

# Santander AM Latin American Equity Opportunities

2 / 2023

## Fund commentary

February was a negative month for most financial markets, especially EM, where the MSCI LatAm 10/40 fell 6% and the MSCI EM fell 6.5%, both underperformed the rest of the world, with ACWI index falling 3%. YTD the MSCI LatAm 10/40 is up by 3.3%

The month was marked by a pause in the market rally, due to a more hawkish FED, and although the inflation print came in line with market consensus, prior data was revised upward, and both the PPI and PCE came above expectations.

Country wise, we saw negative returns across the board, with Mexico being down by 0.4%, both Chile and Peru fell by 4.1%, Colombia was down 7.9% and Brazil was the worst performer with a negative 9.4%. In terms of currencies, only the MXN and PEN appreciated, while the BRL, CLP and COP depreciated by more than 3%.

Brazil had a busy month, with earning season going on, we saw negative surprises, mainly on the financial sector, explained by the impact of Americanas. Flows continue to be negative, with another month of redemptions in local funds. In terms of economic data, CPI came in line, but investors keep pushing forward the easing cycle from the BCB, some saying that the Selic will stay flat this year with cuts only coming in 2024. Both industrial and retail data are pointing to a decelerating macro.

Mexico had the best month among LatAm countries and is up almost 17% YTD. Investors are still looking to gain further positioning in the country. The news of the month was the Banxico delivering a 50bps hike, while the market was expecting only 25bps, which is another sign that inflation might take longer to come down.

Chile was quiet on the political side, while on the macro side, we saw another surprise on the CPI print, coming at 0.8% while market expectations were pointing to a 0.5%. Economic activity was on the negative side, albeit stronger than the consensus. Estimates were pointing to the BCCh to start the easing cycle on April, with all this new information, expectations are now moving to June.

Andeans were mixed. In Colombia the government announced they'll become the de facto regulator on public services and utilities for a period of 3 months, in an attempt to try push prices downwards.

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