

Bladex Weekly

LatAm Insight

October 26 to 30, 2026

BLADEX

Macro Story of the Week:

Further Rate Hikes on the Horizon as Inflation Remains Unrelenting.

Expectations for U.S. monetary policy in 2026 have been on a roller coaster, marked by significant volatility. Markets shifted from pricing in rate cuts during the first quarter to contemplating further hikes following the outbreak of conflict in the Middle East. Persistent inflationary pressures—intensified by geopolitical tensions and rising energy prices—have complicated inflation's convergence toward the 2% target and reduced the Federal Reserve's room for maneuver.

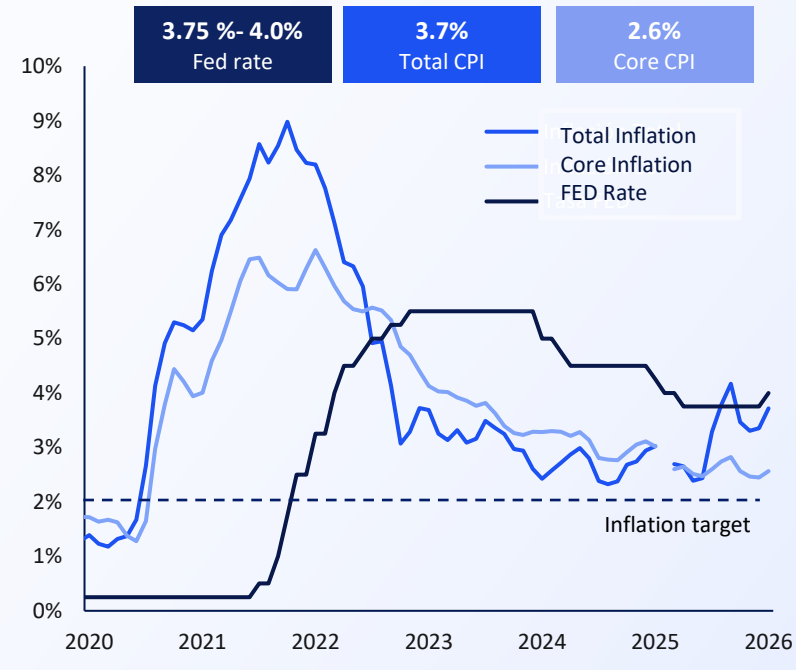
At the same time, the economy continues to show strength. GDP expanded at an annualized rate of 3.4% in the third quarter, while the unemployment rate remained relatively stable at 4.2% in September, underscoring the resilience of both economic activity and the labor market.

At its October 28 meeting, the Fed held the federal funds target range at 3.75%–4.00%, following a 25-basis-point increase in September, while keeping the door open to further adjustments. Fed Chair Kevin Warsh noted that a strong economy does not necessarily translate into greater inflationary pressures, particularly given productivity gains. However, he warned that higher energy costs could spill over into other price components. He therefore reaffirmed the Fed's commitment to price stability and emphasized the need to assess incoming data before determining its next steps.

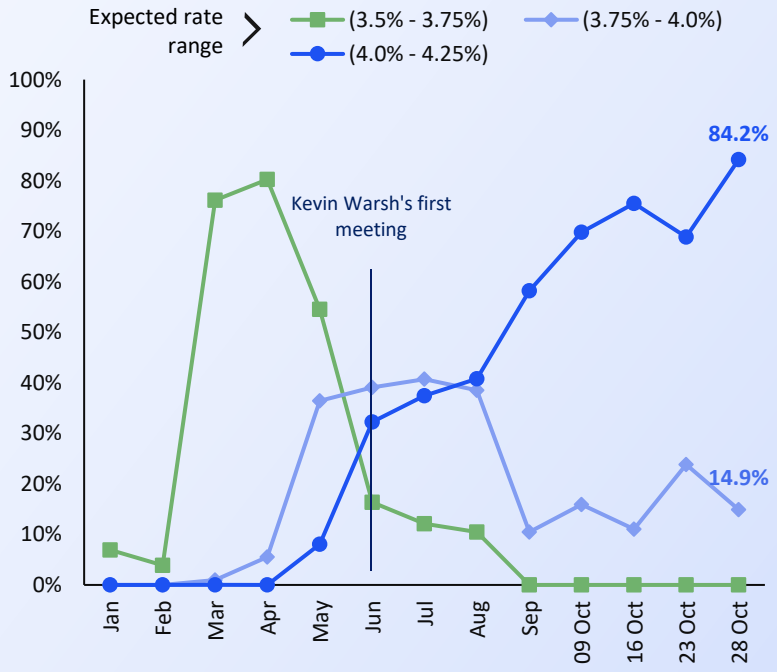
Against this backdrop, the combination of solid growth, a resilient labor market, and still-elevated inflation has strengthened expectations for a more restrictive monetary policy stance. The probability of a 25-basis-point increase in December reached 84.2%, a move that would bring the target range to 4.00%–4.25%. The economy's resilience therefore gives the Fed greater scope to continue prioritizing inflation control and keep interest rates higher for longer.

