

Fixed Income & Economics Daily

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FX & RATES STRATEGY RESEARCH

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- COLOMBIA: BanRep to Remain On Hold**

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- The Central Bank of Colombia (BanRep) will meet today for their September policy meeting. In this meeting, we expect the board to keep the rate on hold at 5.25% after they cut the interest rate by 25bps in the previous meeting.
- The majority of the analysts also expect BanRep to remain on hold while there are a few analysts that consider that the MPC will cut another 25bps, according to Bloomberg's survey.
- In the previous meetings, the board considered that the better-than-expected inflation readings provided space to cut rates and support the economy. However, the latest inflation report came in line with BanRep's expectations and slightly above the market forecasts. Moreover, the latest activity indicators provided some early signs of economic recovery.
- Finally, in the last meeting, the majority of the members consider that the interest rate at 5.25% is in neutral territory. Given this stance and the latest information on inflation and activity, we believe that the majority of members will consider that there is no more room to cut rates in the short-term.
- Public speeches from different members of the board in the past month suggest that today's decision will be divided once again, where the majority will vote to remain on hold, while the other members will vote for an additional 25-bp cut, to continue to provide additional push to the economy.

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