

LATAM FX Talking: 2025 will be non-vintage

2025 is unlikely to be a vintage year for Latam currencies. We think the Mexican peso has plenty of room to fall this year as Tump ramps up maximum pressure to secure a better trade deal. Brazil and Chile remain under pressure on the weak Chinese story, plus the ongoing reluctance of Brazilian policymakers to enact fiscal consolidation. Expecting any change here may be wishful thinking given 2026 is an election year. In all, we expect Latin America to be at the forefront of some of the biggest FX losses this year



Main ING LATAM FX Forecasts

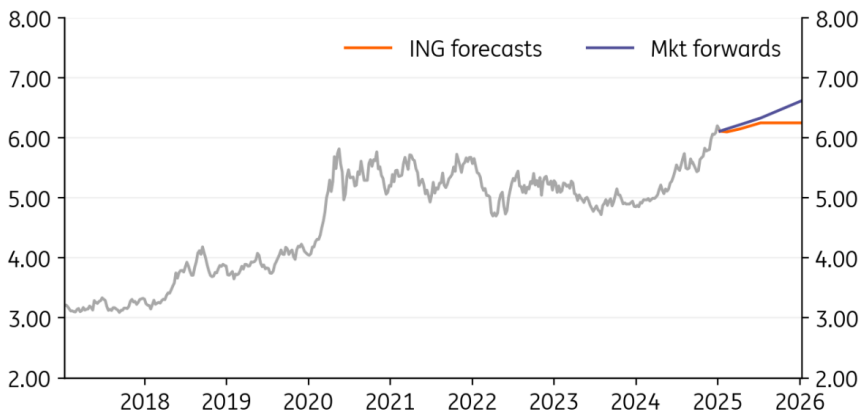
	USD/BRL	USD/MXN	USD/CLP
1M	6.10 ↓	21.00 ↑	1015 ↑
3M	6.15 ↓	22.00 ↑	1025 ↑
6M	6.25 ↓	22.00 ↑	1050 ↑

12M	6.25 ↓	23.00 ↑	1050 ↑
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USD/BRL: Central bank tries to support the FX market

	Spot	One month bias	1M	3M	6M	12M
USD/BRL	6.1117	Neutral	6.10	6.15	6.25	6.25

- In the absence of decisive fiscal action from the government, it has been left to the central bank – BACEN – to support the real. BACEN hiked 100bp in December to 12.25% and has promised two further 100bp hikes over the next two meetings. In addition, it has undertaken close to \$30bn of FX intervention – the largest in over a decade. USD/BRL has stabilised around the 6.10 area for the time being, but the strong dollar environment suggests a trend change is unlikely. Higher US Treasury yields don't help.
- On the fiscal side, consensus expects the budget deficit to stay around 7-8% of GDP this year. Elections in 2026 question whether the government will address fiscal concerns at all.

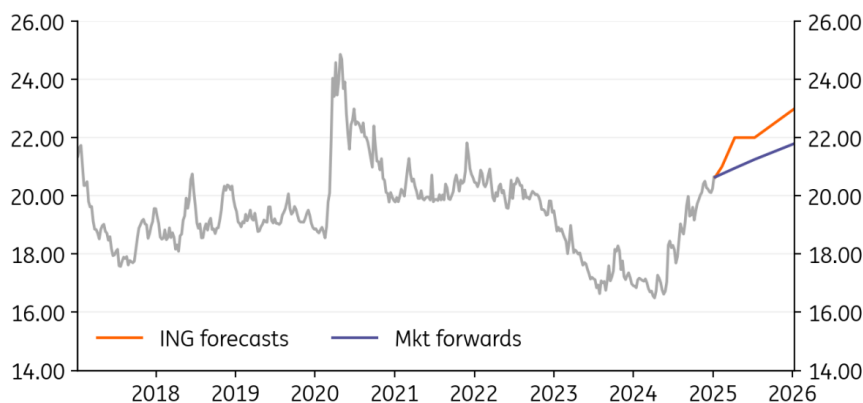


Source: Refinitiv, ING forecasts

USD/MXN: Peso remains vulnerable

	Spot	One month bias	1M	3M	6M	12M
USD/MXN	20.6400	Bullish ↗	21.00	22.00	22.00	23.00

- We think the peso remains vulnerable this year as the new US Trump administration tries to squeeze out concessions. Were the US to go ahead with across-the-board tariffs on Mexico of 25%, studies suggest it could knock anywhere between 1% and 3% of Mexican GDP. Autos, energy and agriculture would be the main sectors in trouble as supply chains get disrupted.
- Banxico is trying to look through FX volatility and continue with its easing cycle. The policy rate is 10% now and is expected to be cautiously cut to 8.75-9.00% should conditions allow.
- Higher volatility US policymaking suggests the peso will not benefit from carry trade inflows this year. We are bearish on MXN.



Source: Refinitiv, ING forecasts

USD/CLP: No surprises being above 1000/\$

	Spot	One month bias	1M	3M	6M	12M
USD/CLP	1,011.1000	Mildly Bullish ↗	1015.00	1025.00	1050.00	1050.00

- USD/CLP has crossed the 1000 threshold again. In our 2025 FX outlook, we had felt that Chile's peso would be one of the weakest Latam currencies this year, based on exposure to China and low real rates in Chile. On the latter, the policy rate is now 5% and the central bank expects inflation to nudge up to 5% at the start of the year. The market struggles to see any more easing now.
- Expect increased US pressure on China through the year to keep weighing on the CLP. The problem for Chile is that its FX reserves are quite modest – and it can't intervene as heavily as Brazil.
- The only slight positive for CLP is that Chile's copper exports are picking up after investments in some of the old infrastructure.



Source: Refinitiv, ING forecasts

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