

# Economic consequences of “The Trump” in Mexico – Short term government response

November 9, 2016

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- Given the available poll results so far, it seems that the Republican candidate, Donald J. Trump, won the US Presidential election
- Global financial markets are rattled by the election outcome...
- ...however, given the series of Mr. Trump’s anti-Mexican policy proposals, financial markets, and the hedging characteristics of the peso, has created a tornado around the Mexican currency
- As a result, we expect the Mexican government to take the following actions:
  - (1) *Banxico*: A 75bp rate hike of the reference rate, probably in an intra-meeting fashion and as soon as today;
  - (2) *FX Commission*: Activate the IMF Flexible Credit Line, not to intervene in the FX market, but to refrain from issuing US dollar-denominated debt (UMS, Pemex) in the next 18 months;
  - (3) *Fiscal policy*: Announce an additional cut in government spending for FY2017; and
  - (4) *Ministry of Foreign Affairs*: Send a high-level delegation to talk to Trump’s team to entice the issuance of a reassuring message with respect to the policies towards Mexico
- This will probably help the Mexican peso to move in a more orderly way and reduce its huge differential with the country’s fundamentals
- In fact, the MoF and Banxico will hold a press conference today at 8:00am (ET)
- In the medium-term we are not expecting a catastrophic outlook for the Mexican economy as we believe that Trump will not be able to implement the policies he has been proposing...
- ...not because these could be bad for Mexico, but because these would be terrible for the US, in addition to its strong institutional framework, despite a probable GOP majority in both the Lower House and the Senate

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