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LatAm IT-5: Keeping it Easy on Monetary Policy

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Inflation/Growth Balance of Risks Supporting Prolonged Monetary Stimulus

A combination of recent external and country-specific domestic developments shifted the LatAm IT-5 monetary policy outlook into the dovish camp. In general, most of the regional inflation targeting central banks (LAIT-5; Brazil, Chile, Colombia, Mexico, and Peru) have in recent months gained extra degrees of freedom to keep monetary policy accommodative and supportive of the respective real business cycles. Even in Mexico, where the monetary policy stance is admittedly restrictive, the inflation-growth balance of risks is now clearly moving in a direction of rate cuts, though conditional on a relatively well anchored MXN.

Rising Risks to Global Growth and More Dovish Global Monetary Backdrop

Concerns with regard to the outlook for global activity and trade have increased in recent months and global growth forecasts have been downgraded. Against this backdrop, the G4 central banks have acknowledged downside risks to the growth outlook, and have put forward more dovish communication and guidance, most notably the FOMC. This led to a significant repricing of the market implied policy rate path for the FOMC, ECB, BoJ, and BoE.

Lower Growth and More Dovish Policy Rate Profile for the LAIT-5

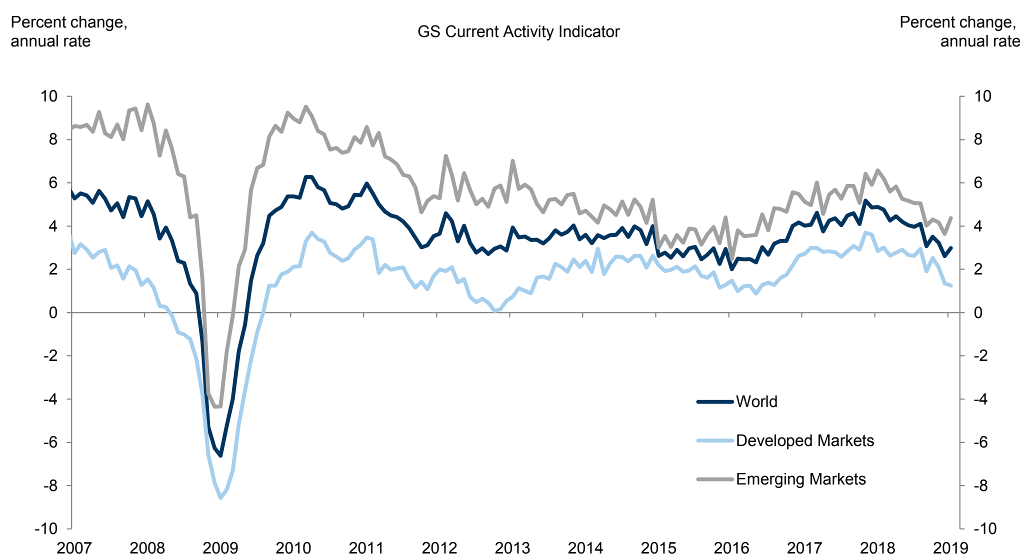
The late 2018 and early 2019 growth momentum has been weaker than expected across a number of the large economies—Brazil, and Mexico—and inflation somewhat more benign than expected in Brazil, Chile, Colombia and Mexico. As a reflection of a lower statistical growth carry-over, lingering policy uncertainty, weaker external demand, and a number of idiosyncratic factors we are downgrading slightly the growth outlook for Brazil (-40bp to 2.2%) and Mexico (-20bp to 1.5%). In Chile, we are also downgrading the 2019 growth outlook (-20bp to 3.4%) to reflect tighter financial conditions and soft private consumption dynamics. Given a friendlier growth-inflation balance of risks and a more dovish external monetary backdrop, we are changing our 2019 call on monetary policy for the LA-IT5. We now anticipate slower policy normalization to below-neutral terminal rates in Chile and Peru, rates on hold through 2019 in Brazil and Colombia, and moderate rate cuts in Mexico.

LatAm IT-5: Keeping it Easy on Monetary Policy

Introduction

A combination of recent external and country-specific domestic developments shifted the LatAm IT5 monetary policy outlook into the dovish camp. In general, most of the regional inflation targeting central banks (LAIT-5; Brazil, Chile, Colombia, Mexico, and Peru) have in recent months gained extra degrees of freedom to keep monetary policy accommodative and supportive of the respective real business cycles. Even in Mexico, where the monetary policy stance is admittedly restrictive, the inflation-growth balance of risks is now clearly moving in a direction of rate cuts, though conditional on a relatively well anchored MXN.

Exhibit 1: Global EM and DM Growth has Been Slowing

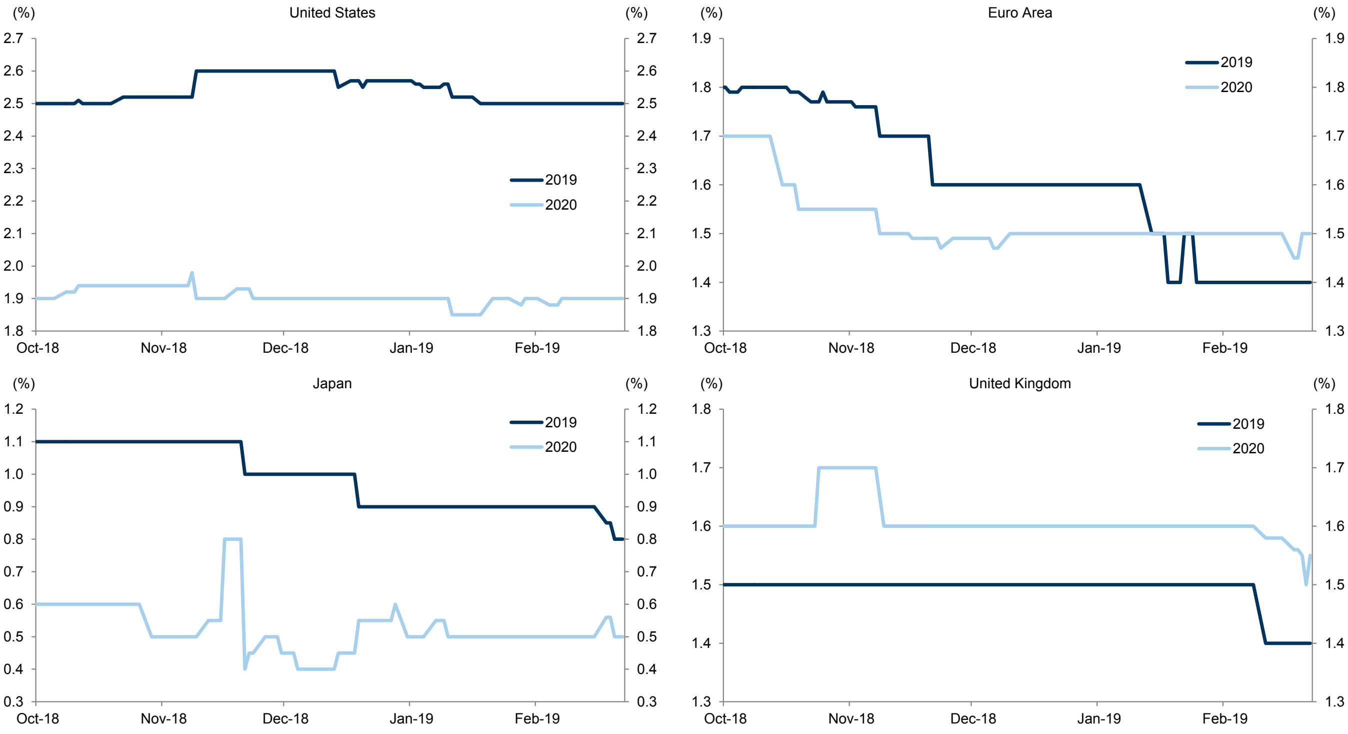


Source: Goldman Sachs Global Investment Research

On the external front, concerns with regard to the outlook for global activity and trade have increased in recent months and global growth forecasts have been downgraded (Exhibit 2). For instance, according to the January 2019 IMF World Economic Outlook, the global economy is now projected to grow at 3.5% in 2019 and 3.6% in 2020, 0.2 and 0.1 percentage point below last October's projections. Furthermore, risks to global growth are still skewed to the downside: an escalation of trade frictions remains a major source of risk to the outlook and so are a "no-deal" withdrawal of the UK from the EU and a sharper-than-expected slowdown in China. Finally, we highlight that model based probabilities of a recession among the major DM economies in the next 12-24 months, while still modest in absolute terms, have been rising at the margin (Exhibit 3).

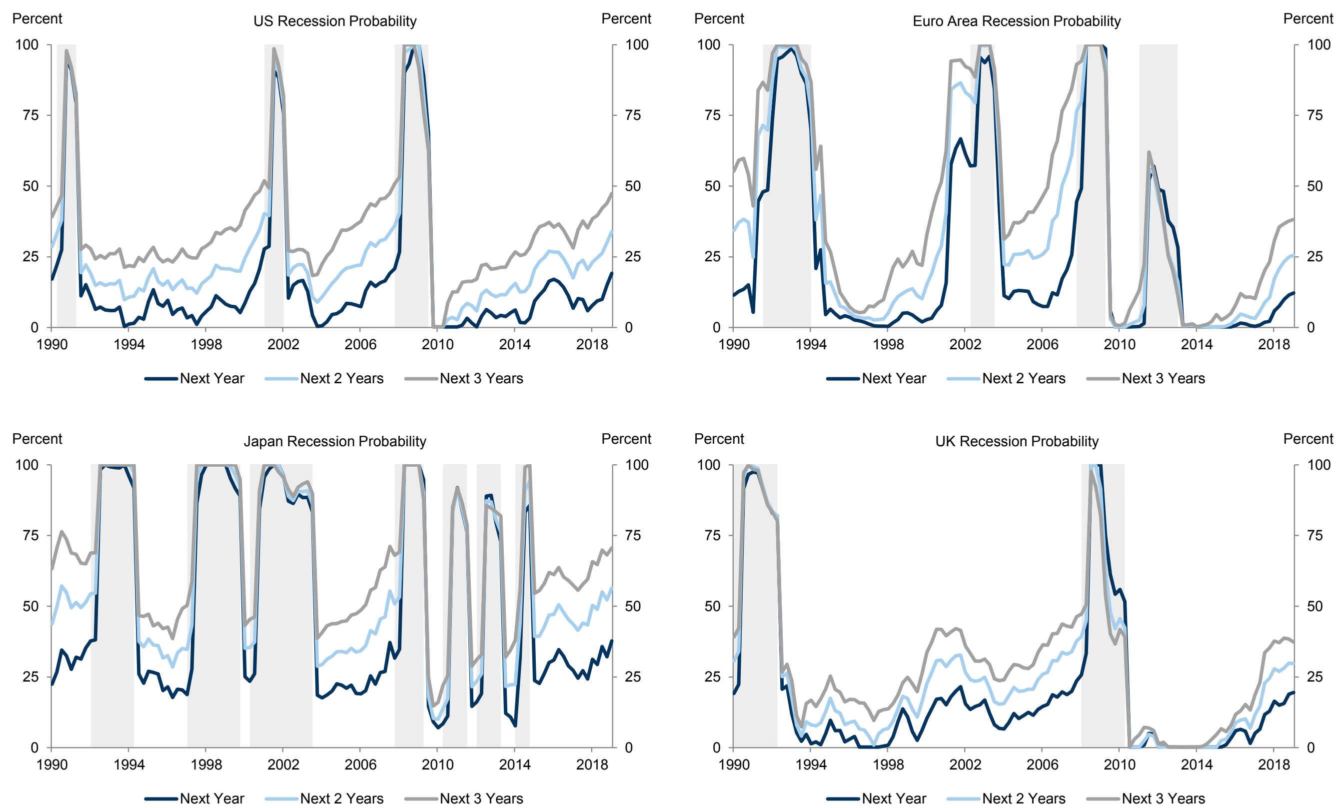
Exhibit 2: Downward Growth Revisions in DMs

Bloomberg Consensus Growth Forecasts



Source: Bloomberg

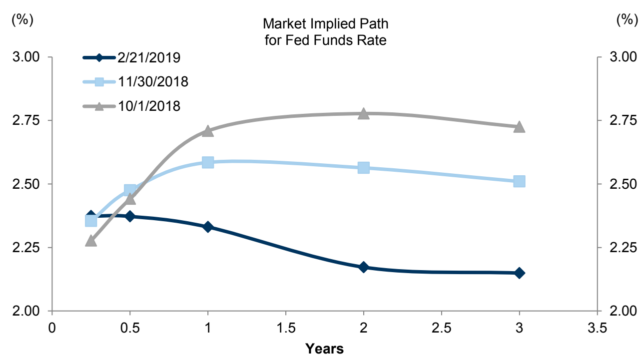
Exhibit 3: Rising Model-Based Probability of Recession in DMs



Source: Goldman Sachs Global Investment Research

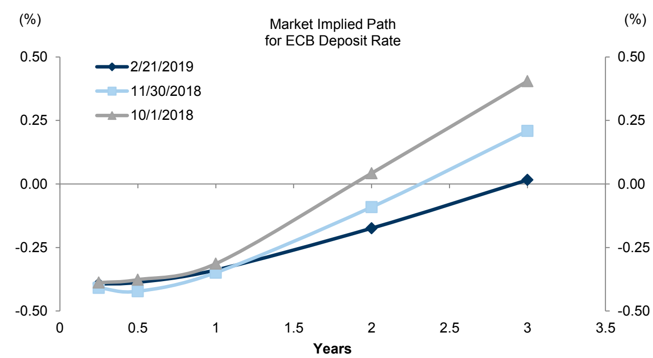
Against this backdrop, in recent months the G4 central banks have acknowledged downside risks to the growth outlook, and have put forward more dovish communication and guidance, most notably the FOMC. This led to a significant repricing of the market implied policy rate path for the FOMC, ECB, BoJ, and BoE (Exhibits 4-7). As highlighted above, for these four large DM economies the Bloomberg consensus forecasts for real GDP growth has been revised downwards in recent months, and 1-year ahead recession probabilities went up.

