

## LatAm Daily | As expected, Colombian CB increased MPR by 25 bps, taking it to 7.5%

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*During its June meeting, the BanRep's Board increased its MPR by 25 bps, taking the repo rate up to 7.5%, in line with expectations. Our central scenario contemplates that the repo rate should be kept at the current level for the rest of the year. Moreover, today we expect the IGAE in Mexico to drop by (-)0.1% m/m in April due to the contraction of the industrial sector.*

### Colombia - FARC guerrillas reach a cease-fire agreement with the Government

The Colombian government and FARC guerrillas have reached an agreement for a bilateral cease-fire and the rebels' disarmament. The deal announced yesterday is not the final accord, but it is the last major step towards ending one of the world's longest wars. President Santos expects that the government and rebels will complete negotiations for a final deal by 20 July. Only a few minor pending items remain, the biggest being how the final deal will be ratified.

### Colombia - BanRep increased its monetary policy rate to 7.5%

During its June meeting, the Central Bank's Board increased its monetary policy rate 25 bp taking the repo rate up to 7.5%, in line with both market and our own in-house expectations. The majority of the Board's members voted for the 25bp hike. It is important to note that the CB's macroeconomic assessment highlighted the orderly adjustment of the Colombian economy after a strong external shock. In this context, our central scenario contemplates that the repo rate should be kept at the current level for the rest of the year. Nonetheless, some elements could keep the CB's Board in a data-dependent mode. That said, a careful analysis of the next minutes, the evolution of the external outlook, the behaviour of loans, core inflation, and inflation expectations dynamics continue to be important elements to assess the evolution of future monetary policy.

## What to watch today

### Mexico - Monthly Activity Index (IGAE) will grow -0.1% m/m (April, NYT: 9:00 hrs)

We estimate that April's 2016 IGAE will decrease -0.1% on a monthly basis (m/m, sa) given a contraction of the industrial sector of -0.7% that will not be compensated by the 0.4% growth of the service sector or by the 1.1% growth of the primary sector. Note that the industrial production index of April is observed data that decreased 0.7% m/m, and that generally this index behaves in the same manner as IGAE's industrial activity index. On the other hand, note that in February and March the monthly rate of growth of IGAE was modest at 0.1% for each month, and the expected negative growth for April makes reference to the possibility that GDP's quarterly growth rate of the second quarter of 2016 may be lower or even negative.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Trade Balance Weekly	20-jun	jun-19			974	\$561m
IBGE Inflation IPCA-15 MoM	21-jun	Jun	0.51	0.55	0.4	0.86%
FGV CPI IPC-S	23-jun	jun-22	0.38			0.45%
FIPE CPI - Weekly	24-jun	jun-22				--
Current Account Balance	24-jun	May	2000			\$412m
<b>Chile</b>						
Central Bank's Traders Survey	22-jun					
<b>Colombia</b>						
Trade Balance	20-jun	Apr	-1000		-1117.5	-\$1116.9
Overnight Lending Rate	22-jun	jun-22	7.5		7.5	7.25%
Retail Confidence	23-jun	May				26
Industrial Confidence	23-jun	May				5.9
<b>Mexico</b>						
Aggregate Supply and Demand	20-jun	1Q	2.5		2.5	2.40%
Economic Activity IGAE YoY	23-jun	Apr	3.4			1.18%
Bi-Weekly CPI	23-jun	jun-15	0.1	0.10%		0.17%
Bi-Weekly Core CPI	23-jun	jun-15	0.14	0.14%		0.11%
Bi-Weekly CPI YoY	23-jun	jun-15	2.63	2.63%		2.66%
Retail Sales MoM	24-jun	Apr	-0.6			3.00%
Retail Sales YoY	24-jun	Apr	8.5			6.40%

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
06.22.2016	<a href="#">Colombia: BanRep increased its monetary policy rate 25bps up to 7.5%</a>
06.17.2016	<a href="#">Chile: Central bank kept policy rate at 3.5% and modifies the restrictive tone</a> (In Spanish)
06.16.2016	<a href="#">Brazil: Still no room for a monetary easing</a>
06.15.2016	<a href="#">Peru: April's growth the lowest result so far this year and surprised to the downside</a> (In Spanish)
06.14.2016	<a href="#">Inflation persistence in Latin America</a>
06.10.2016	<a href="#">Mexico Weekly: New episode of peso adjustment resulting from proximity of the Fed meeting</a> (In Spanish)
06.10.2016	<a href="#">Peru: The Central Bank maintains rates in 4.25% in a context of decrease of inflation</a> (In Spanish)
06.09.2016	<a href="#">Colombia: Where are we in Financial Inclusion?</a> (In Spanish)
06.08.2016	<a href="#">Brazil: Inflation stopped falling in May but will continue to trend down going forward</a>
06.08.2016	<a href="#">Chile: May's CPI (0.2% MoM) shows a inflation slowdown higher than expected</a> (In Spanish)

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