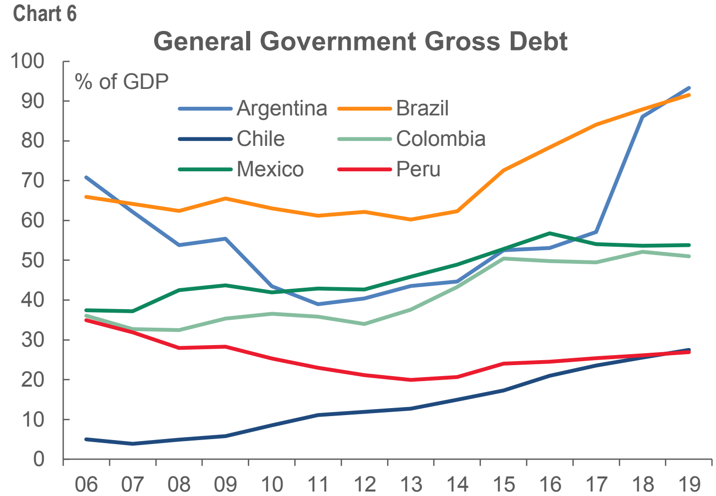
Sources: Scotiabank Economics, IMF.

Chart 5



Sources: Scotiabank Economics, IMF.

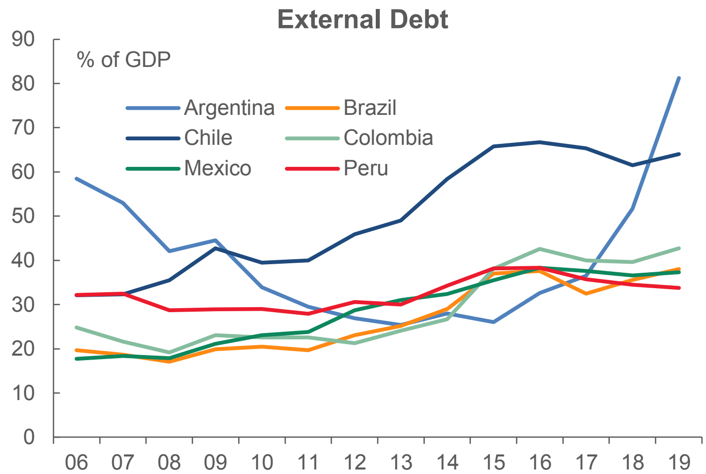
Chart 6



Sources: Scotiabank Economics, IMF.

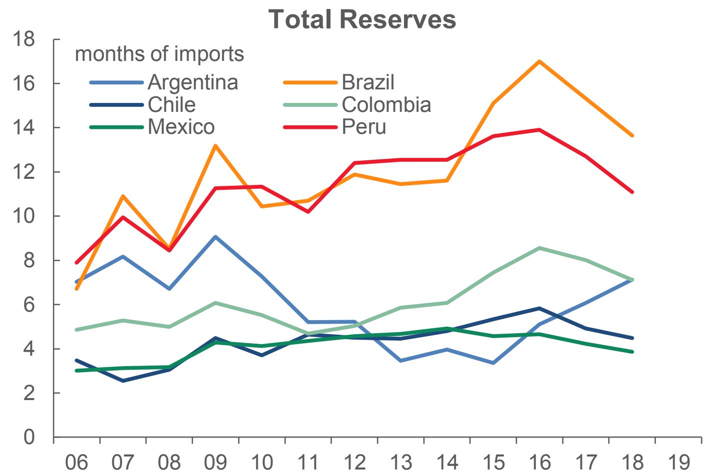
Key Economic Charts

Chart 7



Sources: Scotiabank Economics, IIF.