Exhibit 4: Market Pricing In Cuts to Fed Funds Rate



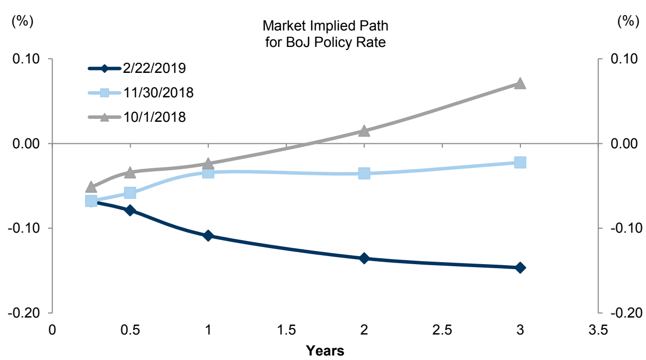
Source: Bloomberg

Exhibit 5: Flatter ECB Hiking Cycle



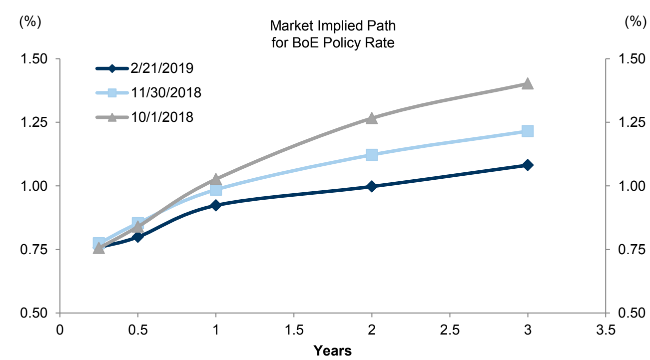
Source: Bloomberg

Exhibit 6: Downward Slopping Implied BoJ Curve



Source: Bloomberg

Exhibit 7: Fewer Rate Hikes Implied for BoE



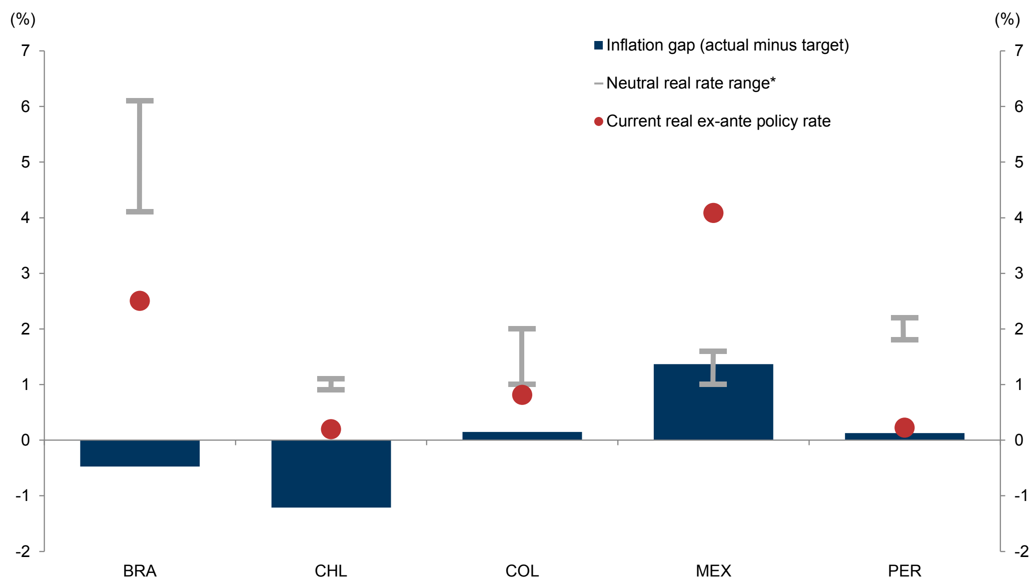
Source: Bloomberg

On the LatAm domestic front, the late 2018 and early 2019 growth momentum has been weaker than expected across a number of the large economies—Argentina, Brazil, and Mexico—and inflation has printed slightly lower than expected, particularly in Brazil, Chile, Colombia and Mexico. **As a reflection of a lower statistical growth carry-over, lingering policy uncertainty, weaker external demand, and a number of idiosyncratic factors we are downgrading slightly the growth outlook for Brazil (-40bp to 2.2%) and Mexico (-20bp to 1.5%). In Chile, we are also downgrading slightly the 2019 growth outlook (-20bp to 3.4%) to reflect tighter financial conditions and softer than expected private consumption and labor market dynamics.**

Altogether, **we are changing our 2019 call on monetary policy for the LA-IT5. Given the external developments highlighted above and a friendlier domestic growth-inflation balance of risks we now anticipate:**

1. **Softer upward normalization policy rate path in Chile and Peru;**
2. **Policy rates on hold throughout all of 2019 in Brazil and Colombia (the expected normalization of monetary policy has now been shifted to 2020 from late 2019); and**
3. **Moderate rate cuts in Mexico (-75bp to a still restrictive 7.50%, conditional on broad MXN stability).**

Exhibit 8: LA-IT5: Inflation Gap and Real Rates



Source: Goldman Sachs Global Investment Research

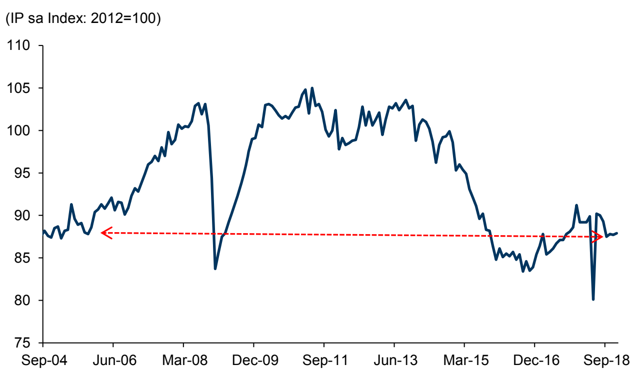
Brazil: Selic Rate On Hold for the Foreseeable Future

In Brazil, the growth momentum softened visibly during 4Q18 despite firming consumer and business sentiment indicators and recovering bank credit flows. The 4Q2018 labor maker dynamics were also soft and disappointing.

The industrial sector has been noticeably weak (-1.3% qoq sa in 4Q18, vs. +2.5% qoq sa in 3Q18) driven in part by the large contraction of manufacturing exports to Argentina. Furthermore, the services activity and retail sales growth momentum also decelerated visibly from 3Q. Altogether, weaker than expected real activity during 4Q2018 reduced the statistical carry-over for growth in 2019 by an estimated 25bp, to just 0.5%. Finally, leading indicators suggest that the pace of the recovery remained lackluster during 1Q2019.

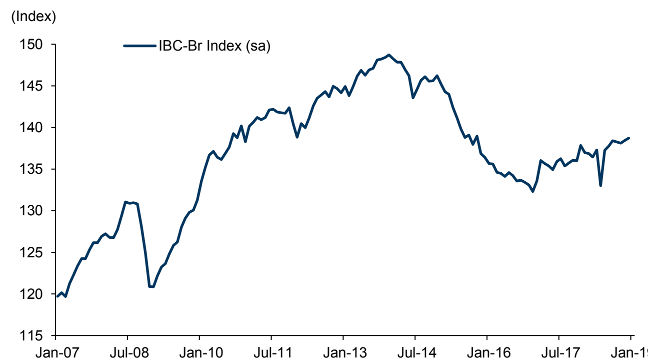
Altogether, we are **revising the 2019 real GDP growth forecast to 2.2% from 2.6%.** The downward revision takes into account: (1) weaker momentum and lower statistical carry-over from 2018; (2) recent weather-driven downward revisions to major crop yield forecasts; (3) deeper than expected contraction of activity in Argentina (a major market for Brazilian manufacturing exports); (4) the negative impact on mining production from Vale's iron ore mine shutdowns following the accident at the Brumadinho dam; and (5) uncertainty about the approval of the pivotal social security reform which will likely take through 1H2019, perhaps longer.

Exhibit 9: Weak Industrial Sector Dynamics



Source: IBGE, Goldman Sachs Global Investment Research

Exhibit 10: Modest Real Activity Cyclical Recovery



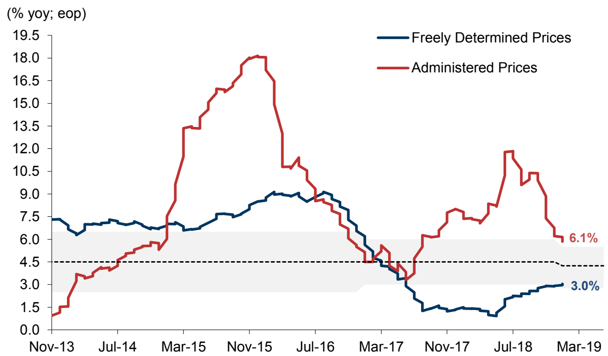
Source: BCB, Goldman Sachs Global Investment Research

Overall, for 2019 we expect the economy to continue to operate with a high degree of slack in terms of resource utilization (negative output gap and unemployment rate still signs of significantly above the NAIRU).

The 2018 benign inflation backdrop is expected to extend into 2019. Inflation in Brazil surprised to the downside during Jan-Apr 2018: at 2.76% yoy in April headline IPCA inflation eased 20bp from the already-low December 2017 level and remained below the 3.0% lower limit of the inflation target band. During this period, more than food prices, the main drivers of the extremely favorable inflation dynamics were core (-60bp) and services (-110bp) as they declined more than headline (-20bp). In fact, at just 2.6% yoy in April 2018 core inflation was tracking at the lowest level of the 10-year distribution (in the 1st percentile and more 2 standard deviations below the standardized 10-year distribution average).

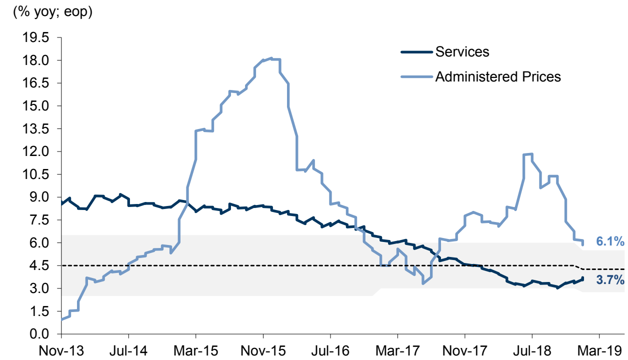
The favorable 2017 and 4M2018 food price dynamics reversed during May-Dec 2018: food at home inflation went from -5.0% in 2017 to +4.6% in 2018, a 2-sigma move that shifted food inflation from the 3rd to the 33rd percentile of the 10-year distribution. However, the large move in food inflation did not unravel headline inflation or its expectations given the sturdy anchoring provided by core and services inflation. The fact that core and services inflation (including food away from home) have remained well anchored during 2H2018 at low historical levels mitigated the impact on headline inflation of the significant mean-reversion of food price inflation. As such, not only did inflation end 2018 at a low sub-4% level but it was also structurally better anchored to slow-moving, less-volatile core and services components. Early 2019 prints point to the continuation of the benign inflation backdrop, with low core readings despite further acceleration of food price inflation.