Observed inflation and expectations about the Fed's rate

Evolution of total inflation, core inflation and Fed rate
(Annual change, %) *



Expectations for the December 9 meeting
(Probability of occurrence)



*No inflation information for October 2025
Source: Bloomberg, FRED, CME Group, Economic Research Bladex

Regional Highlights



Panama

2027 Budget Enters the Final Stretch.

As of the cutoff date for this report, October 30, the National Assembly had approved the US$35.1 billion 2027 budget in a second debate, with 51 votes in favor and 20 against. Of the total, 36.6% will be allocated to investment and 63.4% to operating expenditures. Lawmakers also approved expanding the list of institutions authorized to enter contracts of up to US$1 million without applying the Public Procurement Law, under circumstances involving urgency or the public interest. The bill remained pending a third debate—the final stage of the legislative process—ahead of the close of the ordinary session on October 31.



Dominican Republic

Quasi-Fiscal Deficit Falls to Its Lowest Level Since the Banking Crisis.

Central Bank Governor Héctor Valdez Albizu highlighted that the quasi-fiscal deficit declined from 1.4% of GDP in 2020 to 0.5% in 2025, its lowest level since the 2003 financial crisis. He also announced a bill aimed at ending the central bank's capitalization process, drafted jointly with the Ministry of Finance and Economy and discussed with international organizations. However, he clarified that the proposal remains under review and will not be submitted this year.



Honduras

Country Steps Up Its Push to Attract Foreign Investment.

Honduras aims to attract approximately US$2 billion in annual investment over the next several years. The National Investment Council reported that reinvestment reached nearly US$600 million in the first half of 2026, twice the amount recorded a year earlier. In addition, three to four companies are preparing projects in the textile and manufacturing sectors. Authorities noted that energy availability, legal certainty, clear rules, and respect for contracts will be critical to attracting capital.



Guatemala

Private Sector Calls for Changes to the 2027 Chapín Budget.

Guatemala's private sector urged Congress to review the proposed Q192 billion 2027 budget amid concerns over rising expenditures and debt. The proposal envisages a fiscal deficit equivalent to 4.4% of GDP and Q45.6 billion in debt financing. Cacif and Fundesa recommended reducing budget allocations and securing sustainable funding sources, warning of risks related to budget execution, infrastructure, and Codedes. The Finance Committee expects to issue its opinion before November 10.



El Salvador

El Salvador Expands Its Budgetary Capacity by US$100 Million.

El Salvador's Legislative Assembly approved, with 57 votes, an amendment to the 2026 Budget incorporating US$100 million from an IBRD loan. The funds will finance obligations and priorities across ten government entities during the final quarter of the year. The Ministry of Health will receive US$47 million, while the Ministry of Public Works will be allocated US$25 million. Additional funding will go to Agriculture, Culture, Tourism, Economy, Governance, Labor, and the Institute for Access to Public Information. The decree will take effect upon publication in the Official Gazette.

Regional Highlights



Colombia

Record Bond Issuance and a Push for Fiscal Consolidation.

