

Fixed Income & Economics Daily

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FX & RATES STRATEGY RESEARCH

Diana Ayala

212-407-0979

diana.ayala@santander.us

STRATEGY

- **Monetary Policy Decisions in Mexico, Chile, Colombia and Peru**

ECONOMICS

- **ARGENTINA: Unemployment Rate Reached 8.3% in 3Q17**

Monetary Policy Decisions in Mexico, Chile, Colombia and Peru

- Today we have the last monetary policy decisions of the year for Mexico (2pm EST), Chile (4pm EST), Peru (6pm EST) and Colombia.
- **Mexico:** This meeting would be the first meeting led by new Central Bank Governor Alejandro Diaz de Leon, former deputy of the Central Bank. After holding the Fodeo rate for five consecutive months at 7.00%, we expect Banxico to raise interest rates by 25bps, to 7.25%, on the back of heightened inflationary pressures.
- **Chile:** We expect the Central Bank of Chile to remain on hold at 2.50%, as the inflation reading for November came in line with expectations, alleviating somewhat the risks of disinflation.
- **Colombia:** After cutting the interest rate in the past two months, we expect BanRep to maintain the rate on hold at 4.75%. Despite the dovish stance, a higher inflation reading than expected in November decreased the probabilities of a cut. Moreover, Mr. Cardenas' statement that the MPC should remain on hold after the S&P's decision to downgrade Colombia's sovereign rating left little to null probability of further easing this month. Moreover, he considered that the easing should resume in January, which is where the IBR is pricing the next cut.
- **Peru:** The majority of analysts expect the Central Bank of Peru to remain on hold at 3.25%. Yet, some see some probability of a 25-bp cut as inflation for November came below expectations, decreasing to 1.5% from 2.0%, moving closer to the lower band of 1.0%.

IMPORTANT DISCLOSURES/CERTIFICATIONS ARE ATTACHED.

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ARGENTINA

ECONOMICS

Unemployment Rate Reached 8.3% in 3Q17

Cristian Cancela*

+5411-4341-1383

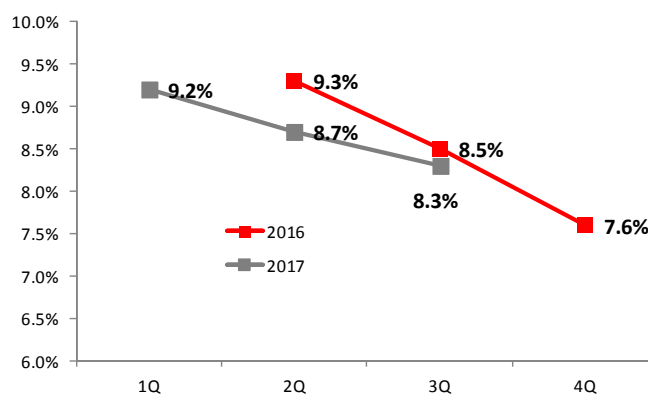
ccancela@santanderrio.com.ar

According to INDEC, the unemployment rate was 8.3% in the third quarter, below the 8.5% recorded in 2Q16. The activity rate stands at 46.3% (above the 46% registered one year ago), while the employment rate reached 42.4% (+0.1 p.p. for 3Q16), which implies that the unemployment rate trend deceleration is a genuine process, in the context of employment growth and not by an activity rate decrease.

The unemployment rate drop occurs in the context of private registered employment expansion of 1.1% in September, where the construction sector explained 67% of the annual growth in employment.

In the scenario of economic activity expansion (GDP expanded 4.3% in the third quarter) with total employment growth of 2.1% annually in September, we expect that the unemployment rate decline will continue into the next quarters.

Unemployment rate reduction due by GDP expansion



Unemployment rate. Sources Indec and Santander Rio.



CONTACTS / IMPORTANT DISCLOSURES

Macro Research

Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@bzwbk.pl	48-22-534-1888
Sergio Galván*	Economist – Argentina	sgalvan@santanderrio.com.ar	54-11-4341-1728
Maurício Molan*	Economist – Brazil	mmolan@santander.com.br	5511-3012-5724
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Diana Ayala	Economist - Colombia	diana.ayala@santander.us	212-350-0979
David Franco*	Economist – Mexico	dafranco@santander.com.mx	5255 5269-1932
Tatiana Pinheiro*	Economist – Peru	tatiana.pinheiro@santander.com.br	5511-3012-5179
Piotr Bielski*	Economist – Poland	piotr.bielski@bzwbk.pl	48-22-534-1888
Marcela Bensión*	Economist – Uruguay	mbension@santander.com.uy	5982-1747-5537

Fixed Income Research

Diana Ayala	Macro, Rates & FX Strategy – Latin America	diana.ayala@santander.us	212-407-0979
Juan Miguel Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santanderrio.com.ar	5411-4341-1065
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778
Aaron Holsberg	Head of Credit Research	aholsberg@santander.us	212-407-0978

Equity Research

Christian Audi	Head LatAm Equity Research	caudi@santander.us	212-350-3991
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Valder Nogueira*	Head, Brazil	jvalder@santander.com.br	5511-3012-5747
Pedro Balcao Reis*	Head, Mexico	pbalcao@santander.com.mx	5255-5269-2264

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