Exhibit 11: Low and Contained Inflation Among Freely Determined Prices



Source: IBGE, Goldman Sachs Global Investment Research

Exhibit 12: Services Inflation Tracking Below the IT Midpoint



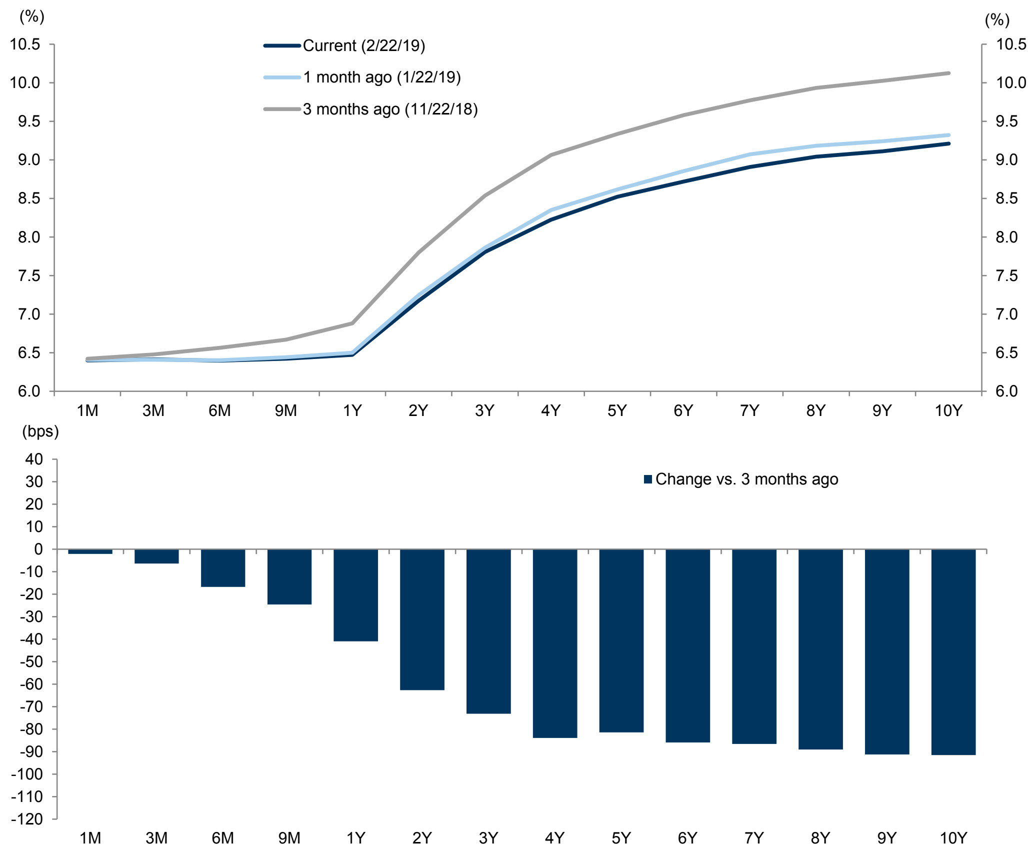
Source: IBGE, Goldman Sachs Global Investment Research

All in all, a large negative output gap, a high level of slack in the labor market, very well-anchored inflation expectations, a restrained outlook for near-term real GDP growth, and a well-supported BRL should contribute to keep inflation firmly anchored, in our view. Low core and services inflation should also give the central bank near-term comfort.

Against this backdrop, assuming a well-anchored BRL and no major deterioration of the external backdrop facing the EM economies, **we now expect the central bank to leave the policy rate unchanged at 6.50% throughout all of 2019; delaying the gradual upward normalization of monetary policy to 2020.**

Deterioration in market sentiment that negatively impacts the low-carry BRL (driven for instance by the potential worsening of the political and policy-implementation backdrop and outlook for the approval of social security reform) could eventually force the central bank to initiate the rate normalization cycle later this year. Conversely, the strengthening of market sentiment supported by a more upbeat outlook for structural reforms, leading to significant capital inflows (portfolio and FDI) and a stronger currency, could eventually bring back the discussion about a structural downward shift of the neutral real interest rate (r^*) of the economy and the appropriateness of cutting rates further.

Exhibit 13: Downward Shift in Pre x DI Swap Curve

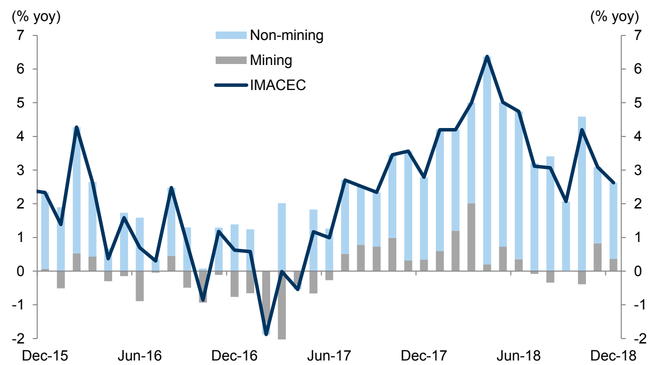


Source: Bloomberg, Goldman Sachs Global Investment Research

Chile: Shallower Hiking Cycle on Rising Risks to Growth

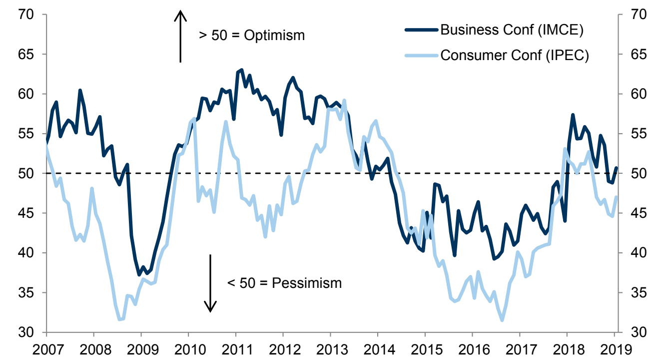
After solid numbers during the first half of 2018, real GDP growth slowed during 2H2018, raising concerns regarding the sustainability of the business cycle recovery that began in mid-2017. The surge in business and consumer confidence levels from the end of 2017 to early 2018 has partially reversed, with both indicators now tracking in or near pessimistic territory. Weaker manufacturing, commerce and construction activities led to more modest expansion in non-mining GDP and base effects dragged down mining production growth. As a result, the carryover from 2018 to 2019 growth stands at just 0.8%, significantly below the 2.4% carryover to 2018 from 2017 that contributed to last year's solid 4.0% expansion. In addition, broad financial conditions have become less accommodative following the 50bp policy rate hike and rising lending rates, and risks of a more adverse external scenario with slower global growth have increased. Hence, **we are downgrading slightly our 2019 real GDP growth forecast by 0.2pp to 3.4%.**

Exhibit 14: Real GDP Growth Past its Peak



Source: Banco Central de Chile, Goldman Sachs Global Investment Research

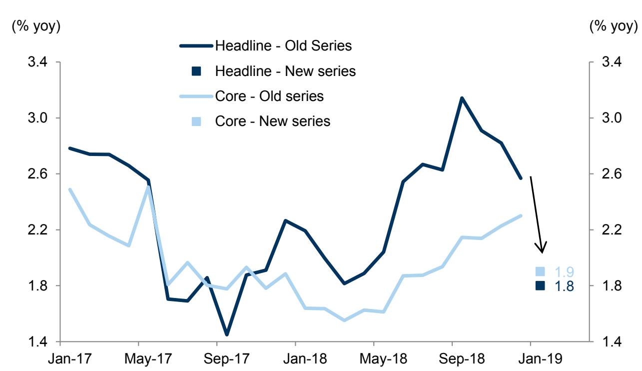
Exhibit 15: Declining Consumer and Business Confidence



Source: Haver Analytics

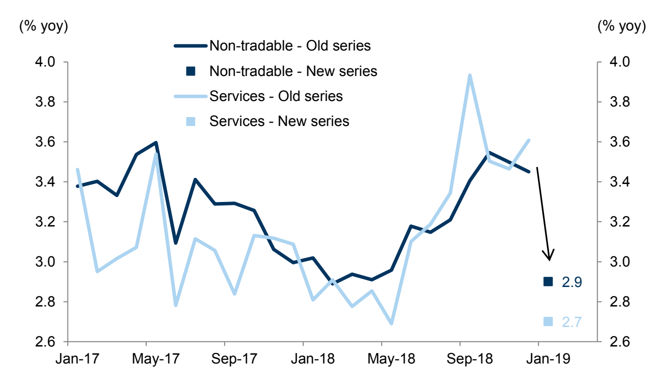
Besides the greater negative tail risk to the growth outlook, the inflation picture has changed considerably since our last review of the inflation/growth balance of risks (see "Chile: Slow but Steady Rate Hikes Ahead", Latin America Economics Analyst, Jan. 11, 2019). The January CPI introduced a revamped basket in its usual 5-year revision that led to a significant and larger-than-expected decline in annual inflation rates across most key components. Headline inflation declined significantly to 1.8% yoy, down from 2.6% yoy in December and below the 2% target lower bound. Though the new series is not directly comparable to the previous one due to the methodological change, the current annual rate is the lowest since March 2018. Core inflation excluding food and energy also decelerated considerably to 1.9% yoy from 2.3% in December. In addition, tradable inflation declined 100bp to 0.8% yoy, non-tradable inflation declined to 2.9% yoy from 3.5%, and services inflation printed at 2.7% yoy, down from 3.6% in December.

Exhibit 16: CPI Revision Led to a Large Decline in Headline/Core Inflation...



Source: INE, Goldman Sachs Global Investment Research

Exhibit 17: ... as well as Non-tradable/Services Inflation



Source: INE, Goldman Sachs Global Investment Research

In our view, the significant downward revision across the main inflation components, particularly the considerable decline in the business-cycle-sensitive non-tradable and services inflation, increased the probability of a more gradual hiking cycle and/or a lower terminal rate than suggested in the latest central bank forward guidance. In the statement from the January meeting, the MPC noted that "*prices more sensible to the activity gap, such as non-regulated services in the core CPI excluding food and energy,* *continued their upward trajectory*." The new CPI figures have shown a considerably different picture, which we believe will lead the MPC to reassess the inflation/growth balance of risks and possibly change its forward guidance to a more dovish stance.

The minutes from the January meeting showed MPC members are increasingly concerned with developments in the global economy and their possible implications to the domestic growth outlook. The MPC noted that while there had been no change to the expected external impulse to the domestic economy outlined in the December IPoM, "*it was obvious that downward biased risks for activity had increased*," and that "*multiple [policy rate] trajectories were consistent with a given baseline scenario, and the convenience of signaling to the market one or another path as the most likely one depended not only on the starting point but also on the risk scenarios*." Also, the MPC stressed that the external scenario outlined in the December IPoM was "*already below the market's projection*." One board member said it was important to communicate that the hiking cycle would be done with "*greater flexibility*" which, while leaving "*no doubt that it was still necessary to continue with the normalization process," it was possible that this process could be "somewhat slower than was communicated in the last [IPoM]*."

Given the board's statement that the normalization process should continue, we expect the MPC to continue to signal a hiking bias in upcoming meetings. However, we now believe that the MPC will place greater weight on the downside risks to activity, even if the central bank's estimate for real GDP growth continues to point to a healthy expansion somewhat above potential in 2019.

The MPC's main concern regarding recent inflation dynamics reflected the upward trajectory in non-tradable/services inflation. The new CPI figures now show that those inflation components are tracking below the 3% target midpoint instead of approaching the 4% upper limit of the target range, and both headline and core inflation are now below the 2% lower bound. Moreover, the low business-cycle-sensitive inflation components could be seen as evidence that the output gap has likely remained wider than previously estimated. Coupled with the recent moderation in domestic activity, soft labor market conditions, increased downside risks to growth from a more adverse external scenario, and less accommodative financial conditions, we believe the current benign inflation picture has removed support from a more proactive normalization of the monetary policy stance and favored a more cautious posture by the MPC. Given the latest communications from the central bank in which some board members expressed increasing concerns with the growth outlook, we now believe the MPC will proceed with a more gradual hiking cycle towards a lower terminal rate than we previously expected.

Indeed, it would be difficult to justify a steep increase in the policy rate in an environment of low and contained inflationary pressures, with inflation expectations and breakevens below the 3% target, moderating domestic activity, and increased downside risks to the global economy that could have considerable spillovers to the small open Chilean economy.

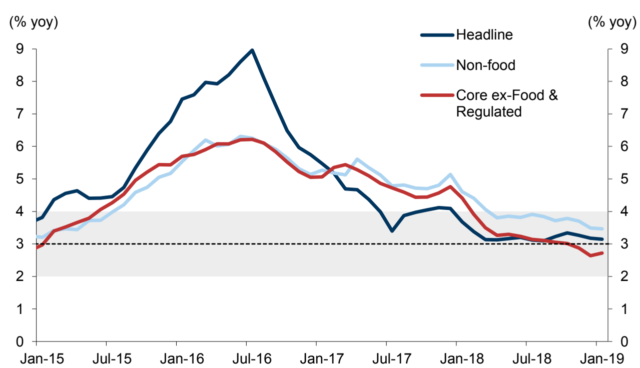
Following the January policy rate hike, **we now expect the MPC to deliver just two additional hikes to a terminal rate of 3.50%, below our previous expectation at 4.00%**. While the timing of future hikes will certainly depend on incoming data from both the domestic and global economies, and while we acknowledge the great uncertainty regarding the current state of the inflation/growth balance of risk, at this point **we expect the MPC to raise the policy rate by 25bp in its June and October meetings**.

Colombia: Rates on Hold amid Favorable Inflation Picture

While the recent revision to the CPI basket has not led to significant decline in annual inflation figures as in Chile, inflation has behaved remarkably well during the past year in Colombia. Headline inflation ended 2018 at 3.2% yoy and declined further in January, remaining well inside the 2-4% target range and reaching the lowest level since 2013. Core inflation measures have also moderated to their lowest reading in nearly five years at around 3%, and the business-cycle-sensitive non-tradable component has finally converged to the target range. Moreover, monthly CPI prints have surprised consensus on the downside in seven of the past eight months. Though inflation expectations have remained somewhat above the target midpoint, they have improved in recent months.

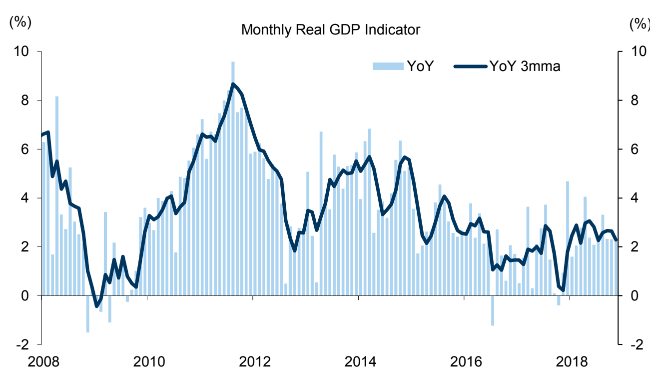
The main risks to the inflation outlook, namely a rise in food inflation amid the current El Niño phenomenon and pass-through from the exchange rate depreciation since mid-2018, seem limited. Though food inflation has risen from its cyclical low in early 2018, the latest data suggest the weather impact on food prices has so far been minimal. Moreover, despite the near 6% depreciation of the real effective exchange rate since June, tradable inflation has moderated further to its lowest rate in nearly six years. In the January MPC meeting press conference, the central bank governor highlighted that the pass-through from the COP depreciation during 2H2018 to inflation was "surprisingly low."