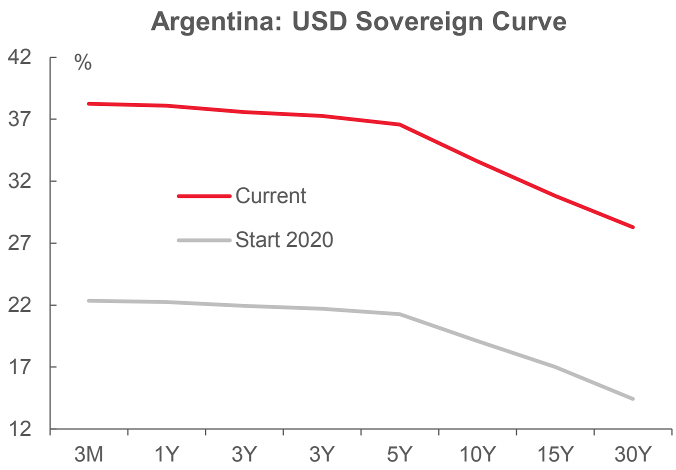
Chart 8



Sources: Scotiabank Economics, World Bank.

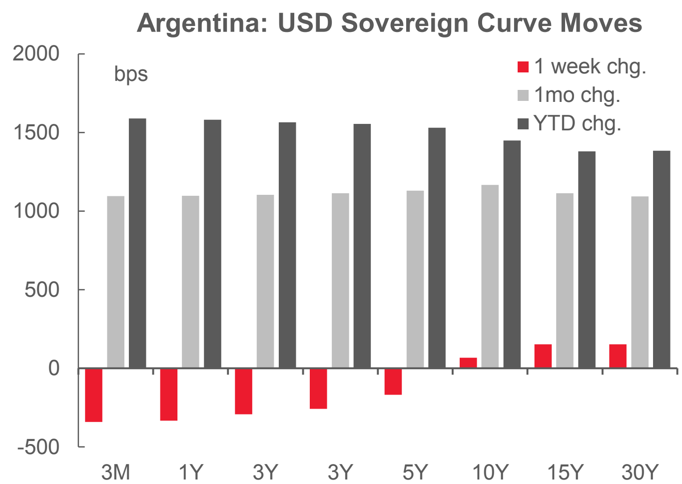
Key Market Charts

Chart 1



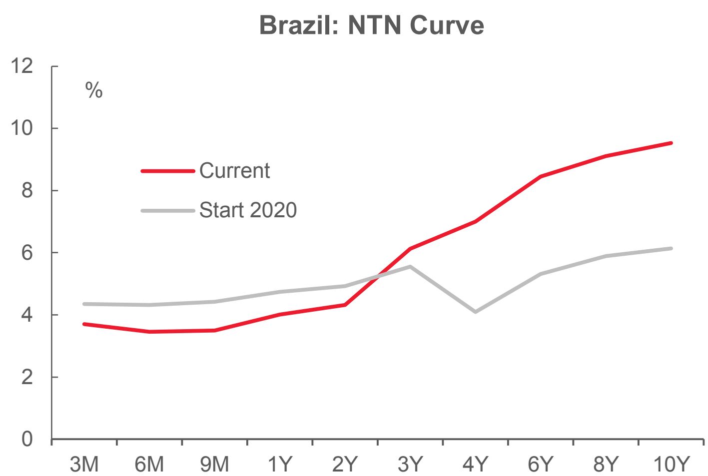
Sources: Scotiabank Economics, Bloomberg.

Chart 2



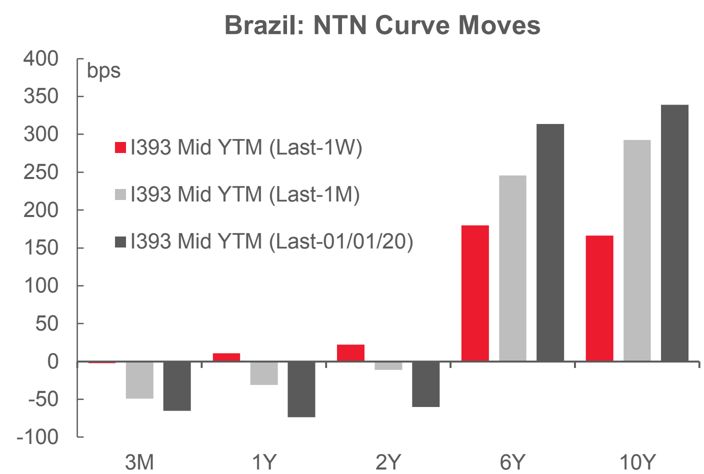
Sources: Scotiabank Economics, Bloomberg.

