

# Latam FX Talking: Still vulnerable to the tariff story

The Mexican peso is doing well (better than the Canadian dollar) on the view that President Claudia Sheinbaum will cut a deal to avoid US tariffs. That is not guaranteed and we'll know a lot more by the end of April. Brazil also looks vulnerable to a fresh round of tariffs, and Chile's peso looks fragile ahead of a broadening trade war



Mexico's peso is outperforming on the view that the country can avoid the worst of US tariffs, but that isn't guaranteed

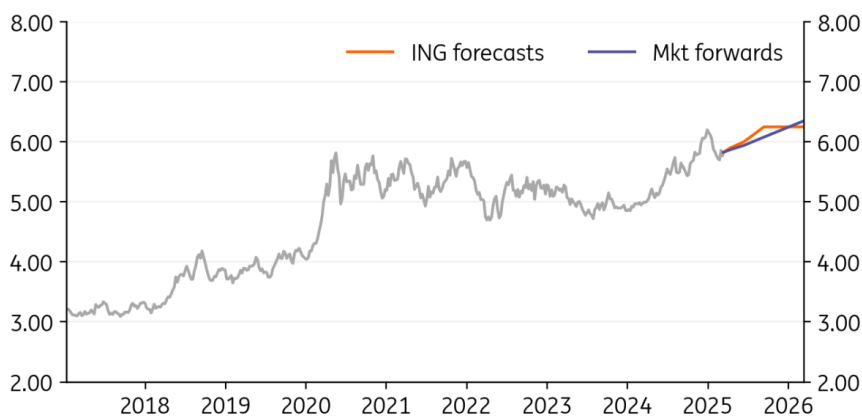
## Main ING LATAM FX Forecasts

	USD/BRL	USD/MXN	USD/CLP
1M	5.90 ↑	20.50 ↑	980 ↑
3M	6.00 ↑	21.00 ↑	1000 ↑
6M	6.25 ↑	22.00 ↑	1025 ↑
12M	6.25 ↓	22.00 ↑	1050 ↑

## USD/BRL: Tariffs are coming Brazil's way too

	Spot	One month bias	1M	3M	6M	12M
USD/BRL	5.8269	Mildly Bullish ↗	5.90	6.00	6.25	6.25

- The Brazilian real has started to hand back some of its 2025 gains. This has gone hand-in-hand with the sovereign CDS widening out to 185bp from 165bp and as always suggested there could be some fiscal concerns at play. Here, the focus is on the appointment of a new industrial relations minister who may push for higher public sector wages ahead of next year's election.
- When it comes to tariffs, Brazil is already on the receiving end of steel tariffs and will be bracing for broader tariffs in April. Brazil's ethanol market was cited by the US as an unfair market.
- The central bank should hike to 14.25% in March and potentially 15% this summer. But fiscal concerns can over-ride carry interest.

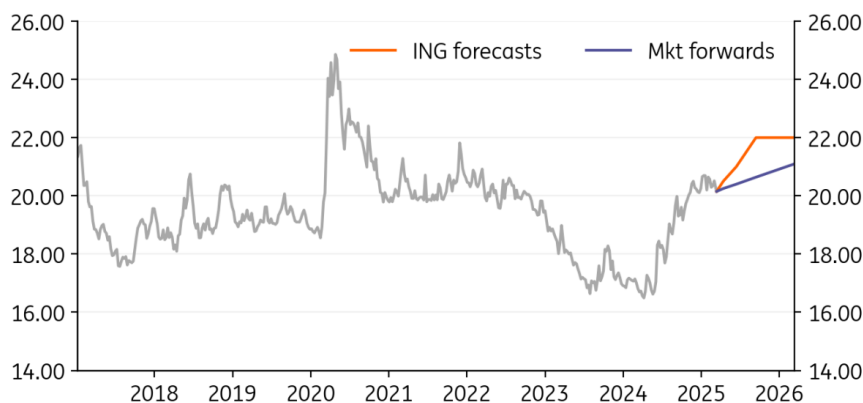


Source: Refinitiv, ING forecasts

## USD/MXN: Peso remains in harm's way

	Spot	One month bias	1M	3M	6M	12M
USD/MXN	20.1500	Mildly Bullish ↗	20.50	21.00	22.00	22.00

- At time of writing, the US is still considering going ahead with 25% tariffs on Mexican products. This relates to the border and fentanyl. Unless President Sheinbaum comes up with a deal shortly, the risk is that this escalates and includes a further round of US tariffs in April as the US seeks to 'reset' global trade. The emerging view is that the US wants to create a 'Fortress North America' and have Mexico erect trade barriers to China.
- Until the USMCA is fully renegotiated, we think the peso remains under pressure. 22.00 remains the bias for later this year.
- Banxico now has its policy rate at 9.50% and presumably deflationary forces from the trade war will support cuts to 8.00%.



Source: Refinitiv, ING forecasts

## USD/CLP: Chile's peso bucks the soft trend

	Spot	One month bias	1M	3M	6M	12M
USD/CLP	942.8600	Bullish ↗	980.00	1000.00	1025.00	1050.00

- Chile's peso has been performing better than we thought, helped by strong copper production. The economy has expanded for four months in a row and consensus now expects full-year GDP growth in the 2.2-2.5% area. The market now firmly believes Chile's easing cycle is over and that the policy rate will be held at 5.00% for the next two years.
- While steady copper prices have been helping the peso this year, that may change. A global trade war looks likely to hit industrial demand and weigh on copper prices later this year. China certainly does look in the firing line for new tariffs.
- Presidential elections may add a risk premium later this year.



Source: Refinitiv, ING forecasts

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