Exhibit 18: Inflation at Lowest Levels in Several Years



Source: DANE, Goldman Sachs Global Investment Research

Exhibit 19: Real GDP Tracking at Just Over 2%

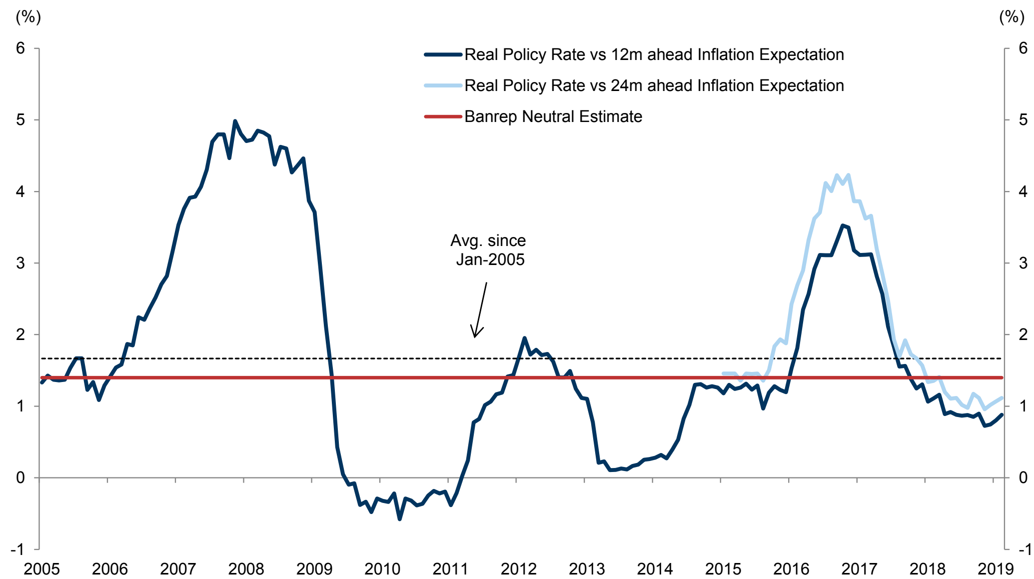


Source: DANE, Goldman Sachs Global Investment Research

The favorable inflation dynamics have roots in the weak (though improving) growth momentum. Real activity has strengthened through 2018, but only modestly. We estimate that real GDP grew 2.6% in 2018, up from 1.8% in 2017 but still below the central bank's potential growth estimate of 3.3-3.5%. Looking forward, we believe the sluggish business cycle recovery will prevent a narrowing of the output gap and keep demand-pull inflationary pressures contained: we expect real GDP growth to accelerate to a near-potential 3.2% in 2019.

We believe the encouraging inflation scenario, slow business cycle recovery, and increasing risks of weaker global growth will provide the central bank with some comfort to focus on maintaining the monetary stimulus for an extended time. Therefore, **we now expect the MPC to leave the policy rate on hold at 4.25% for the remainder of 2019. Moreover, we expect the MPC to postpone policy normalization to 2020, delivering three rate hikes towards a terminal 5.00% rate during 1Q-3Q2020.**

Exhibit 20: Policy Rate Slightly Below Neutral



Source: Banco de la República, Goldman Sachs Global Investment Research

According to Bloomberg, the central bank governor said at the presentation of the latest Quarterly Inflation Report that he disagreed with market expectations for two policy rate hikes in 2019, arguing instead that he saw “calm times” for interest rates this year. Recent statements from other MPC members suggested a similar view, i.e. that inflation is expected to remain under control and growth to gradually but modestly accelerate throughout the coming year.

Though the inflation/growth balance of risks support an extended period of monetary stimulus, the expected widening of the current account deficit could lead the MPC to adopt a more conservative stance. At the January MPC meeting, several MPC members expressed concern regarding the expected deterioration in the current account balance, though they remain confident that the deficit will be fully financed, in large part by foreign direct investment.

We note that at the early stages of the monetary easing cycle started in December 2016, the faster-than-expected narrowing of the current account deficit was one of the main reasons — along with the decline in inflation and weak economic growth —

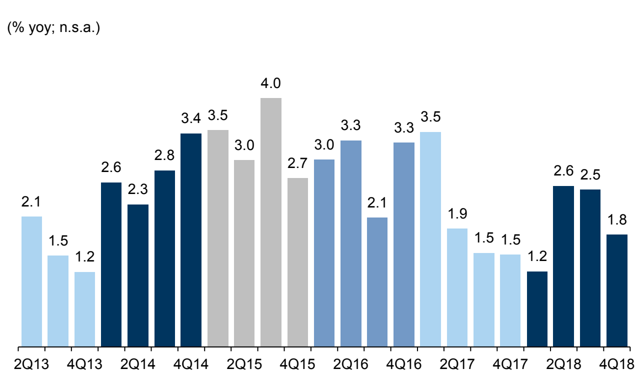
highlighted by the MPC as a contributing factor for the decision to cut the policy rate. Hence, while the current benign inflation dynamics has been a welcome surprise and the global growth outlook has deteriorated, we believe further widening of the current account deficit could hinder a more dovish stance by the MPC in the medium term. Still, we note that the main transmission mechanism from a larger current account deficit to inflation would take the form of a weaker real exchange rate. Thus, should the exchange rate remain anchored around current levels, we believe the MPC would continue to focus on supporting the incipient business cycle recovery.

Mexico: Weakening Growth Profile Moving Monetary Needle Towards Easing/Cuts

Real GDP growth in Mexico was admittedly modest in recent years, and is about to get worse. The growth momentum softened visibly to a below-trend pace during 4Q2018, and the deceleration trend seems to have intensified during 1Q2019 aggravated in part by a number of idiosyncratic factors (labor strikes and disruptions to fuel supply in a number of states). As such, the output gap widened during 4Q2018, and will likely widen further in 1Q2019.

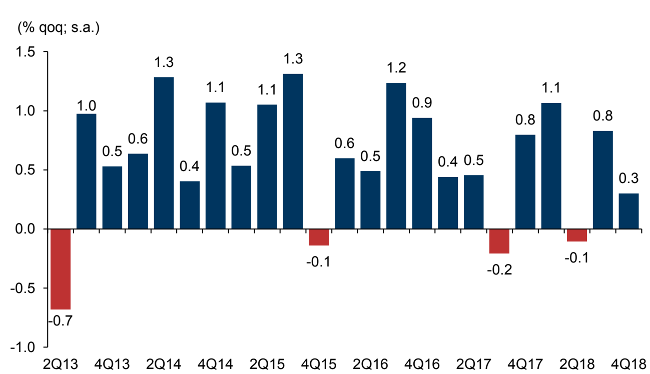
According to the 1st vintage real activity flash estimate, real GDP grew at a lower than expected 1.8% yoy rate in 4Q2018, down from 2.5% yoy during 3Q2018 and 2.6% yoy during 2Q2018. Overall, the economy is estimated to have expanded just 2.0% in 2018, with real growth now on a downward trend for three consecutive years: 2015 (3.3%), 2016 (2.9%) and 2017 (2.1%). Sequentially, real GDP growth decelerated to a below-trend 0.3% qoq sa in 4Q2018, from the 0.8% qoq sa 3Q2018 pace, impacted chiefly by the poor performance of the secondary sector (-1.1% qoq sa). With the soft 4Q print, assuming no revisions to prior data, the statistical carry-over for 2019 dipped to at a modest 0.6%; that is, were the economy to remain flat during 2019 at the 4Q2018 level, real GDP would grow 0.6% in 2019.

Exhibit 21: Modest Annual Real GDP Growth



Source: INEGI, Goldman Sachs Global Investment Research

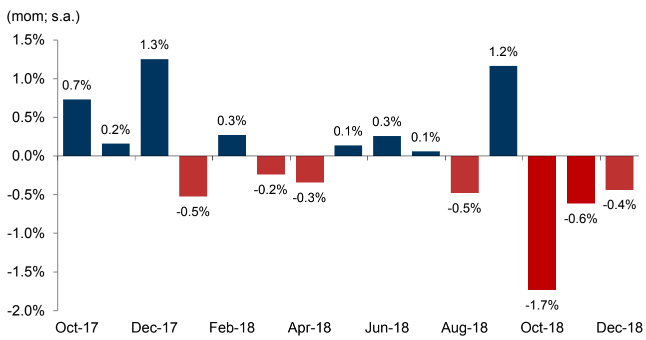
Exhibit 22: Growth Momentum Softened During 4Q2018



Source: INEGI, Goldman Sachs Global Investment Research

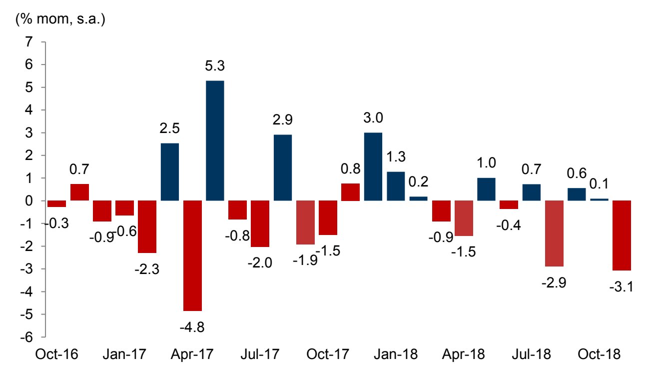
The industrial complex continues to be impacted by the multi-year contraction in mining: oil & gas has been a drag on the industrial sector for six consecutive years. In addition, the growth dynamics of the construction sector have been negatively impacted by the contraction of civil engineering projects, which is related to federal budgetary constraints. Up to now, the brightest spot within IP has been the manufacturing sector which has benefited from solid external (US) demand and a very competitive exchange rate, but the sector's performance weakened visibly during 4Q2018 and going forward, tighter financial conditions, policy uncertainty, soft business confidence, and slowing external demand will like generate headwinds to both the construction and manufacturing sectors. On the demand side, Gross Fixed Investment staged an impressive comeback in 1Q2018 (+3.4% qoq sa) but the growth momentum reversed during 2Q (-1.5% qoq sa) and 3Q (-0.9% qoq sa), and several indicators point to another sequential contraction during 4Q2018.

Exhibit 23: Weak Industrial Sector Forward Momentum



Source: INEGI, Goldman Sachs Global Investment Research

Exhibit 24: Weak Gross Fixed Investment



Source: INEGI, Goldman Sachs Global Investment Research

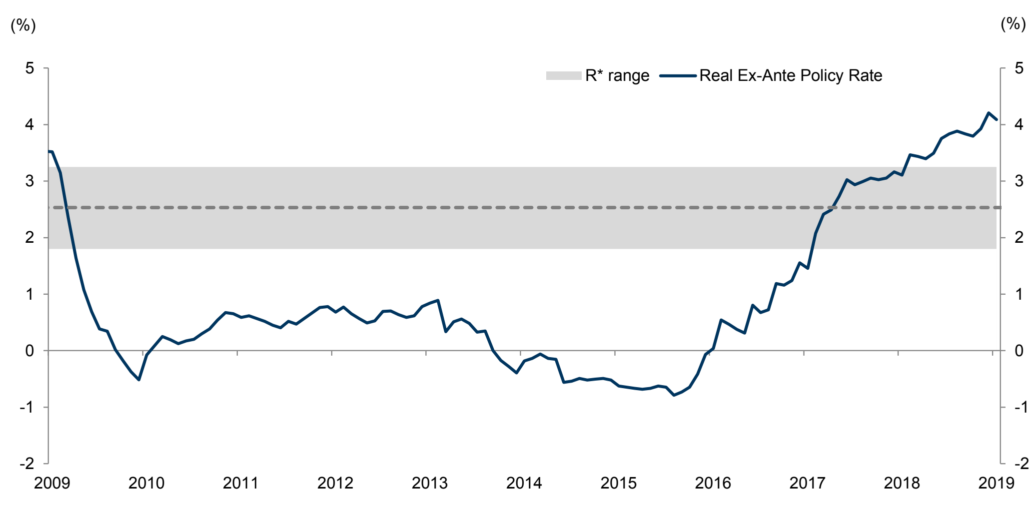
Private sector bank credit is decelerating and the labor market backdrop is starting to show early signs of softness. The credit growth momentum weakened in recent months as tighter financial conditions and macro policy uncertainty appear to have eroded both credit supply by banks and demand by both consumers and corporates. Furthermore, the unemployment rate rose from a cyclical low 3.2% sa in October to 3.6% sa in December, the highest print in 24 months. Finally, according to the social security ministry database (IMSS), formal employment growth downshifted to just 3.3% yoy in January 2019, from 3.6% yoy in 4Q2018 and 4.0% yoy during 3Q2018.

The fiscal impulse is expected be negative for a few quarters. Recent data shows a large double- digit real contraction of fiscal spending and we expect the fiscal impulse to remain a drag on activity throughout at least 1H2019 as it traditionally takes time for a new administration to assume full control over spending procedures and protocols and start to implement its new policy priorities and initiatives. This trend may be more significant this year given the deeper and more widespread than usual changes to the public technocratic bureaucracy.