Colombia issued a record US$5.2 billion in international bonds maturing in 2032, 2037, and 2056, at an average yield of 7.6%. Part of the proceeds would cover a US$3.0 billion financing gap in 2026, while the remainder could be used to pre-fund a portion of the country's 2027 financing needs. In parallel, the government submitted the Economic Rescue Bill, which proposes public spending cuts, a broader VAT base, higher personal income taxes, and a gradual reduction in the corporate tax rate. The bill also provides for the creation of RUGE to attract investment and a stricter fiscal rule aimed at stabilizing debt and restoring fiscal credibility. At the end of the week, the central bank kept its policy rate unchanged at 12.25% and authorized the government to purchase US$2.0 billion as a complement to its international reserves accumulation program.



Argentina

Country Moves Closer to a US$900 Million Disbursement.

The IMF and Argentina reached a staff-level agreement on the third review of the Extended Fund Facility program, paving the way for a disbursement of approximately US$900 million, subject to approval by the IMF Executive Board. The Fund highlighted fiscal and monetary discipline, slowing inflation, and stronger reserves, which exceeded the June target by US$4.0 billion. The agreement calls for maintaining a primary surplus of 1.4% of GDP in 2026 and advancing structural reforms aimed at promoting growth and employment.



Chile

Central Bank Holds Rates Steady as Fiscal Risks Persist.

The Central Bank of Chile kept its monetary policy rate unchanged at 4.5% for the seventh consecutive meeting, amid annual inflation of 4.1% and stagnant economic activity. Meanwhile, the Autonomous Fiscal Council indicated that the 2026 and 2027 fiscal targets remain achievable but warned that projected tax revenue for next year relies on non-mining growth exceeding market expectations. It also flagged negative fiscal space between 2028 and 2031 and a probability of more than 50% that public debt will exceed 45% of GDP in 2029.



Brazil

Lula's Reelection Triggers Market Volatility.

Luiz Inácio Lula da Silva was reelected president with 51.79% of the vote, compared with Flávio Bolsonaro's 48.21%. Following the results, the Ibovespa fell by approximately 17% over the week, while the Brazilian real depreciated by about 8% against the U.S. dollar. In response to the volatility and rising government bond yields, the National Treasury suspended auctions and repurchased BRL 31.6 billion in government securities. Meanwhile, Finance Minister Dario Durigan announced that the government is considering fiscal adjustment measures to meet its budget targets.



Mexico

Economy Accelerates, Posting Its Strongest Growth in Three Years.

Mexico's economy grew 3.2% year over year in the third quarter of 2026, its strongest expansion since 2023 and above analysts' 3.0% forecast. On a quarter-over-quarter basis, GDP increased by 0.9%. The upturn was driven by public and private investment, robust exports, services, and industrial production. Services expanded by 1.1% quarter over quarter and industry by 0.8%, while agricultural activity contracted by 0.4%. From January through September, GDP grew by a cumulative 1.9% compared with the same period in 2025.

Key Global Developments



U.S. Data Point to a Solid Economy and Persistent Inflation.

The U.S. economy grew at an annualized rate of 3.4% in the third quarter, above the 3.2% forecast and marking its strongest expansion in a year. Growth was driven by consumer spending and a 12.7% increase in business investment, largely linked to artificial intelligence. Meanwhile, PCE inflation accelerated to 3.6% year over year in September from 3.4% in August, while the core measure edged up to 3.1%. The combination of robust economic activity and mounting price pressures has reinforced expectations of a Federal Reserve rate hike in December.







Canada Raises Rates, While the ECB and BoJ Remain on Hold.

The **Bank of Canada raised its policy rate by 25 basis points to 2.5%,** its first increase in more than three years, amid concerns that higher energy costs could broaden inflationary pressures. The central bank revised its 2027 inflation forecast to 3.1% from 2.0%. By contrast, the **European Central Bank kept its policy rate unchanged at 2.5%,** although it warned that a more prolonged energy crisis could drive prices higher and weigh on growth. The ECB refrained from signaling its next policy move, while markets anticipate a potential rate increase in December. **The Bank of Japan also held interest rates steady at 1.25%,** their highest level in nearly 31 years, following a rate hike in September. The decision was approved by an eight-to-one vote, as policymakers assessed underlying inflation to be broadly consistent with the 2% target.



Corporate Earnings Season Continues, With Mixed Results Across Technology Giants.

