

# Latam FX Talking: Mexico braces for potential tariffs in January

Latam currencies are trying to steady heavy losses in and around the US election. Whether the new Trump administration imposes 25% tariffs on Mexico remains a huge unknown. Yet the prospect of renegotiating the USMCA in 2026 will likely keep the Mexican peso under pressure all year. Brazil has to address fiscal consolidation if it wants to limit BRL losses



Torreón, Mexico

## Main ING LATAM FX Forecasts

	USD/BRL	USD/MXN	USD/CLP
1M	6.00 ↓	20.50 ↑	975 →
3M	6.10 ↓	21.00 ↑	1000 ↑
6M	6.15 ↓	22.00 ↑	1025 ↑
12M	6.25 ↓	23.00 ↑	1050 ↑

## USD/BRL: Fiscal worries just will not recede

	Spot	One month bias	1M	3M	6M	12M
USD/BRL	6.0500	Neutral	6.00	6.10	6.15	6.25

- USD/BRL has traded to a new all-time high – largely on the back of home-grown problems. Here, President Lula has watered down much-needed fiscal consolidation with income tax giveaways to lower-income groups. Lula will have one eye on the 2026 elections and will be wary of the better performance of right-wing parties in recent local elections.
- In response to currency losses, the market is pricing a much more aggressive Brazilian central bank hiking cycle. With a current policy rate at 11.25%, the market is incredibly pricing rates near 16% within a year.
- To get Brazil back on track, more fiscal consolidation is required. Otherwise, USD/BRL could turn into a 6.50 story.



Source: Refinitiv, ING forecasts

## USD/MXN: Still a lot of risk premium to be built into the peso

	Spot	One month bias	1M	3M	6M	12M
USD/MXN	20.2900	Mildly Bullish ↗	20.50	21.00	22.00	23.00

- 20.80 has so far been the high for this year's USD/MXN Trump-powered rally and we see the peso staying on the weak side through 2025. Currently, President-elect Trump is threatening 25% tariffs on Mexico in January if Mexico does not do more to close its border with the US. 25% tariffs would likely send Mexico into recession.
- The question is how quickly would the US and Mexico cut a deal? Given that the USMCA trade agreement is under review in 2026, we suspect the US would want to dial up maximum pressure first.
- Banxico looks set to keep easing. The policy rate is now 10.25% and is expected to be cut to 8.50% next year.

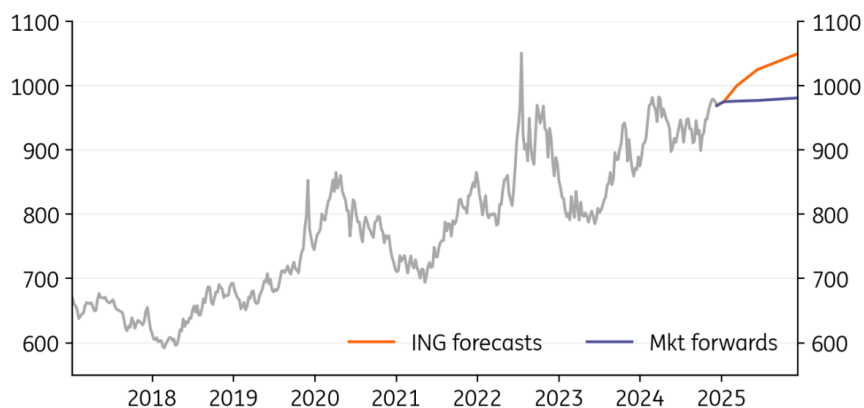


Source: Refinitiv, ING forecasts

### USD/CLP: The prospect of China stimulus offers some support

	Spot	One month bias	1M	3M	6M	12M
USD/CLP	974.1000	Neutral	975.00	1000.00	1025.00	1050.00

- Chile’s peso has been outperforming a little – largely thanks to problems in Mexico (tariffs) and Brazil (fiscal situation). Our bearishness on the CLP in 2025 stems from the pressure likely to build on China through tariffs. Here we could see maximum trade pressure in the late 2025/early 2026 window.
- As we’ve noted before, low rates in Chile do not provide much insulation to the peso. The policy rate has already been cut to 5.25% and the central bank would like to cut it even lower were market conditions to allow.
- Fiscal stimulus from China could provide some temporary support to the CLP, but 2025 should prove a difficult year.



Source: Refinitiv, ING forecasts

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