Overall, we are revising 2019 real GDP growth down to 1.5%, from 1.7%. Tight monetary policy, exigent credit standards/conditions, and lingering uncertainty and risks ahead, are expected to weigh down on the buoyancy of private consumption spending. Furthermore, the outlook for investment spending remains lackluster. High interest rates and exigent domestic and external financing conditions, as well as an overall modest outlook for final domestic demand should all remain a drag on investment spending. The projected deceleration of the US economy may also weaken the thrust to activity from exports and foreign direct investment. Finally, lingering uncertainty with regard to the ratification of the USMCA and market apprehension with regards to macro and micro policy direction under the López Obrador administration could have a visible dampening effect on activity by tightening domestic financial conditions and by rendering domestic economic agents more defensive in their spending and investment decisions. On the positive side, real wage gains supported by the expected moderation of inflation (partially offset by decelerating employment growth), a competitive currency and a potentially lower drag from declining oil production should cushion the projected real activity deceleration.

Inflation is expected to become less of a policy constraint. Inflation in Mexico remains somewhat high, more headline (3.9%) than the policy-sensitive core (3.5%) and non-regulated price (3.7%) measures and the latest inflation prints have been lower than expected. We expect inflation to moderate slightly throughout 2019, driven by the continuation of a restrictive monetary stance, easing energy/fuel price inflation, mild demand-pull pressures on inflation given the outlook for modest below-potential real GDP growth, and the once-off impact of the lower VAT rate on the northern border towns. This is expected to be partially offset by cost-push pressures from the January very large increase in the minimum wage and unanchored inflation expectations. Furthermore, there is the latent the risk that the policy mix could weaken and become more heterodox/interventionist under the AMLO administration which would bode negatively for both activity/investment and inflation in both the short- and medium-term.

Exhibit 25: Ex-Ante Real Policy Rate Significantly Above Estimated Neutral Range (R*)



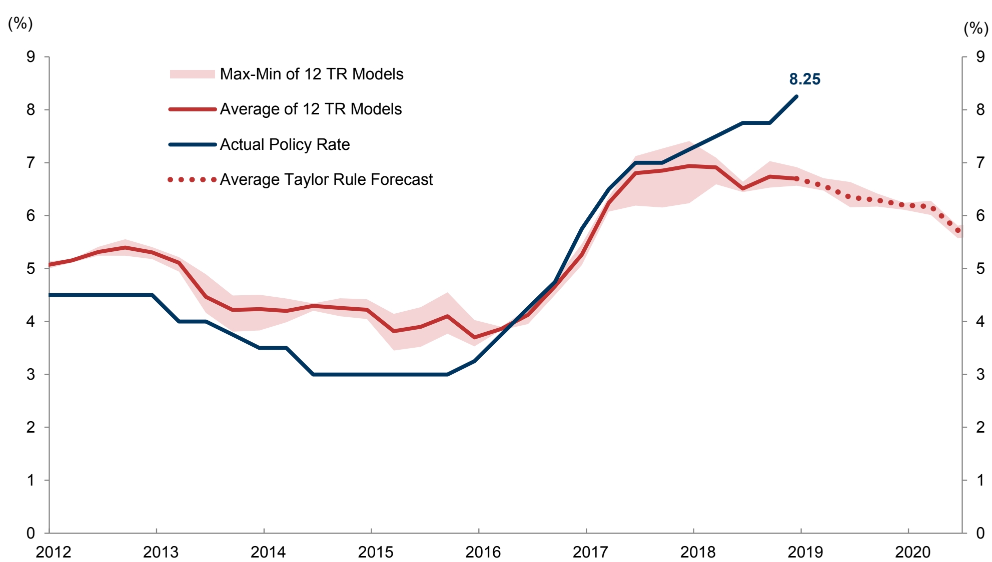
Source: Banxico, Goldman Sachs Global Investment Research

The central bank communication has turned less hawkish. At the last meeting, the MPC **forward guidance pivoted from conservative/hawkish, to vigilant with a neutral short-term bias.** The balance of risks discussion highlighted again a long list of upside risks to inflation, but for the first time in the last four months the MPC also highlighted some downside risks to inflation, including a potential wider than expected output gap. In the forward guidance the MPC noted that the external backdrop is still beset with risks (but is no longer seen as adverse) and the MPC no longer mentions that among the potential near-term necessary actions is the possibility of having to harden/tighten the monetary stance. Finally, while the balance of risks for inflation was judged as still skewed to the upside, the balance of risks for growth was seen as biased to the downside.

In our assessment, the MPC will, going forward, continue to pay attention to the short-term inflation dynamics vis-à-vis the target, but increasingly also to the real business cycle dynamics and the growing signs the economy is decelerating to a below trend pace. Additional moderate improvements on the inflation front in combination with soft real growth may lead the MPC to pivot again: from a neutral to an explicit easing bias in a few meetings, assuming a well anchored MXN and a "*patient*" FOMC.

Given all of the above, the fact that financial conditions and the ex-ante real policy rate are currently in clearly restrictive territory, that the policy rate is well above what a Taylor Rule framework would dictate, and that the trend and balance of risks for activity are biased to the downside **we expect the central bank to leave the policy rate unchanged for a few more meetings but to gradually prepare the ground for moderate rate cuts during 2H2019. Rather than being on hold for the remainder of 2019, we now expect the MPC to deliver three 25bp rate cuts (at the September, November and December meetings) driving the policy rate to a still above neutral 7.50%.** We do not rule out the first easing move taking place at the August meeting, particularly if the growth slump is deeper than expected. Finally, we highlight that rate cuts are highly conditional on broad currency stability: a big MXN dislocation could rekindle inflationary pressures and reduce the scope for the central bank to cut rates without exposing the capital account to potential pressures.

Exhibit 26: Actual Policy Rate Significantly Above Optimal Taylor Rule Estimate



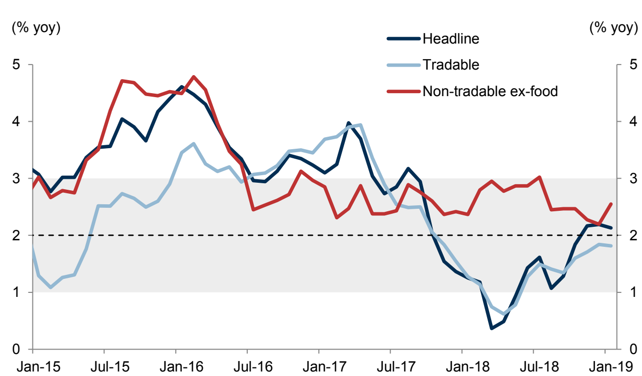
Source: Bloomberg, Goldman Sachs Global Investment Research

Peru: Postponing Rate Hikes despite Solid Economic Growth

Recent activity data in Peru has been encouraging, suggesting that the 3Q2018 slowdown was temporary and that the economy is back on track to a stronger growth path. But the business cycle recovery has been accompanied by modest inflationary pressures and the inflation outlook remains benign. We believe the favorable inflation dynamics will allow the central bank to continue to focus on consolidating the economic recovery by maintaining the current monetary stimulus for an extended period, considering downside risks to growth from a potentially more adverse external setting.

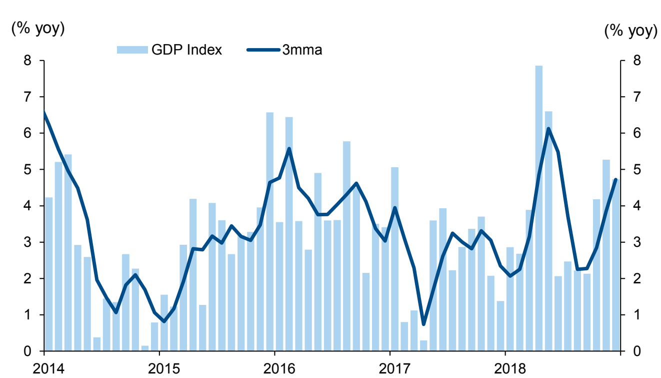
Real GDP grew 4.8% yoy in 4Q2018, recovering from the weak 2.4% yoy increase in 3Q2018, driven by a solid 4.4% yoy expansion in domestic demand. As the business cycle recovery firmed, labor market conditions improved considerably. Formal job creation accelerated steadily through 2018 to the fastest pace since the series began in January 2016. Importantly, most new formal jobs have been created in the private sector. Despite stronger activity growth, improving labor market and accommodative financial conditions, inflationary pressures have remained contained. Headline inflation reached a cyclical low 0.4% yoy in March 2018, and since then has converged towards the target midpoint as food inflation normalized following a favorable base effect. As of January, 5 out of 8 CPI groups are tracking below the 2% target and only one group is above the 3% upper limit. Both the business-cycle-sensitive non-tradable component and core inflation excluding food and energy remain within the target range. Finally, the 12-month-ahead inflation expectation from the central bank survey appears to have reached its peak in December following a modest decline in January (its first decline since April 2018).

Exhibit 27: Inflation Tracking Within Demanding 1-3% Target Range



Source: INEI, BCRP, Goldman Sachs Global Investment Research

Exhibit 28: Fast Recovery from 3Q2018 Growth Slowdown



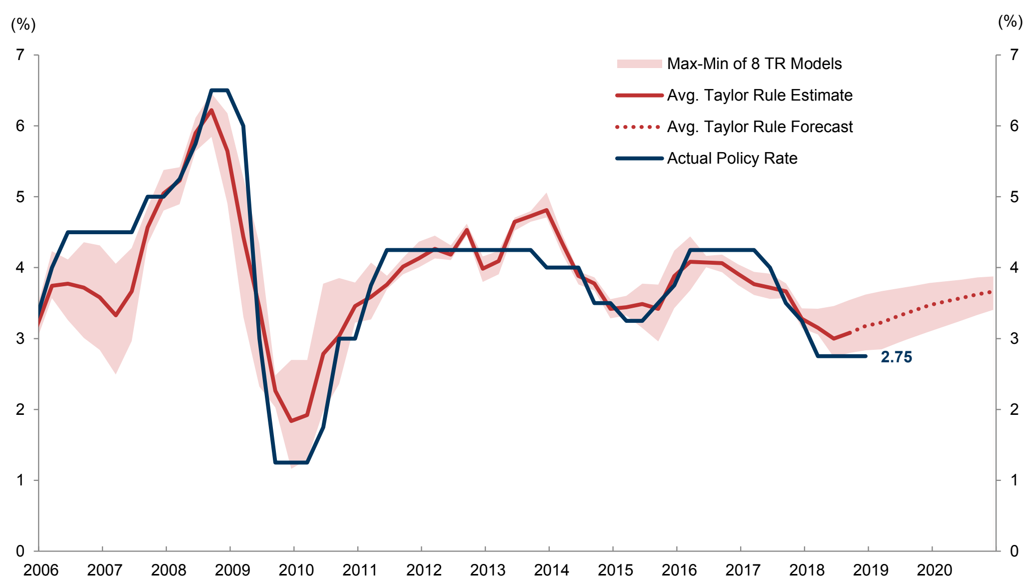
Source: INEI, Goldman Sachs Global Investment Research

On the back of this favorable inflation dynamics, the central bank's Monetary Policy Committee (MPC) has kept the policy rate unchanged at the accommodative 2.75% level since March 2018, signaling its intention of leaving the policy rate on hold as long as inflation expectations remain within the target range and the (modestly) negative output gap persists. According to its baseline scenario outlined in the December Quarterly Inflation Report, the central bank expects the output gap to persist through 2019 and close fully only by 2020. Therefore, unless inflation and/or inflation expectations diverge from the target range, the MPC seems committed to maintaining the current monetary stimulus for an extended period.

Overall, the central bank seems comfortable with the inflation outlook but increasingly concerned with the potential negative impact of slower global growth on the domestic economy. Given the favorable inflation outlook, downside risks to growth, and the latest communications from the central bank, we have recently revised our policy rate forecast (see "Peru: Postponing Rate Hikes despite Solid Economic Growth", Latin America Economics Analyst, Feb. 8, 2019).

We believe the MPC will keep the current monetary stimulus through most of 2019, and start normalizing the policy stance toward the end of the year. **We expect the MPC to hike the policy rate for the first time during 4Q2019, followed by additional quarterly hikes towards a 3.50% terminal rate by 2Q2020 for a total 75bp tightening.** Certainly, our forecast is contingent on both inflation and inflation expectations remaining within the target range and further narrowing of the output gap, thus different paths for the inflation/growth balance would lead to adjustments in the policy normalization process.

