

# Latam FX Talking: Don't trust the rally

Lots of FX intervention and nearly 300bp of rate hikes have helped the Brazilian real recoup losses from late last year. Still, Brazil may not be immune from tariffs and equally we would not be seduced by high carry in the Mexican peso. Chile's peso, on the other hand, has been benefiting from Codeloco's increased copper production



Rio de Janeiro, Brazil

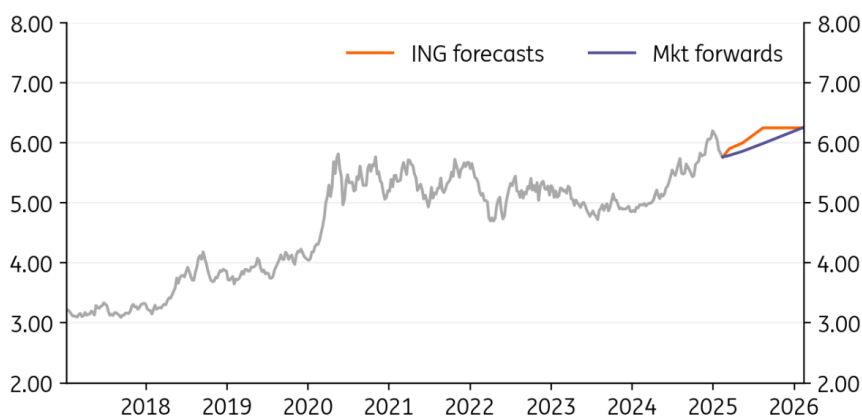
## Main ING LATAM FX Forecasts

	USD/BRL	USD/MXN	USD/CLP
1M	5.90 ↑	21.00 ↑	980 ↑
3M	6.00 ↑	22.00 ↑	1000 ↑
6M	6.25 ↑	22.00 ↑	1025 ↑
12M	6.25 ↓	23.00 ↑	1050 ↑

## USD/BRL: Temporary BRL reprieve

	Spot	One month bias	1M	3M	6M	12M
USD/BRL	5.7642	Mildly Bullish ↗	5.90	6.00	6.25	6.25

- Another 100bp hike from the central bank in January has taken the policy rate back up to 13.25%, with another 100bp hike expected in March. 12.5% implied yields make the BRL quite attractive – were investors confident to employ carry trade strategies again. However, tariff uncertainties should restrain carry trade inflows and we favour USD/BRL back to 6.00.
- Tariffs have already started coming Brazil's way. The steel sector will be tariffed in March and the risk is that Brazil receives further tariffs either on a 'reciprocal' basis or perhaps based on Brazil's work with BRICS to build a non-dollar trading system.
- We do not see any improvement on the fiscal side either.

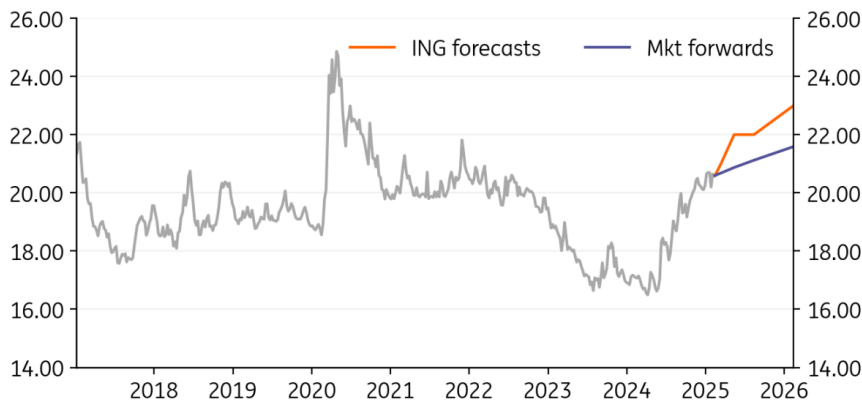


Source: Refinitiv, ING forecasts

## USD/MXN: Mexico's exports to the US in focus

	Spot	One month bias	1M	3M	6M	12M
USD/MXN	20.5900	Bullish ↗	21.00	22.00	22.00	23.00

- While the threat of 25% US tariffs on Mexican exports has been delayed, it has not been abandoned. And with Mexico running a \$170bn trade surplus with the US, tariffs are going to be a recurring threat. The sectors most exposed will be autos, electronics and agriculture – of which about 50% of Mexican exports are comprised. Some calculate that a 25% US tariff could knock anything between 2.5% and 4% off Mexican GDP.
- USD/MXN has been remarkably subdued through January, but we are still of the opinion that the MXN remains in harm's way.
- Banxico is expected to cut a further 125bp over the next year.

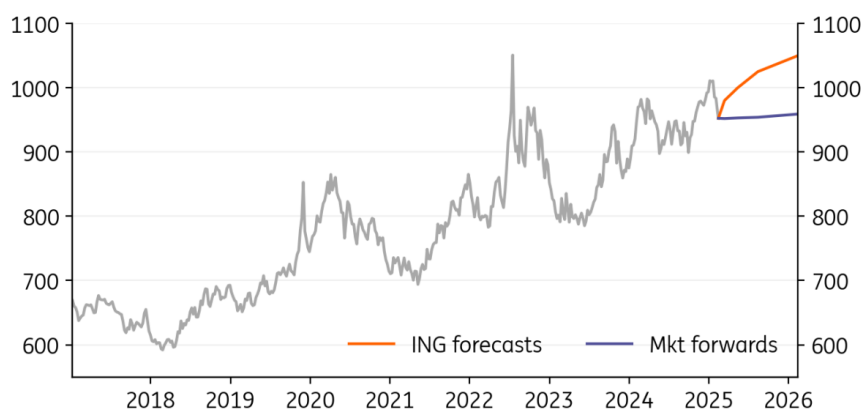


Source: Refinitiv, ING forecasts

### USD/CLP: Codelco copper production is helping

	Spot	One month bias	1M	3M	6M	12M
USD/CLP	951.4000	Mildly Bullish <span style="color: green;">↗</span>	980.00	1000.00	1025.00	1050.00

- CLP has been performing a little better as neither Chile nor copper has so far come onto Trump’s tariff radar. Notably, last year saw Codelco copper production rise 19% as investment paid off. This will be supportive for export invoices even though we do expect copper prices to turn lower later this year on subdued China and global demand.
- Locally, the central bank has probably ended its easing cycle at 5.00% and the next move priced by the markets is for higher rates. Still, Chile’s real rates are low and provide little protection to the peso should the external environment deteriorate again.
- A strong dollar and higher US yields should send \$/CLP over 1000 again as the year progresses.



Source: Refinitiv, ING forecasts

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