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- We keep our call for an additional 25bps hike on April 12, following a 25bps Fed hike on March 21
  - In addition, we do not rule out a further increase if uncertainty persists before the presidential elections (1<sup>st</sup> of July). In this context, we consider that the central bank could increase the reference rate again by 25bps during the June 21<sup>st</sup> meeting, just after a 25bps hike from the FOMC (June 13)
  - Looking ahead, and as volatility due to the aforementioned factors starts to dissipate, it is likely that the Central Bank could cut rates by 50bps in the second half of 2018

*From our fixed income and FX strategy team*

- Local rates are extending losses after Banxico increased its reference rate in line with our expectations and delivered a hawkish communiqué. In our view, the Mexican yield curve will remain pressured given current conditions in the global fixed-income market (e.g. Treasuries) and the possibility of additional rate hikes from the central bank in coming months. In the aftermath of actual market dynamics we hold our trade recommendation on defensive 5-year floating-rate Bonds D, with more attractive valuation and characteristics than CPI-linked Udibonos at this high-inflation environment given the hawkish tone from Banxico
- MXN is falling 0.4% today to 18.87 per dollar, albeit reversing deeper losses up to 18.97 about an hour earlier than the release, following the broader USD trend. In line with our call, the relief due to Banxico's decision was modest. We maintain our recommendation of USD/MXN longs opened back on January 19 with entry of 18.57, target of 19.50 and stop-loss of 18.20 per dollar

**Disclaimer**

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

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