Exhibit 29: Taylor Rule Suggests Gradual Hiking Cycle Ahead



Source: Goldman Sachs Global Investment Research

Alberto M Ramos

Paulo Mateus

Gabriel Fritsch

LatAm and Global Macroeconomic Outlook

Consolidated Latin America Selected Economic Indicators

	2011	2012	2013	2014	2015	2016	2017	2018F	2019F	2020F	2021F	2022F
I. Economic Activity and Prices												
Nominal GDP (US$bn)	5,083	5,078	5,223	5,182	4,366	4,168	4,648	4,435	4,701	5,166	5,602	5,973
Real GDP growth (% yoy)	4.6	2.6	2.8	1.3	0.3	-0.2	1.7	1.5	1.9	2.7	3.0	3.1
CPI Inflation (% yoy)	7.3	6.6	7.1	8.7	9.0	8.8	6.5	8.8	6.7	4.8	4.2	3.8
Domestic Demand (% yoy)	6.0	2.7	3.0	1.0	-0.7	-1.0	1.9	2.1	1.6	2.9	3.2	3.2
II. External Sector (US$bn)												
Current Account Balance	-111.0	-131.8	-157.2	-168.2	-135.6	-83.9	-75.0	-83.6	-88.7	-110.9	-134.3	-157.7
Trade Balance	64.9	46.7	9.8	-3.6	-10.7	34.6	57.5	49.9	49.8	38.1	26.6	13.0
Gross International Reserves	663.6	722.6	715.9	737.9	705.2	729.3	751.7	760.0	781.2	801.1	816.3	831.8
Change in Reserves	109.2	59.0	-6.8	22.0	-32.7	24.1	22.4	8.3	21.2	19.9	15.2	15.6
Net Capital Inflows	220.2	190.9	150.4	190.2	102.9	108.0	97.3	91.8	109.9	130.8	149.5	173.3
Foreign Direct Investment	148.2	155.4	168.1	167.3	149.8	145.6	142.6	163.7	170.4	177.1	187.1	197.1
III. Public Finance and Indebtness (% GDP)												
Primary Fiscal Balance	1.3	0.8	0.4	-0.9	-1.7	-1.8	-0.9	-0.8	-0.2	0.1	0.4	0.5
Overall Fiscal Balance	-2.1	-2.1	-2.5	-4.3	-6.3	-5.6	-4.7	-4.4	-4.0	-3.8	-3.5	-3.3
Total Public Sector Debt	41.4	42.0	42.1	46.2	51.3	55.1	56.0	57.9	60.2	60.8	60.8	61.0
Total External Debt	22.2	24.7	26.1	29.1	34.4	36.8	34.8	37.7	38.8	38.3	37.7	37.6

Note: Aggregates weighted by nominal GDP in US$ at PPP exchange rates.

Source: Goldman Sachs Global Investment Research

Global Macroeconomic Framework

						2018				2019F			
	2016	2017	2018F	2019F	2020F	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F
Real GDP Growth (%, yoy)													
United States	1.6	2.2	2.8	2.2	2.0	2.6	2.9	3.0	2.9	2.7	2.3	2.0	2.0
Euro Area	1.9	2.5	1.8	1.2	1.6	2.4	2.2	1.6	1.2	1.0	1.0	1.3	1.5
Japan	0.6	1.9	0.7	0.7	0.7	1.3	1.5	0.1	0.0	0.6	0.3	1.3	0.6
World Economy	3.1	3.7	3.8	3.5	3.6	4.0	4.0	3.6	3.6	3.5	3.4	3.6	3.6
CPI Inflation (%, yoy)													
United States	0.9	2.1	2.2	1.7	2.2	2.2	2.7	2.6	2.2	1.5	1.7	1.8	1.9
Euro Area	0.2	1.5	1.8	1.3	1.2	1.3	1.7	2.1	2.0	1.7	1.4	1.1	1.0
Japan	-0.1	0.5	1.0	0.4	0.7	1.3	0.6	1.1	0.9	0.6	0.4	0.2	0.3
Interest rates (%, e.o.p)													
Fed Funds	0.54	1.30	2.27	2.63	2.63	1.51	1.82	1.95	2.27	2.38	2.38	2.38	2.63
UST 10-Year	2.44	2.41	2.68	3.00	2.85	2.74	2.86	3.06	2.68	2.75	2.90	3.00	3.00

Source: Goldman Sachs Global Investment Research

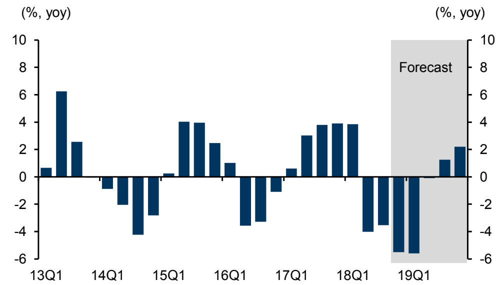
LatAm Country Data Tables

Argentina

	2016	2017	2018F	2019F
Activity and Prices				
Real GDP Growth (% yoy)	-1.8	2.9	-2.4	-0.6
Nominal GDP (US$bn)	554	637	528	447
Consumer Prices, IPC (yoy, e.o.p.)*	N.A	24.8	47.6	30.5
Consumer Prices, IPCBA (yoy, e.o.p.)*	41.0	26.1	45.5	28.7
External Sector				
Current Account (% GDP)	-2.7	-5.0	-5.3	-1.7
Trade Balance (% GDP)	0.8	-0.9	-0.2	3.3
Exports (% yoy)	2.0	1.2	5.1	10.3
Imports (% yoy)	-7.0	19.7	-2.6	-14.6
Exchange Rate ($/ARS, e.o.p.)	15.9	18.6	37.6	47.6
Gross International Reserves (US$bn)	39.3	55.1	65.8	68.8
Monetary Sector				
Monetary Base (% yoy)	26.6	24.7	33.0	18.0
Credit to the Private Sector (% GDP)	13.7	16.1	15.3	13.2
Reference Interest Rate	24.75	28.75	57.00	35.00
Fiscal Sector **				
Federal Govt Primary Balance (% GDP)	-4.3	-3.8	-2.4	0.0
Federal Govt Overall Balance (% GDP)	-5.9	-6.0	-5.2	-3.5

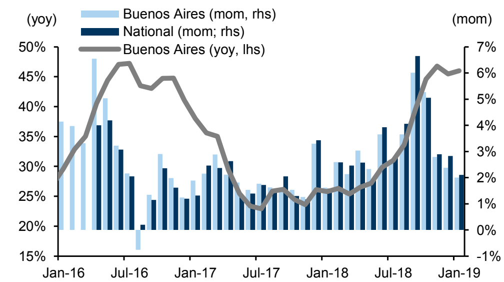
*IPC computed by INDEC, IPCBA by Statistical Institute City of Buenos Aires. **Before Rents from CB and Anses. Accumulated 4Q. *** Including non-performing debt.

Sharp Contraction in 2Q18 and 3Q18



Source: INDEC, Statistical Inst. City of Buenos Aires, Goldman Sachs Global Investment Research

Deteriorating Inflation Dynamics



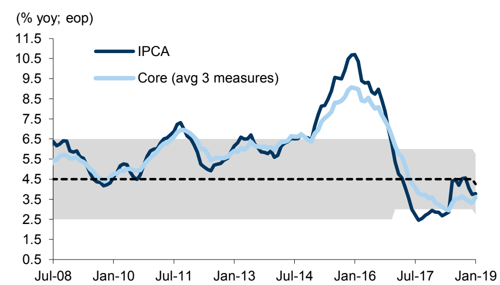
Source: INDEC, Statistical Inst. City of Buenos Aires, Goldman Sachs Global Investment Research

Brazil

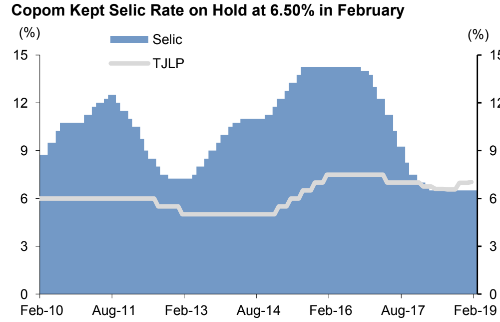
	2016	2017	2018F	2019F
Activity and Prices				
Real GDP Growth (% yoy)	-3.3	1.1	1.2	2.2
Nominal GDP (US$bn)	1,808	2,053	1,818	1,982
IPCA Inflation (yoy e.o.p)	6.3	2.9	3.7	4.0
External Sector				
Current account (% GDP)	-1.3	-0.4	-0.8	-1.8
Trade balance (% GDP)	2.5	3.1	2.9	2.1
Exports of goods (% yoy)	-3.0	17.8	10.0	5.5
Imports of goods (% yoy)	-19.1	9.9	21.0	14.0
Nominal Exchange Rate ($/BRL e.o.p.)	3.26	3.31	3.87	3.60
Net International Reserves (US$bn)	365	374	375	390
Monetary Sector				
Monetary base (% yoy)	5.9	9.8	7.0	8.0
Credit to the Private Sector (%GDP)	45.8	43.8	44.0	46.4
SELIC rate (e.o.p)	13.75	7.00	6.50	6.50
Fiscal Sector				
Public Sector Primary Balance (% GDP)	-2.5	-1.7	-1.6	-0.7
Public Sector Nominal Balance (% GDP)	-9.0	-7.8	-7.1	-6.4
Debt Indicators				
Gross general govt debt (% GDP)	69.9	74.1	76.7	79.0
Domestic public debt (%GDP)	66.2	70.6	72.8	75.4
External public debt (%GDP)	3.6	3.5	3.9	3.6
Total external debt (% GDP)	30.3	26.7	29.7	30.0

Source: Goldman Sachs Global Investment Research

Headline/Core Inflation Back to Target Range



Copom Kept Selic Rate on Hold at 6.50% in February



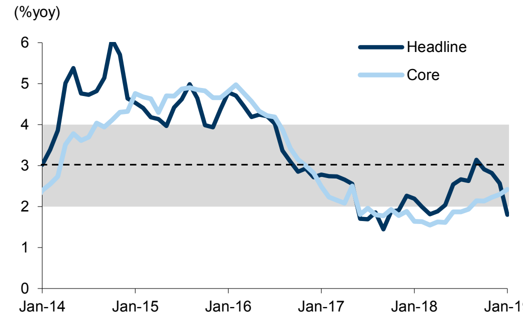
Sources: Bloomberg, Goldman Sachs Global Investment Research, Haver Analytics, IBGE

Chile

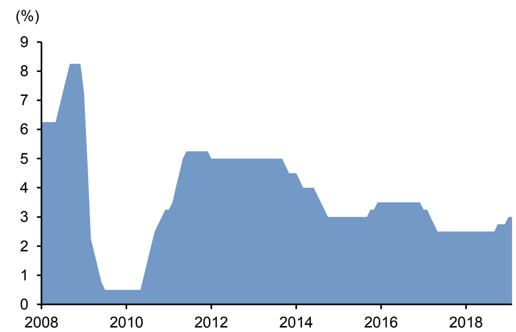
	2016	2017	2018F	2019F
Activity and Prices				
Real GDP Growth (% yoy)	1.3	1.5	4.0	3.4
Nominal GDP (US$bn)	250	277	297	317
Consumer Prices (% yoy, e.o.p.)	2.7	2.3	2.6	3.0
External Sector				
Current Account (% GDP)	-1.4	-1.5	-2.1	-1.7
Trade Balance (% GDP)	2.2	2.9	2.5	2.6
Exports (% yoy)	-2.1	14.0	11.7	5.7
Imports (% yoy)	-5.7	10.9	14.0	5.2
Exchange Rate ($/CLP, e.o.p.)	667	615	696	630
Gross International Reserves (US$bn)	40.5	39.0	37.3	37.6
Monetary Sector				
Broad Money (M3, % yoy)	8.2	4.8	9.0	9.0
Credit to the Private Sector (% GDP)	81.3	80.2	81.7	82.8
Policy Rate (e.o.p.)	3.50	2.50	2.75	3.50
Fiscal Sector				
Central Gov't Primary Balance (% GDP)	-2.0	-2.0	-0.8	-0.6
Central Gov't Overall Balance (% GDP)	-2.7	-2.8	-1.7	-1.5
Debt Indicators				
Central Govt Debt (% GDP)	21.0	23.6	24.0	24.3
Domestic (% GDP)	17.0	19.2	19.0	18.8
External (% GDP)	4.0	4.4	4.9	5.5
Total External Debt (% GDP)	66.7	65.4	62.9	60.8

Source: Goldman Sachs Global Investment Research

Inflation Declined Significantly After CPI Revision



Central Bank Hiked Policy Rate by 25bp to 3.00% in Jan



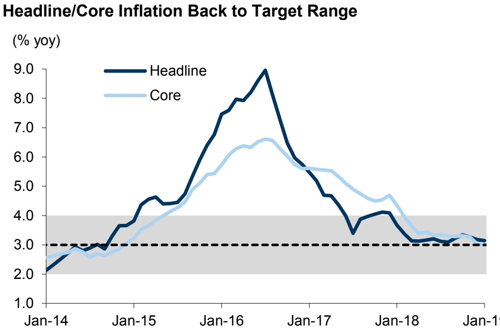
Source: Haver Analytics, INE, Central Bank of Chile