Chart 3



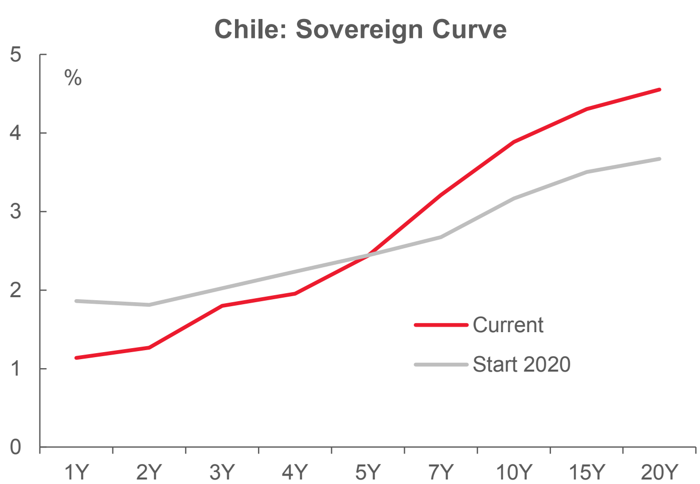
Sources: Scotiabank Economics, Bloomberg.

Chart 4



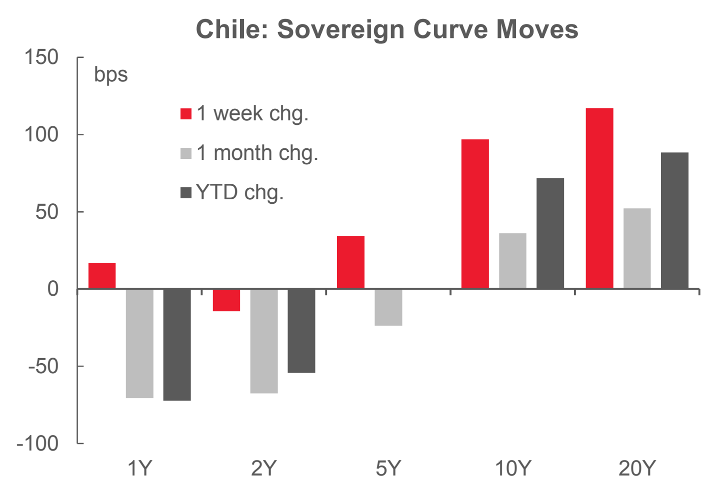
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

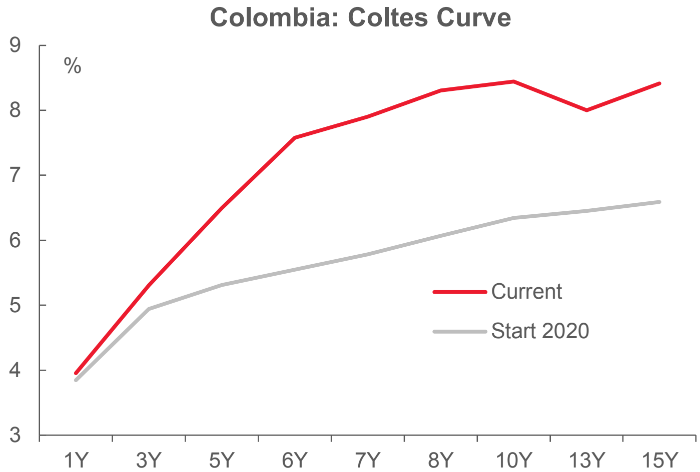
Chart 6



Sources: Scotiabank Economics, Bloomberg.

