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Banxico's Minutes: Discussion on costs and benefits of sending a signal of a possible rate cut suggests a more dovish tone

Highlight: Current scenario of a slower growth, without recession, and an inflation rate not yet anchored in 3% is consistent with a protracted monetary pause. Nevertheless, Board's discussion prompts that in case of a lower than 3% inflation and/or an impairment of domestic activity, the odds of a rate cut by year end increase

- Most Board members recognize the costs on domestic activity associated with a more restrictive monetary policy stance than the one that is necessary to meet the inflation target. On the other side, some members state that sending in advance a signal of a possible rate cut generates high costs.

- Under the current inflation scenario, new information showing a further impairment of domestic activity would support the view of most Board members concerning the costs of maintaining the current policy stance.

- An inflation rate not anchored in 3% and a lack of commitment with price stability are the arguments that some members pose against sending in advance a signal of a possible rate cut. Therefore, under current conditions, if inflation rate stays close to 3% in the coming months, the odds of a rate cut increase considerably.