During the week, three of the so-called Magnificent Seven reported their third-quarter results. Microsoft posted revenue of US$92.3 billion, up 19% year over year, and net income of US$36.6 billion, up 32%, driven by Azure's expansion. Alphabet reported revenue of US$127.6 billion, but earnings declined by 25%, falling short of expectations. The company also recorded negative free cash flow amid increased investment in artificial intelligence. Finally, Amazon posted revenue of US$201.9 billion, up 12%. AWS sales rose 39%, accelerating for a fifth consecutive quarter, but net income declined by 2% to US$20.7 billion and came in below expectations, sending the company's shares down nearly 7% in after-hours trading.



El Niño Intensifies, Raising Concerns for Latin America's Economies.

CIIFEN estimates a 95% probability that El Niño will remain very strong through January 2027, with air-temperature anomalies ranging from 2°C to 4°C above normal across large areas of South America. From November through February, above-normal rainfall is expected along the coasts of Ecuador and Peru, as well as in central Chile and Argentina, southern Brazil, and parts of Paraguay. Meanwhile, Central America and northern South America are expected to experience rainfall deficits, posing risks to water and energy supplies and the agricultural sector. ECLAC estimates that an extreme event could generate cumulative losses of at least 2% of regional GDP over three years, with nearly half of the impact concentrated in the first year.

Regional Currencies

Currency	Spot	1 W	1 M	YTD	1 Y
BRL	5.42	8.90%	4.78%	-0.96%	0.76%
CLP	992.63	-0.24%	1.89%	10.22%	5.33%
COP	3167.37	0.67%	-4.29%	-16.15%	-17.99%
MXN	18.83	0.93%	4.21%	4.56%	1.63%
PYG	5912.50	2.48%	1.33%	-10.40%	-16.43%
PEN	3.46	0.39%	0.85%	2.94%	2.31%
UYU	40.18	0.27%	-0.30%	3.15%	0.84%
CRC	452.57	-0.04%	-0.71%	-9.03%	-9.84%
DOP	60.37	-0.32%	1.23%	-4.55%	-6.08%
DXY	102.03	0.21%	0.57%	3.77%	2.51%

Currency Appreciation Currency Depreciation

EMBI by Country in Latin America

Percentage Points

Country	5Y	3Y	2Y	1Y	YTD	1M	1W	29-Oct-26
Uruguay	1.38	0.89	0.84	0.62	0.68	0.71	0.83	0.82
Chile	1.61	1.51	1.15	0.91	0.89	0.94	1.03	1.02
Perú	1.81	1.81	1.54	1.18	1.35	1.12	1.21	1.20
Paraguay	2.45	2.23	1.51	1.16	1.01	1.10	1.29	1.24
Panamá	1.90	2.45	2.66	1.68	1.55	1.27	1.33	1.34
Guatemala	2.59	2.39	2.02	1.38	1.41	1.23	1.41	1.41
Costa Rica	4.93	2.52	2.03	1.62	1.41	1.32	1.56	1.56
Brasil	3.38	2.06	1.98	1.90	1.96	1.72	1.66	1.89
Rep.Dominicana	3.65	3.06	1.96	1.71	1.69	1.70	1.93	1.90
Honduras	3.91	3.73	3.37	2.91	2.34	1.62	1.98	1.99
México	3.53	3.81	3.01	2.13	2.22	2.10	2.25	2.23
Colombia	3.02	3.29	3.21	2.51	2.75	2.19	2.31	2.28
El Salvador	10.07	7.54	5.11	3.51	3.26	2.71	3.10	3.11
Bolivia	4.72	16.64	18.60	11.53	6.73	4.66	5.04	5.01
Ecuador	8.47	17.55	13.05	7.33	4.92	4.90	5.95	5.65
Argentina	17.12	25.82	9.34	6.66	5.61	6.09	7.06	7.46
Venezuela	321.98	190.79	219.27	137.88	127.41	45.58	44.20	43.38
LATAM EMBI*	**4.69**	**5.39**	**3.36**	**2.53**	**2.41**	**2.27**	**2.44**	**2.55**

Low relative to peers

High relative to peers

*EMBI Latam ex- Venezuela

Source: Bloomberg, Banco Central de República Dominicana, Economic Research Bladex