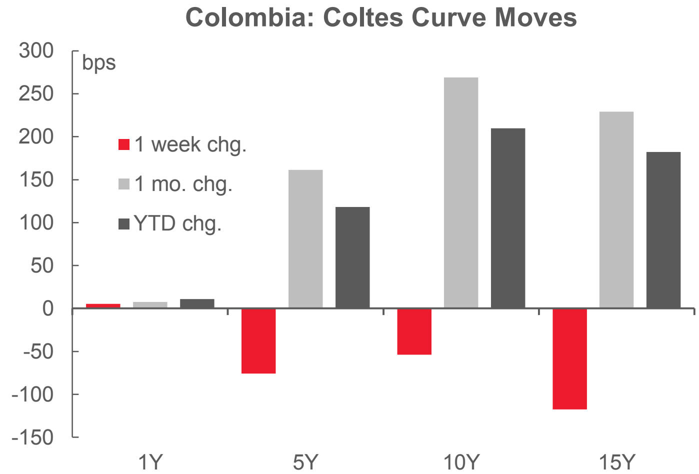
Key Market Charts

Chart 7



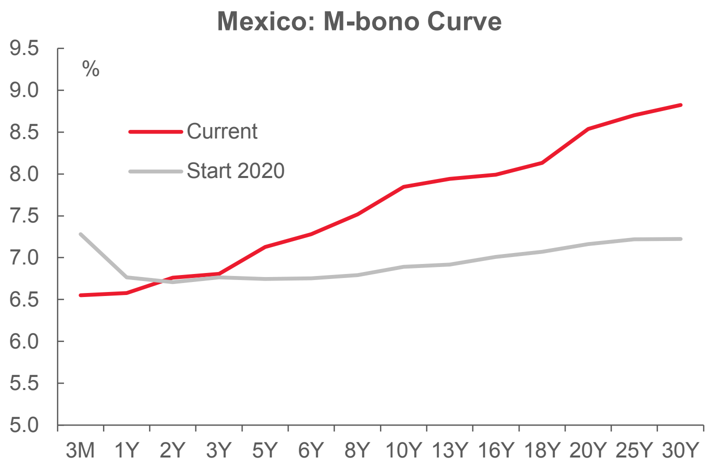
Sources: Scotiabank Economics, Bloomberg.

Chart 8



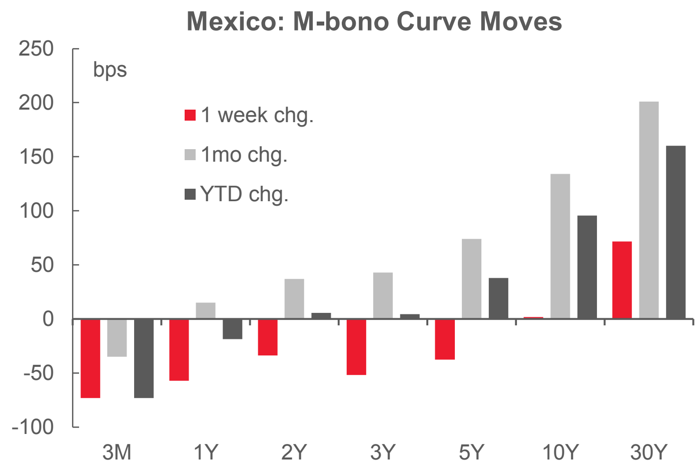
Sources: Scotiabank Economics, Bloomberg.

