

Latam Daily Flash

28 November 2013 Economic Analysis

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In line with our view, Chilean traders expect the monetary policy to stay unchanged in the December meeting, and on a 3-month horizon traders anticipate a 25bp cut. Today we will look for evidence of moderation in public credit in Brazil, in an environment where the government is trying to avoid a sovereign credit downgrade before next year's elections.

Brazil - End of the monetary tightening cycle at sight

In line with expectations, the Monetary Policy Committee (COPOM) decided to hike the SELIC rate by 50bp to 10.0% in its last meeting of the year. In addition, the COPOM modified the accompanying statement after maintaining it unchanged in the previous four meetings. In our view, this is a sign that the end of the monetary tightening cycle is near. We continue to expect a final 25bp adjustment in January (for more details, see our [Brazil Flash](#)).

Chile - Traders expect a stable policy rate in December

The survey for the second half of November came out with inflation estimates at around +0.1% MoM for the current month (BBVAe at +0.2% MoM). The results also reflected expectations of the monetary policy rate remaining stable at 4.5% after December's meeting (according to almost 80% of respondents), although on a 3-month horizon traders anticipate a 25bp cut (both are in line with our view). The latter is in a context where median long-term inflation expectations did not react to recent monetary easing, and remained below the central bank's target of 3% (although with a distribution moving slightly towards 3%). Finally, traders forecast further depreciation of the currency to reach USDCLP 530 on a 3-month horizon.

What to watch today

Brazil - BCB's credit report (October, 07:30hrs NYT)

The report will provide more information about the performance of credit markets in October and, therefore, the support they will provide to domestic demand. In addition, we will look for any evidence of moderation in public credit in line with the recent comments by Brazilian officials, in an environment where the government is trying to avoid a sovereign credit downgrade before the general elections in October 2014.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Consumer Confidence	25 Nov	Nov	--	--	112.8	111.7
FGV CPI IPC-S	25 Nov	Nov	0.66%	--	0.67%	0.64%
FIPE CPI - Weekly	27 Nov	Nov	0.54%	--	0.52%	0.55%
Selic Rate	27 Nov	--	10%	10%	10%	9.50%
FGV Inflation IGPM MoM	28 Nov	Nov	0.33%	--	--	0.86%
PPI Manufacturing MoM	28 Nov	Oct	--	--	--	0.62%
Total Outstanding Loans	28 Nov	Oct	--	--	--	2598B
Primary Budget Balance	29 Nov	Oct	10B	--	--	-9.0B
Chile						
Manufacturing Index YoY	29 Nov	Oct	-2.10%	-2.10%	--	-1.00%
Retail Sales YoY	29 Nov	Oct	7.10%	6.60%	--	7.00%
Unemployment Rate	29 Nov	Oct	5.70%	5.80%	--	5.70%
Colombia						
Outstanding Loans YoY	28 Nov	Sep	--	--	--	15.89%
Industrial Confidence	26 Nov	Oct	--	3	-1.4	0.4
Retail Confidence	26 Nov	Oct	--	18	17.5	16.7
National Unemployment Rate	29 Nov	Oct	--	9.50%	--	9.00%
Overnight Lending Rate	29 Nov	--	3.25%	3.25%	--	3.25%
Mexico						
Unemployment Rate	25 Nov	Oct	5.15%	5.20%	5.01%	5.29%
Current Account Balance	25 Nov	3Q	-\$4000M	-\$3390M	-\$5457M	-\$6008M

Most recent Latam reports

Date	Description
28-11-2013	➤ Brazil Flash: End of the monetary tightening cycle at sight
27-11-2013	➤ Brazil Economic Outlook: Fourth Quarter 2013 (in Spanish)
26-11-2013	➤ Flash Chile: Budget discussion will not expand expenditure further (in Spanish)
26-11-2013	➤ Mexico Real Estate Flash: Bank mortgage loans up 3.9%
25-11-2013	➤ Chile Flash: We expect November's CPI to increase 0.2% MoM. By the end of 2013 CPI will have increased at least 2.4% YoY (in Spanish)
25-11-2013	➤ Chile Flash: Chairman of the Central Bank attempts to moderate and align private expectations, anticipating a monetary policy report on the same line (in Spanish)
22-11-2013	➤ Latam Economic Outlook: Fourth Quarter 2013
22-11-2013	➤ Peru Economic Outlook: Fourth Quarter 2013
22-11-2013	➤ Chile Flash: Imacec should increase between 3.3% and 3.8% YoY in October
22-11-2013	➤ Mexico Inflation Flash: Inflation in the first fortnight of November

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