

Banxico Watch

Banxico acknowledges the “policy stance that has already been reached in this hiking cycle” hinting at a near end

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Banxico will likely still match December’s Fed hike but a decouple in February seems now possible

- **Banxico continued following in the footsteps of the Fed and lifted the policy rate by 75bp, to 10.00%, as widely expected.** Yet, as we argued yesterday all eyes would be on hints of a near end of the tightening cycle ([see](#)). Although the hint is not as strong as we would have thought adequate, Banxico acknowledged for the first time, when explaining what it took into account for today’s decision, the “policy stance that has already been reached in this hiking cycle”. Also hinting at a near end of the tightening cycle, Mr **Gerardo Esquivel** **voted for a smaller 50bp rate hike.**
- Banxico revised slightly to the downside its projected headline inflation path for the next four quarters, but slightly to the upside its core inflation forecasts for the same period. Still broadly in line with our base scenario, Banxico expects a marked deceleration in 2023 but also that inflation will remain above 4.0% through year end 2023.
- We continue to think that Banxico will still stick to its strategy of matching December’s Fed most likely hike of 50bp. Yet, **we now think that today’s acknowledgement of “the policy stance that has already been reached” with inflation set to soften ahead and the monetary stance becoming more restrictive by the first meeting of next year (in Feb) opens the door for a decoupling for the Fed as soon as in Feb.**

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