Chart 9



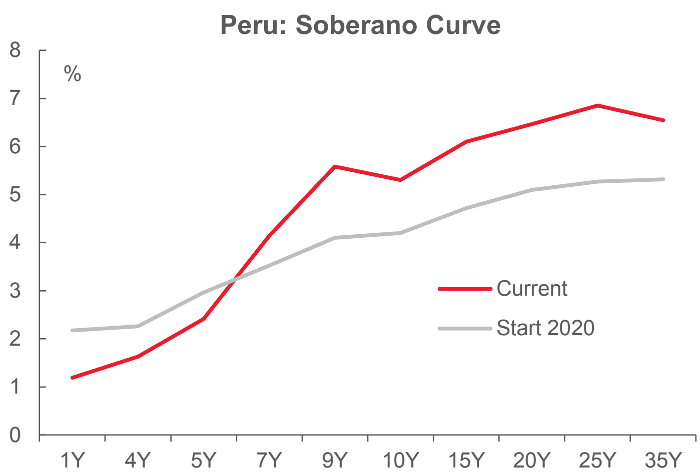
Sources: Scotiabank Economics, Bloomberg.

Chart 10



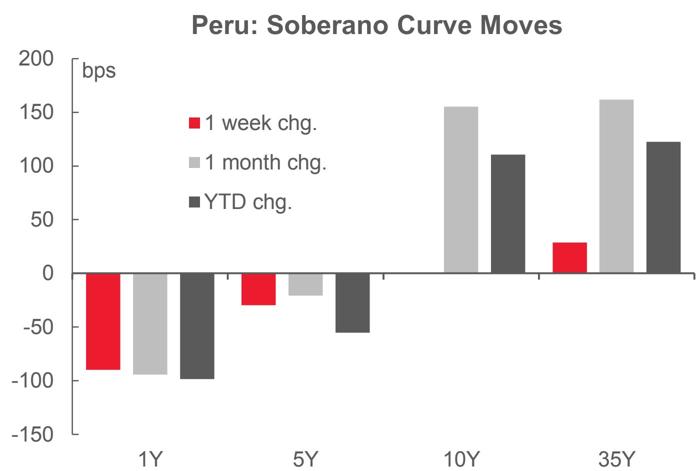
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

Chart 12



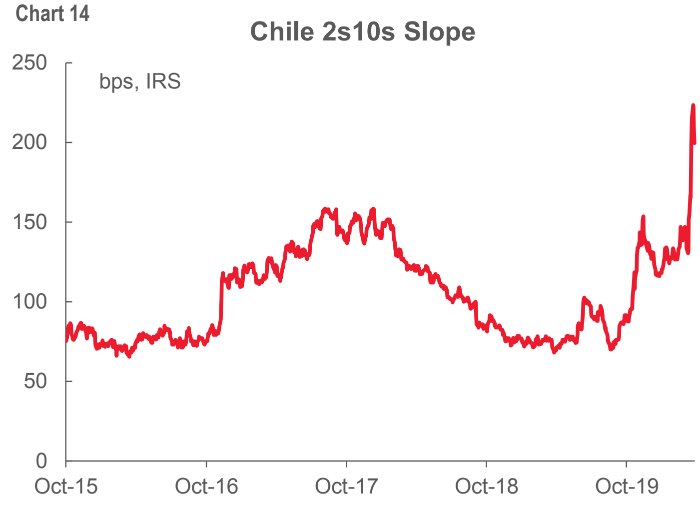
Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 13

Sources: Scotiabank Economics, Bloomberg.

Chart 14

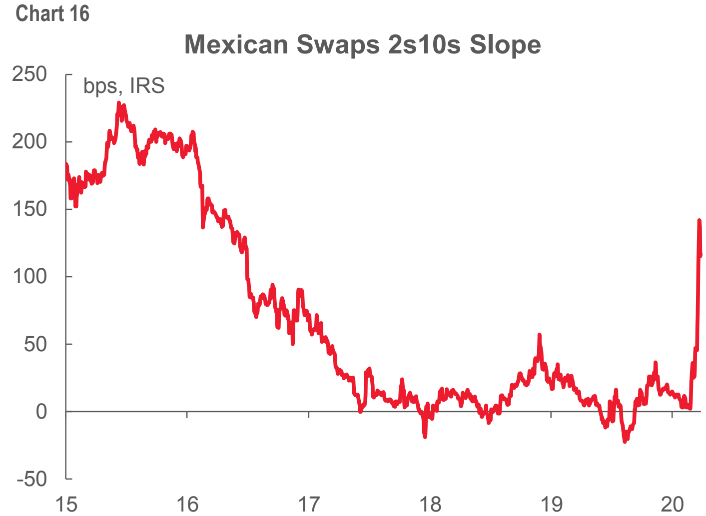


Sources: Scotiabank Economics, Bloomberg.

