

# Fixed Income & Economics Daily

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## FX & RATES STRATEGY RESEARCH

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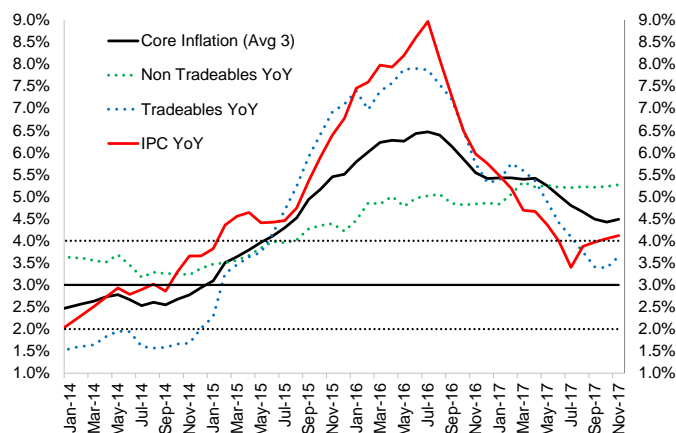
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- **COLOMBIA: Inflation Surprised to the Upside in November**
- **COLOMBIA: Minutes of the November MPC Meeting**

### COLOMBIA: Inflation Surprised to the Upside in November

- Inflation increased more than expected in November, after surprising to the downside in the previous two months. Headline inflation increased 0.18% mom, above the consensus forecast of 0.12%. With this monthly reading, annual inflation jumped to 4.12% yoy from 4.05% in October.
- Half of the monthly inflation was explained by housing prices (0.3% mom) as they contributed 9 ppts. Moreover, leisure and transportation increased 0.68% mom and 0.20% mom respectively, adding 5ppts to headline inflation.
- In contrast to the previous months, food inflation posted a positive variation, increasing a mild 0.06% mom and adding 2ppts to the monthly inflation.
- During the month, two of the three core measures deteriorated. Prices ex-food annual inflation increased to 4.80% from 4.70%, while food ex-regulated prices increased to 4.57% from 4.44%. In contrast, inflation ex-food, regulated and fuel prices maintained its downward trend and decreased to 4.09% from 4.13%.
- Overall, the average of the 3 core measures increased 7ppts to 4.49% from 4.42% in October, after decreasing in six consecutive months.
- Finally, tradable prices rebounded in November from 3.38% yoy and 3.64%, while non-tradable inflation increased marginally to 5.27% yoy.
- After this higher-than-expected inflation, the IBR curve is now pricing a very low probability for a cut in December and is now hedging that the MPC will cut in January 2018, instead. Yet, the IBR curve is still pricing the easing cycle to end at 4.00% by April 2018.

### Headline CPI Surprises to the Upside



Source: DANE.

### COLOMBIA: Minutes of the November MPC Meeting

- The Central Bank of Colombia (BanRep) will publish today the Minutes of the November 24th meeting. In the meeting, the board surprised the market again by cutting the interest rate by 25bps and decreasing it to 4.75% from 5.00%.
- The decision was split, with 5 members again voting in favor of the 25-bp cut, while 2 members voted to keep the rate unchanged.
- The decision came as a surprise, as in the previous statement the board had emphasized that the cut should not be seen as the start of a continual path of cuts, as external risks could constrain further easing, suggesting that they would start a paced cuts strategy
- It will be important to see if the Minutes provide any insight on this change in stance.

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