

Latam FX Talking: Quietly appreciating

Latam currencies have been performing quite well, in part because local leaders are seen as having protected the region from the worst of the tariffs. High interest rates in Brazil and Mexico are very welcome, too. We wouldn't chase USD/MXN too much lower, however, in that the USMCA is still up for renegotiation next year



Mexican President Claudia Sheinbaum is riding high in the opinion polls for her recent handling of tariff negotiations

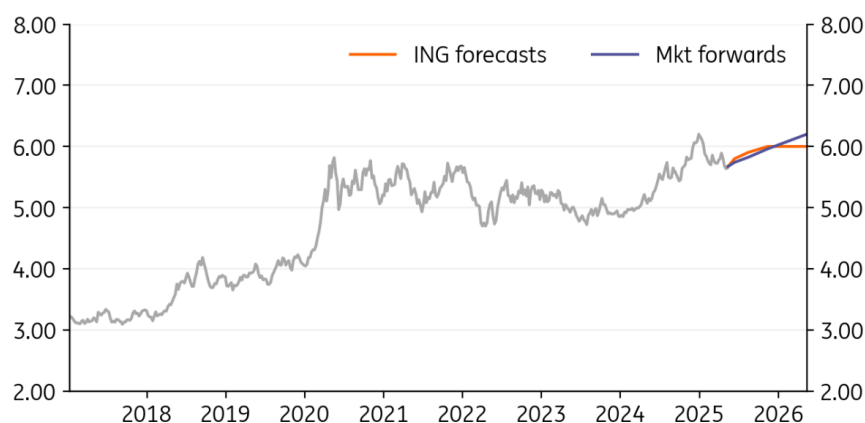
Main ING Latam FX Forecasts

| | USD/BRL | USD/MXN | USD/CLP |
|-----|---------------------|----------------------|--------------------|
| 1M | 5.80 ↑ | 19.75 ↑ | 950 ↑ |
| 3M | 5.90 ↑ | 20.00 ↑ | 950 ↑ |
| 6M | 6.00 ↑ | 20.50 ↑ | 950 ↑ |
| 12M | 6.00 ↓ | 20.50 ↑ | 950 → |

USD/BRL: Policy rate may have peaked at 14.75%

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|--------|--|------|------|------|------|
| USD/BRL | 5.6704 | Mildly Bullish  | 5.80 | 5.90 | 6.00 | 6.00 |

- The Brazilian real has been doing quite well. The central bank's no-nonsense approach to stamping out inflation has seen the policy rate taken to 14.75%. While no further hikes are promised, the central bank does say that rates this high will be required for a 'prolonged period' – given that inflation expectations remain stubbornly above 5%.
- Additionally, the economy has held up quite well in spite of higher interest rates. Growth is expected at 2% after recent 3%+ rates.
- President Luiz Inácio Lula de Silva's popularity is inching up after securing a low 10% baseline US tariff rate. BRL looks okay in the near term, but fiscal risks ahead of the 2026 elections are never far away.

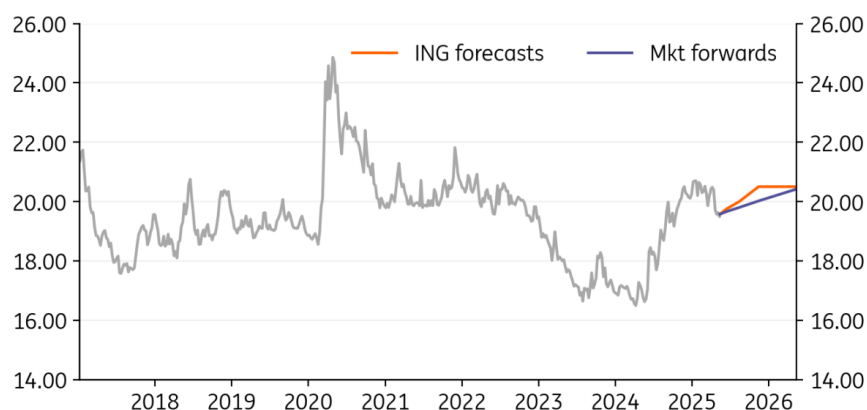


Source: Refinitiv, ING forecasts

USD/MXN: Peso performs well

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|---------|--|-------|-------|-------|-------|
| USD/MXN | 19.5700 | Mildly Bullish  | 19.75 | 20.00 | 20.50 | 20.50 |

- It seems the calming of trade tensions since April is helping the high-yielding peso. This is despite the economic outlook remaining poor (consensus expects 0% GDP growth this year). The central bank looks set to continue cutting the policy rate (now 9.00%) in 50bp increments.
- President Claudia Sheinbaum is riding high in the opinion polls for her handling of tariff negotiations. That said, Mexico is still exposed to 25% tariffs on steel and auto part exports, plus 25% on its non-USMCA compliant exports (about 50% of total exports).
- A lower USD/MXN requires a benign and orderly decline in the dollar and predictable policymaking in Washington. That's tough.



Source: Refinitiv, ING forecasts

USD/CLP: So far, so good on the copper story

| | Spot | One month bias | 1M | 3M | 6M | 12M |
|---------|----------|----------------|--------|--------|--------|--------|
| USD/CLP | 946.4600 | Neutral | 950.00 | 950.00 | 950.00 | 950.00 |

- So far, it seems like Chile has been one of the beneficiaries of the US tariff story, where it can continue to export its copper tariff-free to the US. It's not clear whether that will continue to be the case when the US Commerce Dept reports back on the subject of copper imports being a threat to national security. For the time being, copper prices are staying quite high and Chile can still export to the US – all good.
- The central bank sounds like it wants to cut rates some more. Some expect 50-75bp in a 5.00% policy rate in the second half. We have presidential and parliamentary elections in November. And we suspect the central bank wants to rebuild FX reserves should USD/CLP near 900. We now tend to favour a 900-1000 range.



Source: Refinitiv, ING forecasts

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