Colombia

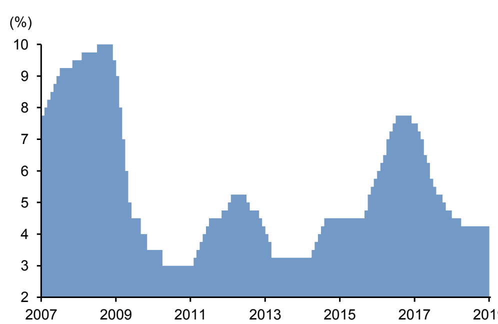
	2016	2017	2018F	2019F
Activity and Prices				
Real GDP Growth (% yoy)	2.0	1.8	2.6	3.2
Nominal GDP (US$bn)	283	314	334	350
Consumer Prices (% yoy, e.o.p.)	5.7	4.1	3.2	3.3
External Sector				
Current Account (% GDP)	-4.2	-3.3	-3.6	-3.9
Trade Balance (% GDP)	-3.2	-1.5	-1.4	-1.4
Exports (% yoy)	-11.6	16.4	9.9	4.8
Imports (% yoy)	-16.9	2.3	9.3	4.8
Exchange Rate ($/COP, e.o.p.)	3001	2984	3202	2950
Gross International Reserves (US$bn)	46.2	47.1	47.3	49.0
Monetary Sector				
Monetary Base (% yoy)	2.5	5.0	7.0	9.0
Credit to the Private Sector (% GDP)	48.8	50.8	52.4	53.8
Policy Rate (% e.o.p.)	7.50	4.75	4.25	4.25
Fiscal Sector				
Central Government Primary Balance (% GDP)	-1.1	-0.8	-0.2	0.4
Central Government Overall Balance (% GDP)	-4.0	-3.6	-3.1	-2.4
Debt Indicators				
Gross Non-fin. Public Sector Debt (% GDP)	54.9	55.9	57.4	57.8
Domestic (% GDP)	31.1	33.0	34.9	35.3
External (% GDP)	23.7	22.8	22.5	22.5
Total External Debt (% GDP)	42.5	39.6	37.5	38.0

Source: Goldman Sachs Global Investment Research

Headline/Core Inflation Back to Target Range



Central Bank On Hold at 4.25% in January



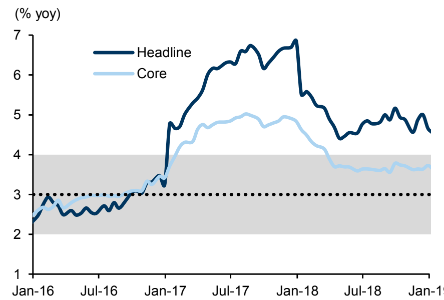
Source: Banco de la Repœblica

Mexico

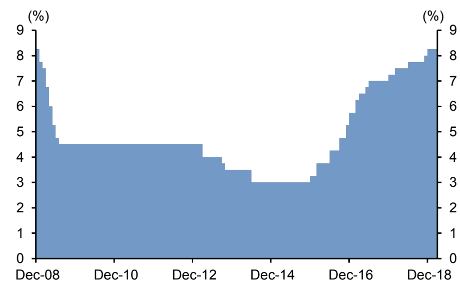
	2016	2017	2018F	2019F
Activity and Prices				
Real GDP Growth (% yoy)	2.9	2.1	2.0	1.5
Nominal GDP (US$ bn)	1078	1158	1220	1270
Consumer Prices (yoy, e.o.p.)	3.4	6.8	4.8	3.6
External Sector				
Current Account (% GDP)	-2.2	-1.6	-1.5	-1.6
Trade Balance (% GDP)	-1.2	-0.9	-1.0	-1.1
Exports (% yoy)	-1.7	9.5	10.2	4.9
Imports (% yoy)	-2.1	8.6	10.2	5.1
Exchange Rate ($/MXN, e.o.p.)	20.73	19.79	19.68	19.30
Net International Reserves (US$ bn)	176.5	172.8	174.8	174.0
Monetary Sector				
Monetary Base (% yoy)	14.4	8.8	8.3	10.3
Credit to the Private Sector (% GDP)	18.0	18.5	19.0	19.3
Tasa de Fondeo Rate (e.o.p.)	5.75	7.25	8.25	7.50
Fiscal Sector				
Public Sector Primary Balance (% GDP)	-0.1	1.4	0.9	0.5
Public Sector Overall Balance (% GDP)	-2.5	-1.1	-2.0	-2.4
Debt Indicators				
Gross Federal Govt Debt (% GDP)	48.7	45.8	44.9	45.3
Domestic (% GDP)	30.9	28.9	28.5	29.1
External (% GDP)	17.8	16.9	16.4	16.2
Total External Debt (% GDP)	38.3	37.7	37.3	37.6

Note: *Public Sector Borrowing Requirements
Source: Goldman Sachs Global Investment Research

Headline Inflation Has Likely Peaked



Banxico On Hold at 8.25% in February



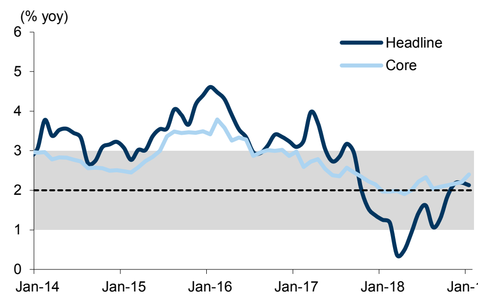
Source: Haver Analytics, INEGI, Goldman Sachs Global Investment Research

Peru

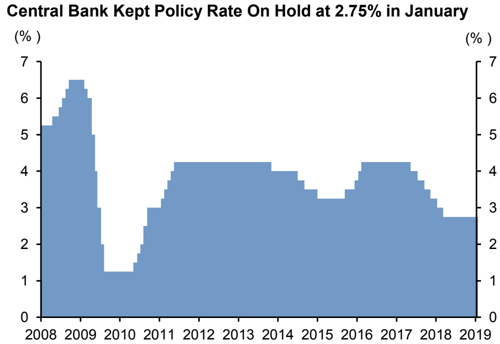
	2016	2017	2018F	2019F
Activity and Prices				
Real GDP Growth (% yoy)	4.0	2.5	4.0	4.0
Nominal GDP (US$bn)	195	215	227	243
Consumer Prices (% yoy, eop)	3.2	1.4	2.2	2.5
External Sector				
Current Account (% GDP)	-2.7	-1.1	-1.7	-2.1
Trade Balance (% GDP)	1.0	3.1	3.0	2.1
Exports (% yoy)	7.7	22.1	8.3	3.5
Imports (% yoy)	-5.9	10.2	9.4	8.0
Gross International Reserves (US$bn)	61.7	63.7	60.0	61.7
Exchange Rate ($/PEN, e.o.p.)	3.36	3.24	3.36	3.25
Monetary Sector				
Monetary Base (% yoy)	4.1	7.2	4.3	9.7
Credit to the Private Sector (% GDP)	29.0	28.7	27.0	29.0
Reference Interest Rate (e.o.p.)	4.25	3.25	2.75	3.00
Fiscal Sector				
Non-fin Pub. Sector Primary Balance (% GDP)	-1.4	-1.9	-1.8	-1.5
Non-fin Pub. Sector Overall Balance (% GDP)	-2.5	-3.1	-2.8	-2.6
Debt Indicators				
Total Federal Govt Debt (% GDP)	23.8	24.9	25.7	26.4
Domestic Public Debt (% GDP)	13.5	16.1	16.4	16.6
External Public Debt (% GDP)	10.4	8.7	9.3	9.8
Total External Debt (% GDP)	38.3	35.8	36.8	37.5

Source: Goldman Sachs Global Investment Research

Headline Inflation Back to Target Range

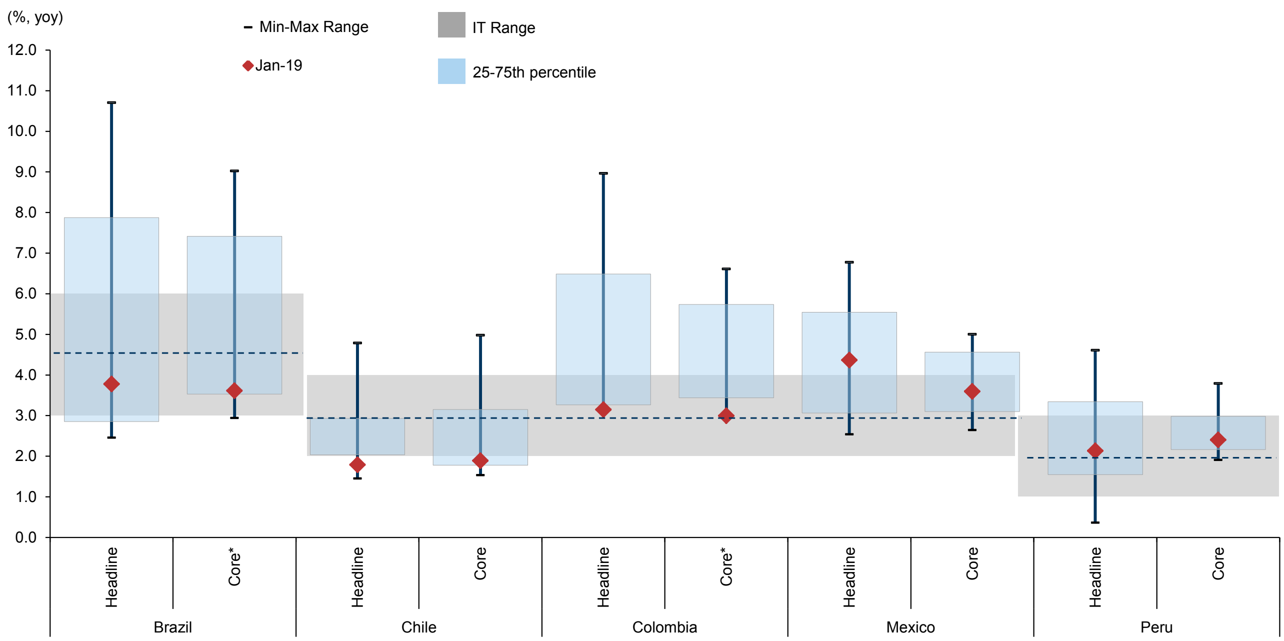


Central Bank Kept Policy Rate On Hold at 2.75% in January



Source: BCRP, INEI, Goldman Sachs Global Investment Research

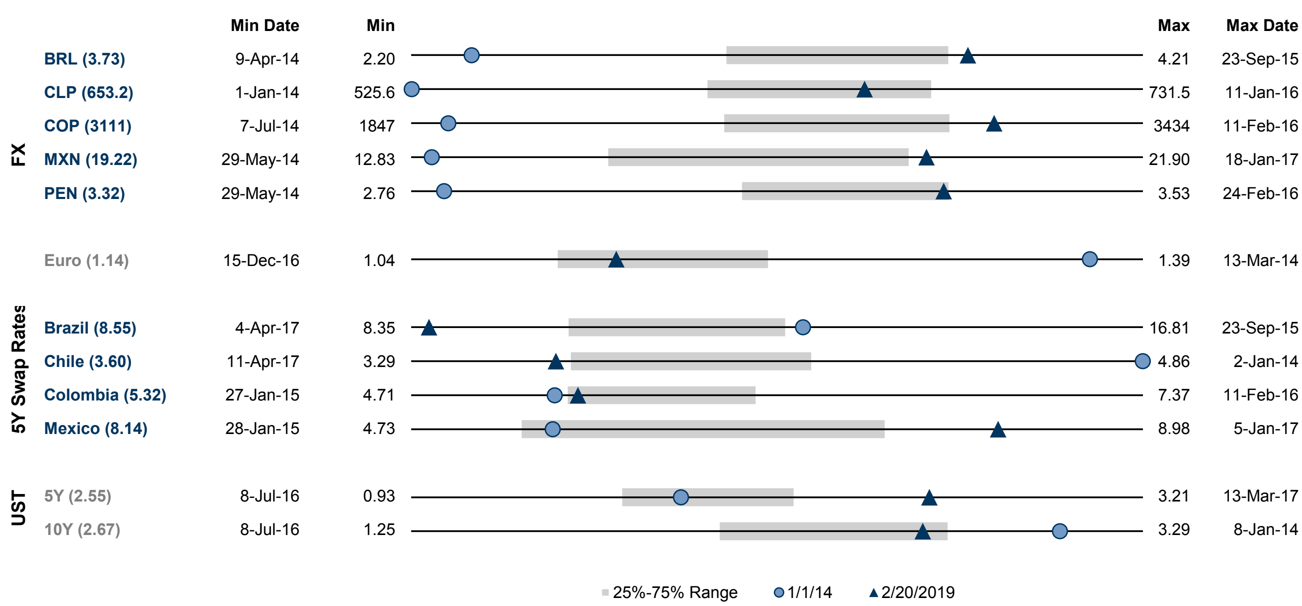
LAIT-5 Annual Headline and Core Inflation Dynamics Since January 2016