Chart 15

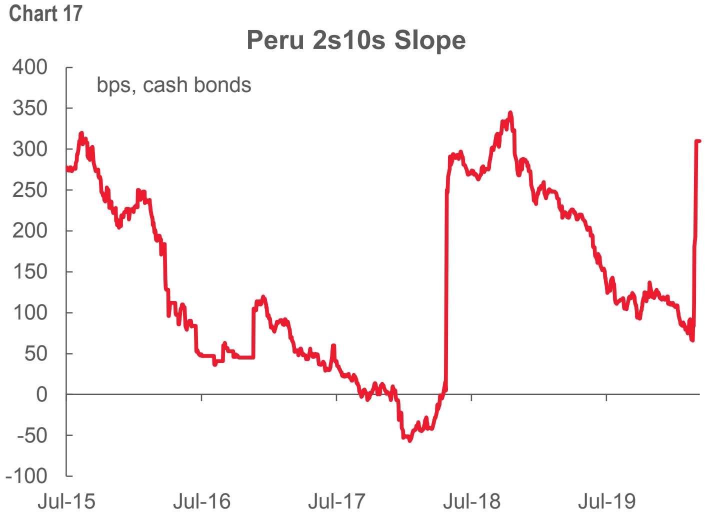
Sources: Scotiabank Economics, Bloomberg.

Chart 16



Sources: Scotiabank Economics., Bloomberg.

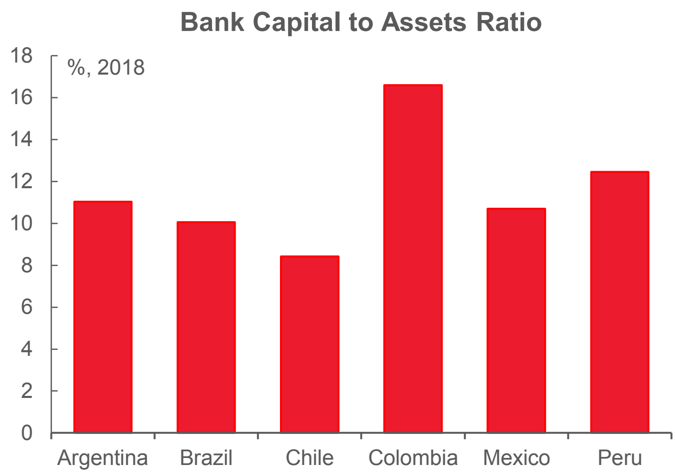
Chart 17



Sources: Scotiabank Economics, Bloomberg.