Commodities

Oil & Gold Prices
(USD/b , USD/oz)



	30-Oct-26	1 W	1 M	YTD	1 Y
Brent	**117.7**	0.8%	13.6%	93.3%	81.0%
WTI	**104.5**	1.2%	15.6%	82.0%	72.5%
Gold	**3907.0**	-2.2%	-6.0%	-9.5%	-2.9%

Silver & Copper Prices
(USD/oz, US¢/lb)



	30-Oct-26	1 W	1 M	YTD	1 Y
Copper	**650.3**	-0.1%	-1.8%	12.3%	23.8%
Silver	**49.4**	-8.3%	-18.2%	-31.1%	1.0%

Interest rates

	30/Oct/2026	1 W	1 M	YTD	1 Y
FED Effective Rate	**3.88**	**3.88**	**3.88**	**3.64**	**3.87**
SOFR 1 D	**3.94**	**3.92**	**3.90**	**3.76**	**4.04**
SOFR 1 M	**3.91**	**3.92**	**3.91**	**3.72**	**3.98**
SOFR 3 M	**4.07**	**4.05**	**4.08**	**3.69**	**3.85**
SOFR 6 M	**4.22**	**4.18**	**4.27**	**3.62**	**3.73**
SOFR 12 M	**4.49**	**4.43**	**4.60**	**3.47**	**3.54**

Source: Bloomberg, Economic Research Bladex

Calendar | November 2 to 6

Monday 2

Economic Activity MoM	P: -0.7% S: --	Sep
Economic Activity YoY	P: -1.0% S: --	Sep
CPI YoY	P: 6.3% S: --	Oct
S&P Global US Manufacturing PMI	P: 56 S: --	Oct F
ISM Manufacturing	P: 54.5 S: 54.7	Oct

Tuesday 3

S&P Global Brazil Manufacturing PMI	P: 44.8 S: --	Oct
CPI MoM	P: 0.1% S: --	Oct
CPI YoY	P: 1.7% S: --	Oct
Davivienda Colombia PMI Mfg	P: 54.6 S: --	Oct
S&P Global Mexico Manufacturing PMI	P: 50.3 S: --	Oct
Central Bank Economist Survey	P: S:	
IMEF Manufacturing Index SA	P: 50.0 S: --	Oct
JOLTS Job Openings	P: 7079k S: 7100k	Sep

Wednesday 4

Central Bank Meeting Minutes	P: S:	
Selic Rate	P: 13.8% S: 13.6%	
CPI MoM	P: 0.3% S: --	Oct
CPI YoY	P: 5.1% S: --	Oct
ADP Employment Change	P: 90k S: 70k	Oct
Trade Balance	P: -$105.6b S: -$107.9b	Sep
Imports MoM	P: 4.3% S: --	Sep
Exports MoM	P: 1.4% S: --	Sep
S&P Global US Services PMI	P: 57.9 S: --	Oct F
S&P Global US Composite PMI	P: 57.6 S: --	Oct F
ISM Services Index	P: 54.9 S: 54.7	Oct

Thursday 5

S&P Global Brazil Composite PMI	P: 47.4 S: --	Oct
S&P Global Brazil Services PMI	P: 49.2 S: --	Oct
CPI MoM	P: 0.5% S: --	Oct
CPI YoY	P: 4.7% S: --	Oct
Overnight Rate	P: 6.5% S: 6.5%	
Colombia Monetary Policy Minutes	P: S:	
CPI YoY	P: 4.7% S: --	Oct
CPI YoY	P: 5.70% S: --	Oct
CPI MoM	P: 0.85% S: --	Oct
Unemployment Rate	P: 7.0% S: --	3Q
Central Bank Survey	P: S:	

Friday 6

CPI MoM	P: 0.4% S: --	Oct
CPI MoM	P: 0.1% S: --	Oct
CPI YoY	P: 0.3% S: --	Oct
Change in Nonfarm Payrolls	P: 29k S: 55k	Oct
Change in Private Payrolls	P: 46k S: 55k	Oct
Unemployment Rate	P: 4.2% S: 4.2%	Oct

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