Source: Haver Analytics, Goldman Sachs Global Investment Research

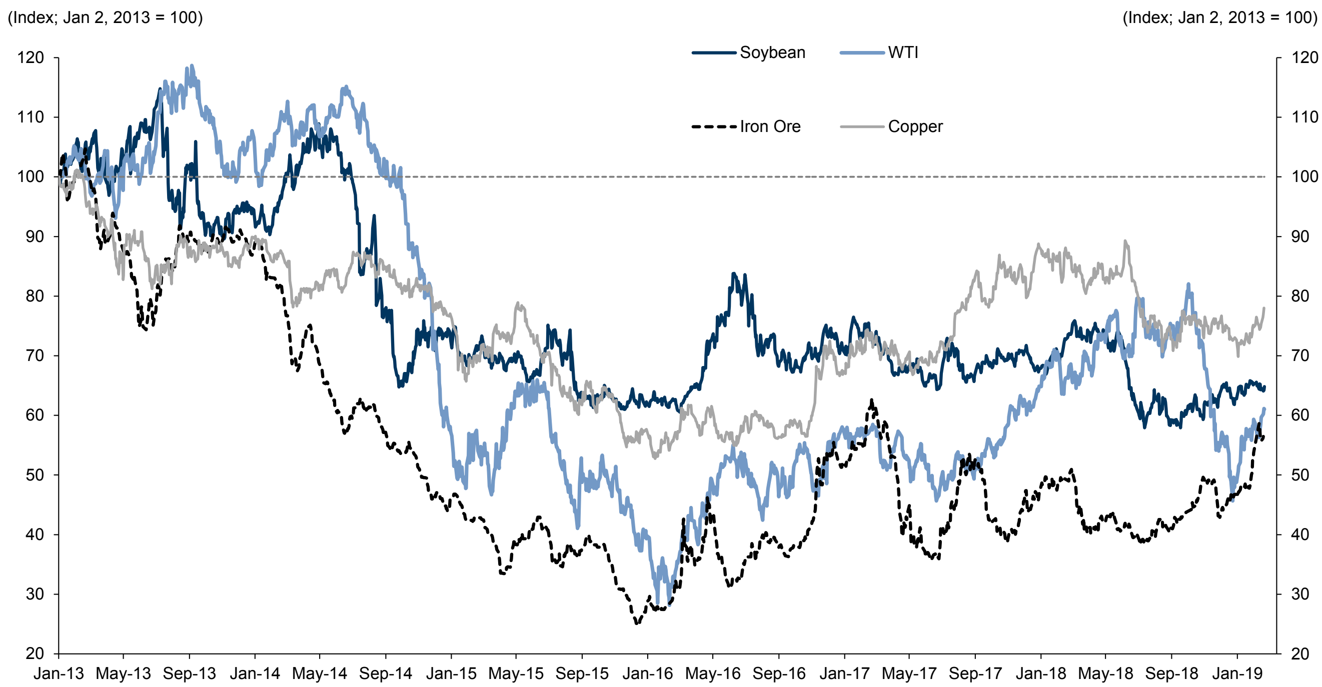
LatAm Financial Markets Outlook

LatAm Financial Markets Indicators (2014-2019)



Source: Goldman Sachs Global Investment Research

Key Commodities Prices



Source: Goldman Sachs Global Investment Research

Latin America Swap Rates

		End-2017	End-2018	Current (02/20/2019)	Change Since (bps) End-2017	Change Since (bps) End-2018
Swap Rates (%)	**Brazil**					
	2y	8.06	7.36	7.17	-89	-19
	10y	10.78	9.57	9.21	-157	-37
	Chile					
	2y	2.84	3.29	3.28	44	-1
	10y	4.24	4.06	4.02	-23	-5
	Colombia					
	2y	4.46	4.62	4.61	15	-1
	10y	6.10	6.11	6.01	-9	-10
	Mexico					
	2y	8.02	8.61	8.22	20	-39
	10y	7.98	8.84	8.47	49	-37
	United States					
	2y	2.07	2.66	2.61	53	-5
	10y	2.42	2.74	2.67	25	-7

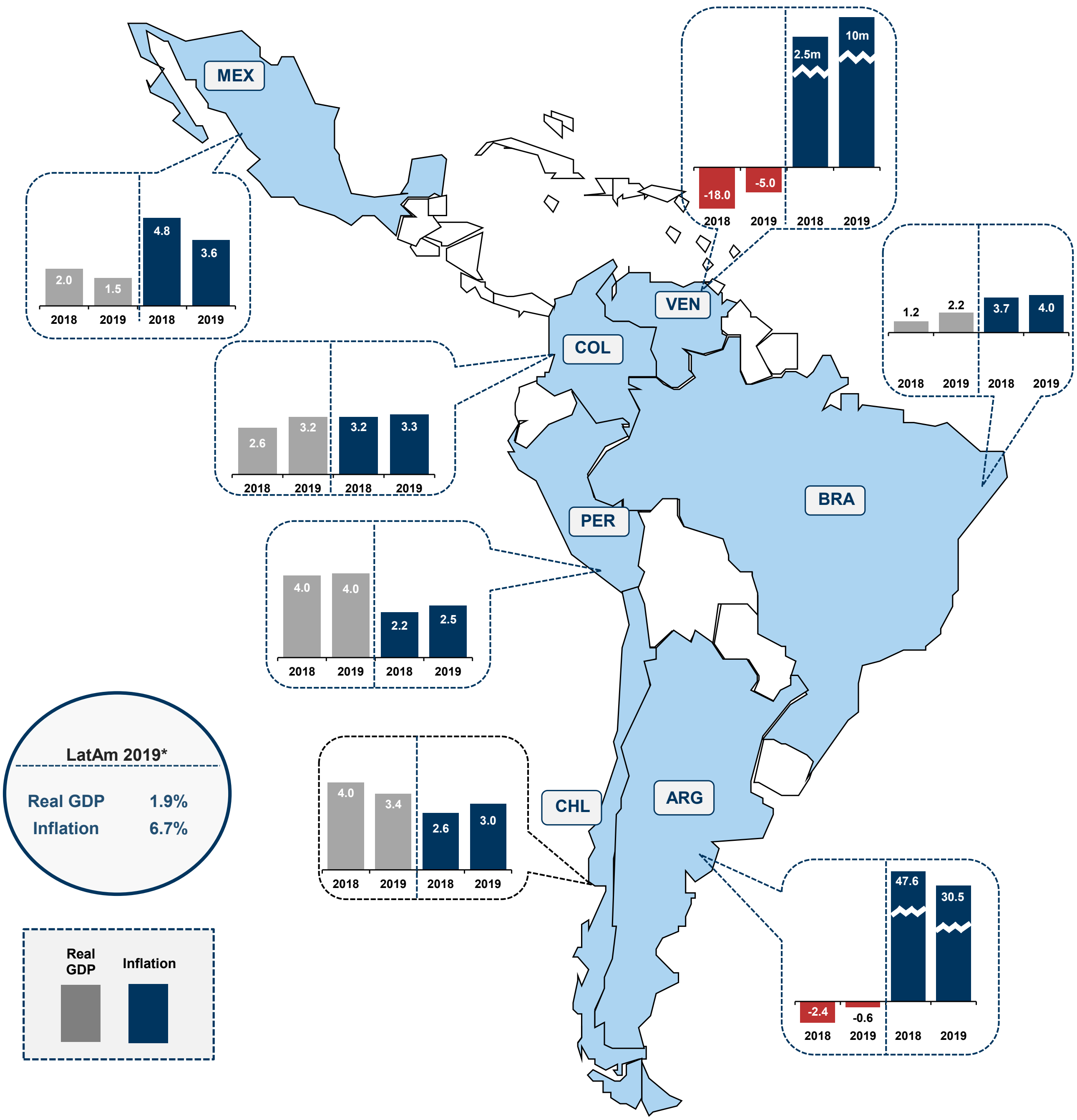
Source: Goldman Sachs Global Investment Research

Latin America Forecasts

		Policy Rates and FX Levels (End of Period)						Implied Change (Policy Rate in bps; FX in %)			
		Current	1Q2019	2Q2019	3Q2019	4Q2019	1Q2020	1Q2019	2Q2019	3Q2019	4Q2019
Policy Rate (%)	**Brazil**	6.50	6.50	6.50	6.50	6.50	6.50	0	0	0	0
	Chile	3.00	3.00	3.25	3.25	3.50	3.50	0	25	25	50
	Colombia	4.25	4.25	4.25	4.25	4.25	4.50	0	0	0	0
	Mexico	8.25	8.25	8.25	8.00	7.50	7.25	0	0	-25	-75
	Peru	2.75	2.75	2.75	2.75	3.00	3.25	0	0	0	25
FX (Local / USD)	**Argentina**	39.68	39.93	42.34	44.90	47.62	48.55	0.6%	6.7%	13.2%	20.0%
	Brazil	3.73	3.75	3.60	3.60	3.60	3.60	0.6%	-3.4%	-3.4%	-3.4%
	Chile	653.2	646.7	638.3	633.3	630.0	622.5	-1.0%	-2.3%	-3.0%	-3.6%
	Colombia	3118	3033	2992	2967	2950	2912	-2.7%	-4.1%	-4.9%	-5.4%
	Mexico	19.22	19.70	19.50	19.50	19.30	19.23	2.5%	1.5%	1.5%	0.4%
	Peru	3.32	3.29	3.27	3.26	3.25	3.22	-0.8%	-1.5%	-1.8%	-2.0%

Source: Goldman Sachs Global Investment Research

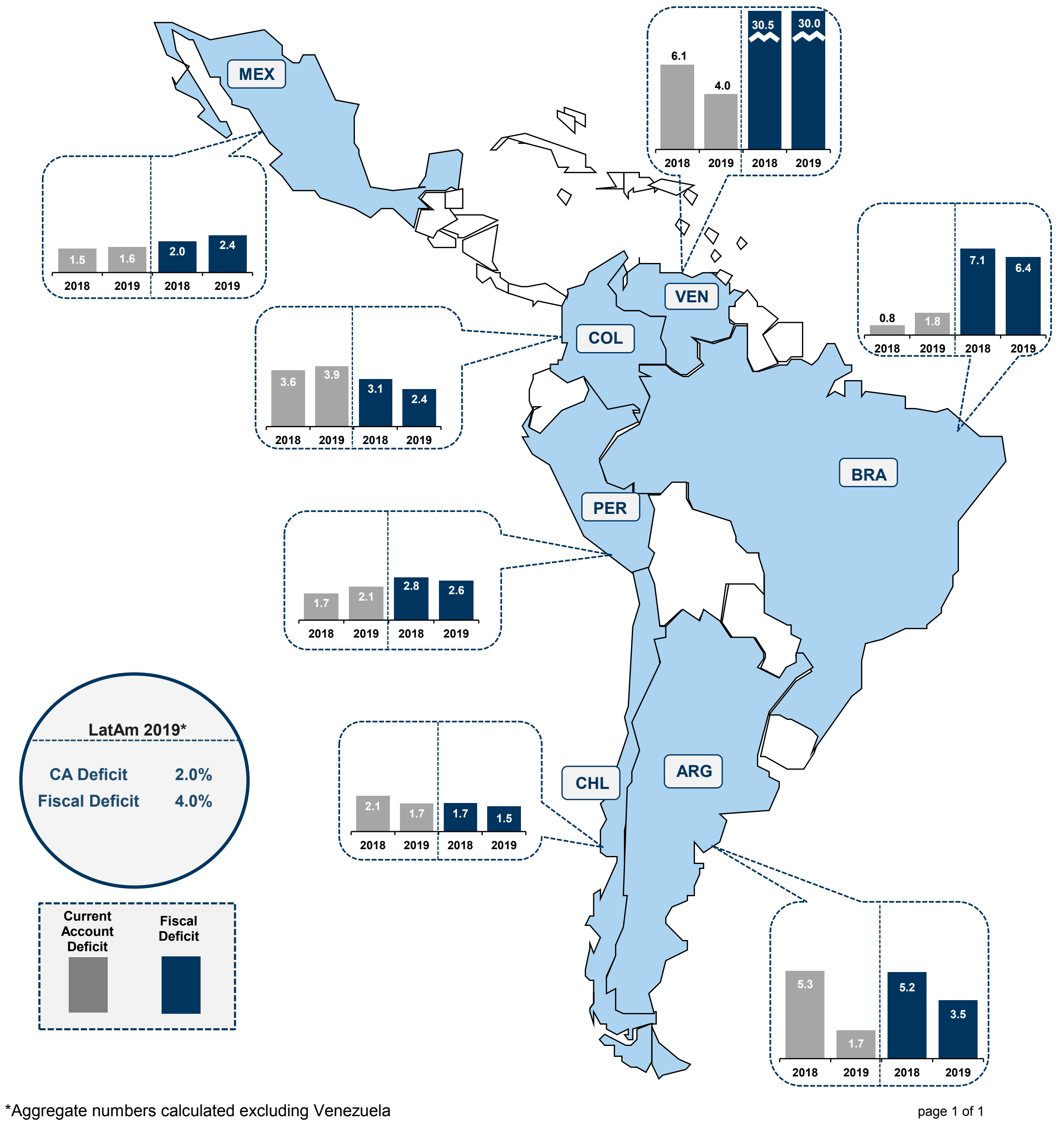
LatAm Outlook for 2018-19: Real GDP Growth and Inflation (YoY, %)



*Aggregate numbers calculated excluding Venezuela

Source: Goldman Sachs Global Investment Research

LatAm Outlook for 2018-19: Current Account and Fiscal Deficit (% of GDP)



Source: Goldman Sachs Global Investment Research

Calendar of Economic and Political Events

Date	Forthcoming Events	Comment
Argentina		
11-Aug	National Open and Mandatory Primaries (PASO)	Primary elections to define party candidates. Citizens may vote for any candidate of any party, but may only cast a single vote.
27-Oct	Presidential Election (First Round)	On October 27, Argentines will elect a new president. Mauricio Macri is expected to seek re-election.
24-Nov	Presidential Election Runoff (if needed)	The two leading candidates will face a run-off on November 24 if no candidate wins more than 45% of the vote in the first round or over 40% of the vote with a >10pp lead over the second candidate.
Brazil		
20-Mar	COPOM Meeting	We expect the Copom to leave the Selic policy rate unchanged at 6.50%.
Chile		
31-Mar	MPC Meeting	Following the hike in January, we expect the BCCh to leave the policy rate unchanged at 3.00%.
Colombia		
29-Mar	MPC Meeting	We expect Banrep to keep the policy rate at 4.25% in the near future.
Mexico		
28-Mar	MPC Meeting	We expect the Banxico to keep the policy rate at 8.25%. In the last meeting, the forward guidance pivoted from hawkish to a vigilant but neutral short-term bias, with risks to inflation still skewed to the upside.
Peru		
7-Mar	MPC meeting	We expect BCRP to keep the policy rate at 2.75% in the near future.

Source: Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

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