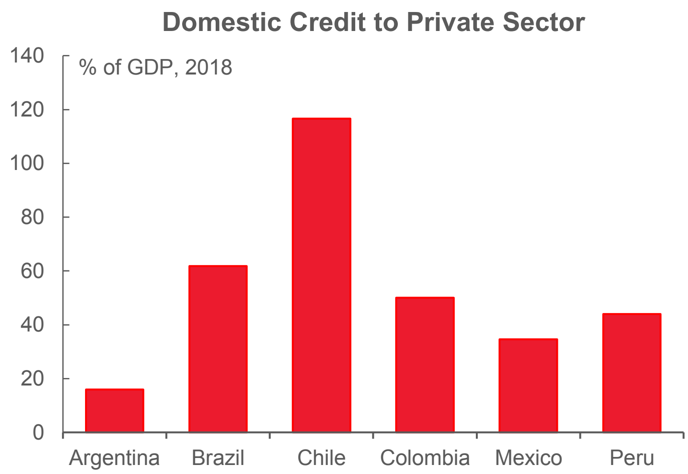
Key Market Charts

Chart 18



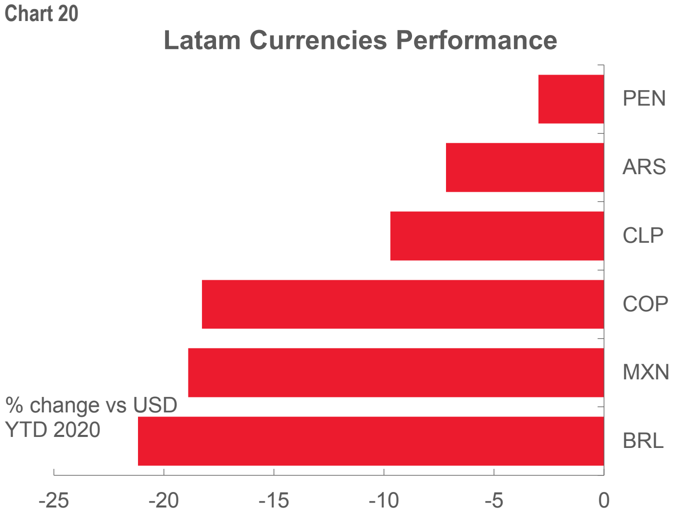
Sources: Scotiabank Economics, World Bank.

Chart 19



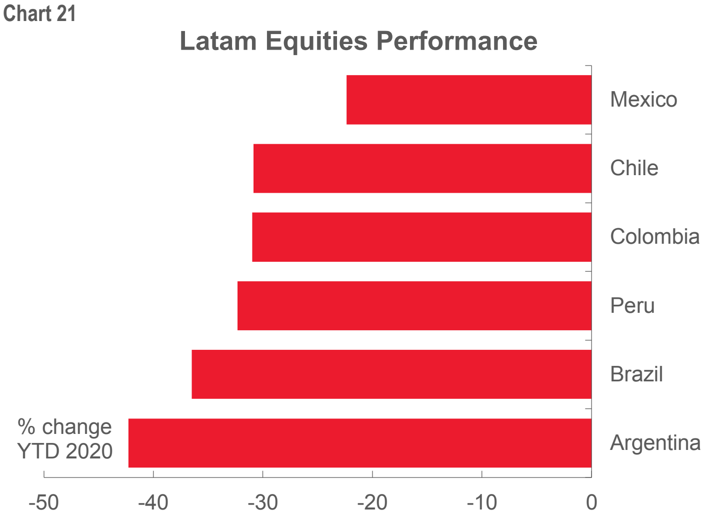
Sources: Scotiabank Economics, World Bank.

Chart 20



Sources: Scotiabank Economics, Bloomberg.

Chart 21



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for Week of March 30–April 3

ARGENTINA

Date	Time	Indicator	Period	Consensus	Latest
03/30	15:00	Economic Activity Index (m/m)	Jan	--	0.2
03/30	15:00	Economic Activity Index (y/y)	Jan	--	-0.3
04/01	15:00	Wages (m/m)	Jan	--	2.6
04/03		Government Tax Revenue (ARS, bn)	Mar	--	471.7

