

Latam FX Talking: Carry interest dominates tariff threats

High-yielding Latam currencies like Brazil's real and Mexico's peso continue to perform well even though US tariff threats loom large. Here, we expect carry demand to keep those currencies bid this month. Elsewhere, Chile's restart of an FX rebuild programme looks set to limit the peso's upside and keep USD/CLP towards the middle of a 900-1000 range



Brasilia, Brazil. A promising carry trade environment and the softer dollar are keeping the high-yielding BRL well-supported

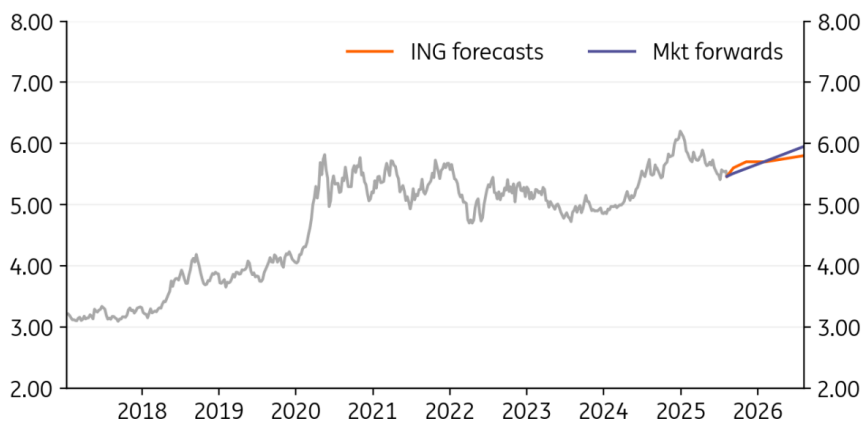
Main ING Latam FX Forecasts

	USD/BRL	USD/MXN	USD/CLP
1M	5.60 ↑	18.60 ↓	975 →
3M	5.70 ↑	18.50 ↓	950 ↓
6M	5.70 ↓	18.50 ↓	925 ↓
12M	5.80 ↓	18.25 ↓	900 ↓

USD/BRL: Scope for escalation

	Spot	One month bias	1M	3M	6M	12M
USD/BRL	5.4604	Neutral	5.60	5.70	5.70	5.80

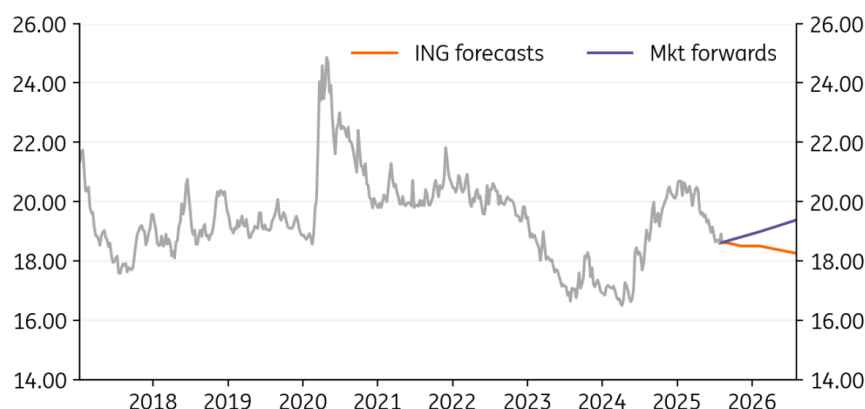
- Unlike many nations trying to cut deals with Washington, Brazil is bristling at the political interference from the north. Here, the White House is hanging a 50% tariff on Brazil for rule of law transgressions – largely related to former President Jair Bolsonaro. President Luiz Inácio Lula da Silva sees resistance to US President Donald Trump as a domestic vote winner, and the scope for tariff escalation looks large.
- Yet the still-promising carry trade environment and the softer dollar are keeping the high-yielding BRL well supported. A 5.40-5.75 trading range looks set to continue.
- But Brazilian elections in 2026 and the risk of fiscal giveaways will prove a drag on the real – hence the 5.80 levels we see next year.



USD/MXN: Carry trade dominates over trade uncertainty

	Spot	One month bias	1M	3M	6M	12M
USD/MXN	18.6200	Neutral	18.60	18.50	18.50	18.25

- The dovish turn in the dollar has put the focus squarely back on carry trades this summer. The peso does well in this environment with its 8% implied yields. The market now prices only a modest 25-50bp of further Banxico easing, and given historic spread levels, Banxico may only now cut alongside the Federal Reserve.
- On trade, the USMCA seems to cover around 50% of Mexican exports to the US, but there is still focus on the auto and steel sector – plus the threat of 30% tariffs on everything else. The transactional approach from Washington suggests deals get cut.
- Invariably, there will be strong corrective spikes in USD/MXN after a period of low volatility, but the bias is 18.00 medium-term.

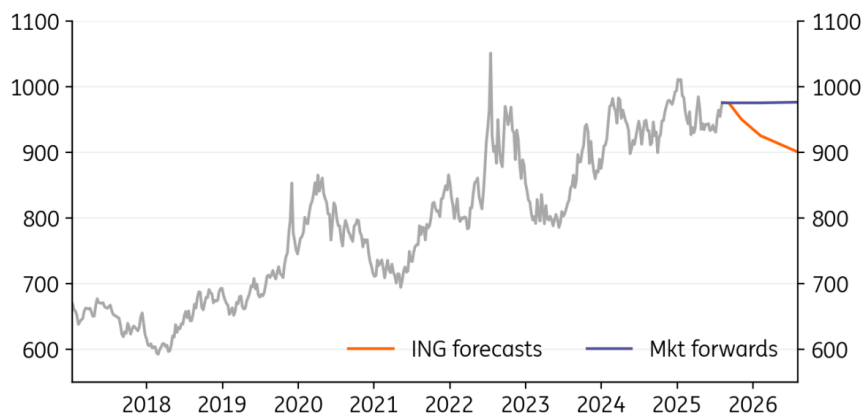


USD/CLP: FX intervention campaign to limit CLP gains

	Spot	One month bias	1M	3M	6M	12M
USD/CLP	975.1900	Neutral	975.00	950.00	925.00	900.00

- After a period of uncertainty, it looks as though events could be resolved in a positive way for Chile. US copper tariffs have exempted Chile’s refined copper exports, and the local mining company, Codelco, seems to be happy with the outcome. While a brief dip in copper prices might be seen as the market recovers from pre-tariff distortions, our analysts think copper should be supported into 2026 on tight markets. This is CLP positive.
- We are not more bullish on the peso since the central bank has just announced a new FX reserve building programme of US\$25m per day for three years – to a total of US\$18.5bn. This is partially to offset a US\$14bn IMF credit facility expiring next year.

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