BRAZIL

Date	Time	Indicator	Period	Consensus	Latest
03/30	7:00	FGV Inflation IGPM (m/m)	Mar	1.1	0.0
03/30	7:00	FGV Inflation IGPM (y/y)	Mar	6.7	6.8
03/30	14:00	Trade Balance Weekly (USD, mn)	29-Mar	--	1402.0
03/30		Tax Collections (BRL, mn)	Feb	117975	174991
03/30		Formal Job Creation Total	Jan	77500	-307311
03/30		Central Govt Budget Balance (BRL, bn)	Feb	-18.0	44.1
03/31	8:00	National Unemployment Rate (%)	Feb	11.6	11.2
03/31	8:30	Primary Budget Balance (BRL, bn)	Feb	-14.7	56.3
03/31	8:30	Nominal Budget Balance (BRL, bn)	Feb	-50.0	19.1
03/31	8:30	Net Debt (% GDP)	Feb	54.0	54.2
04/01	7:00	FGV CPI IPC-S (m/m)	31-Mar	0.3	0.2
04/01	8:00	Industrial Production (m/m)	Feb	-0.4	0.9
04/01	8:00	Industrial Production (y/y)	Feb	-2.3	-0.9
04/01	9:00	Markit Brazil PMI Manufacturing Index	Mar	--	52.3
04/01	14:00	Trade Balance Monthly (USD, mn)	Mar	4000.0	3096.0
04/01	14:00	Exports Total (USD, mn)	Mar	19200.0	16355.0
04/01	14:00	Imports Total (USD, mn)	Mar	15100.0	13259.0
04/01		CNI Capacity Utilization Rate, SA (%)	Jan	78.1	78.0
APR 1-3		Vehicle Sales Fenabrave	Mar	--	200987
04/02	4:00	FIPE CPI - Monthly (m/m)	Mar	0.1	0.1
04/03	9:00	Markit Brazil PMI Composite Index	Mar	--	50.9
04/03	9:00	Markit Brazil PMI Services Index	Mar	--	50.4

CHILE

Date	Time	Indicator	Period	Consensus	Latest
03/31	8:00	Unemployment Rate (%)	Feb	7.4	7.4
03/31	8:00	Copper Production Total (tons)	Feb	--	466723
03/31	8:00	Retail Sales (y/y)	Feb	--	0.1
03/31	8:00	Commercial Activity (y/y)	Feb	--	1.6
03/31	8:00	Industrial Production (y/y)	Feb	--	1.8
03/31	8:00	Manufacturing Production (y/y)	Feb	--	3.4
03/31	17:00	**Overnight Rate Target (%)**	**31-Mar**	**--**	**1.00**
04/01	7:30	Economic Activity (m/m)	Feb	--	1.3
04/01	7:30	Economic Activity (y/y)	Feb	--	1.5
04/01	7:30	Economic Activity ex. Mining (y/y)	Feb	--	1.5
APR 1-7		IMCE Business Confidence Index	Mar	--	43.9

COLOMBIA

Date	Time	Indicator	Period	Consensus	Latest
03/31	11:00	National Unemployment Rate (%)	Feb	--	13.0
03/31	11:00	Urban Unemployment Rate (%)	Feb	11.9	12.9
04/01	11:00	Davivienda Colombia PMI Mfg Index	Mar	--	52.5
04/02	11:00	Exports FOB (USD, mn)	Feb	3098.0	3423.7

Market Events & Indicators for Week of March 30–April 3

MEXICO

Date	Time	Indicator	Period	Consensus	Latest
03/30		Budget Balance YTD (MXN, bn)	Feb	--	40.8
03/31	11:00	Net Outstanding Loans (MXN, bn)	Feb	--	4671.1
03/31	11:00	International Reserves Weekly (USD, mn)	27-Mar	--	184175
04/01	11:00	Remittances Total (USD, mn)	Feb	2683.8	2582.8
04/01	11:30	Markit Mexico PMI Mfg Index	Mar	--	50.0
04/01	14:00	IMEF Manufacturing Index SA	Mar	44.3	49.1
04/01	14:00	IMEF Non-Manufacturing Index SA	Mar	46.2	48.8
04/02	8:00	Leading Indicators (m/m)	Feb	--	0.1
04/02	8:00	Vehicle Domestic Sales	Mar	--	104328
04/03	8:00	Consumer Confidence Index	Mar	39.9	43.9

PERU

Date	Time	Indicator	Period	Consensus	Latest
04/01	1:00	Lima CPI (y/y)	Mar	1.8	1.9
04/01	1:00	Lima CPI (m/m)	Mar	0.6	0.1

Scotiabank Economics Latam Coverage